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Government Panel - Morning Session
Catherine DeFilippo
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Government Panel - Afternoon Session
Timothy Skud
Brenda B. Smith
Lee Smith
Jennifer Tucker
Christa Brzozowski
James Holbein
Thomas Overacker
Cynthia Whittenburg
1 Speaker Panel - Cutting Edge Technology
2 Jim Masloski
3 Craig Seelig
4 Mario Palacios
5 Rick Ryan
6 John Drake
7
8 Speaker Panel - Data Access and Sharing
9 Celeste Catano
10 Lisa Gelsomino
11 Tara Steketee
12 Chris Rubio
13 Mike Mullen
14
15 Speaker Panel - 21st Century Trade Processes
16 Cindy Allen
17 Matt Priest
18 Marianne Rowden
19 Chris Floersch
20
21
22
1 Speaker Panel - Intelligent Enforcement
2 Nate Herman
3 Dr. Eugene Laney
4 Rebecca Mond
5 Cornelia Steinert

6

7 Speaker Panel - Emerging Roles in the Global
8 Supply Chain
9 Jon Gold
10 Tim Perry
11 Amy Magnus
12 Barry Baxter
13 Candace Sider
14
15
16
17
18
19
20
21
22
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome - Morning Session</td>
<td>6</td>
</tr>
<tr>
<td>Opening Remarks</td>
<td>9</td>
</tr>
<tr>
<td>Congressional Remarks</td>
<td>25</td>
</tr>
<tr>
<td>Overview of Public Meeting</td>
<td>35</td>
</tr>
<tr>
<td>Introduction of Government Panel</td>
<td>42</td>
</tr>
<tr>
<td>Cutting Edge Technology</td>
<td>45</td>
</tr>
<tr>
<td>Data Access and Sharing</td>
<td>108</td>
</tr>
<tr>
<td>Welcome - Afternoon Session</td>
<td>163</td>
</tr>
<tr>
<td>21st Century Trade Processes</td>
<td>167</td>
</tr>
<tr>
<td>Intelligent Enforcement</td>
<td>217</td>
</tr>
<tr>
<td>Emerging Roles in the Global Supply Chain</td>
<td>275</td>
</tr>
</tbody>
</table>
MR. BRADLEY HAYES: All right, everybody.

We'll go ahead and start our hearing, as we've got our panel filtering in. If everybody will take their seats, please. Good morning. Welcome to the US Customs and Border Protection 21st Century Framework Public Meeting here in Washington, DC.

My name is Bradley Hayes. I am the Executive Director for our Office of Trade Relations at US Customs and Border Protection, and today I'm going to serve as the moderator for this public hearing.

We appreciate all those who joined us in person and braved the elements of the thin sheet of ice that we had last night. So, I hope you didn't have too much trouble getting here.

You know, the importance of this effort to the trade community is evidenced by the fact that we've got a room that's starting to fill up, and we've got hundreds of others who are joining us by the phone. The 21st Century Customs Framework Initiative, or 21CCF as we colloquially like to call it, was first announced by CBP
Commissioner McAleenan at our 2018 Trade Symposium, the one that we had in Atlanta in August of last year. Since that announcement, our Office of Trade has been leading an effort to address and enhance the numerous aspects of CBP's trade mission to better position the agency to operate in a 21st Century trade environment. As part of this effort, CBP is intent on collecting input from the trade stakeholders to inform and shape the changes and solutions that we end up producing from this initiative.

On December 21st of 2018, the Office of Trade published a Federal Register Notice announcing this public meeting and soliciting public comment on several of the themes that have been identified by stakeholders that are critical to the future of trade.

In response, a wide range of stakeholders, which obviously include our brokers, shippers, importers, small and large businesses, and other interested groups offered a variety of perspectives through comments on the public
Today, we're honored to be joined by a panel of senior officials from a range of US government agencies, and we're going to hear from speakers who will present their comments in this public forum.

Members of the public in attendance, they will also have an opportunity to offer comments during the public comment period throughout the day. All comments heard today will become part of the public record and will obviously play a very valuable role in shaping the future of trade.

To open today's proceedings, I would like to introduce Mr. Robert Perez, who serves as Deputy Commissioner of US Customs and Border Protection. In his role as the Deputy Commissioner, Mr. Perez, as the agency's senior career official, works with the Commissioner to ensure that CBP's mission is carried out effectively. This includes protecting our nation's borders from terrorists, terrorist weapons, securing and facilitating global --
excuse me -- legitimate global trade and travel, keeping illegal drugs and illegal aliens from crossing our borders, and protecting the nation's food supply and agriculture industry from pests and other diseases. Obviously, he has a little bit going on, a little bit on his plate, small job that the Deputy Commissioner serves. So, with that, I will welcome to the podium Deputy Commissioner Robert Perez.

[Applause.]

DEPUTY COMMISSIONER ROBERT PEREZ:

Thank you, everyone. Good morning. And thank you, Bradley, appreciate the introduction. It's my pleasure to share a few moments with you all this morning and thank you for coming everyone to the 21st Century Customs Framework Public Meeting.

As Bradley mentioned, we put out the Federal Register Notice a couple months ago. We are very grateful for all the interest we've had and received regarding that notice, and here we are, you know, some months after the Commissioner announced at our last trade symposium that we were
going to be embarking upon this effort.

So, what I'd like to do is actually
to share a few thoughts of where we're at today
from a CBP perspective and even just from an
operational perspective vis a vis things trade and
kind of hopefully frame for you the -- the intro,
if you will, to how we intend to embark on this
effort and what we hope to begin to accomplish
starting today.

So, a quick snapshot of what it is we
continue to encounter, what we encountered by way
of just trade volume over the course of the last
fiscal year in 2018.

Over 2.3 or 2.6 rather trillion
dollars' worth of imports entering the US via over
29 million cargo containers, trucks, and railcars.
All the while, CBP collecting also second, as far
as revenue collection in the entirety of the US
government, over 52 billion dollars in duties,
taxes, and fees, and reflective particularly of
the 21st Century as far as trade is concerned, the
E-commerce volume, if you will, mail parcels made
up of about 500 million or nearly 500 million international shipments last year and about 130 additional -- 130 million additional shipments via express consignment. The good news there is that we began to and now receive advance information for over 50 percent or nearly 60 percent of the entirety of that mail volume, we receive advanced information. That's about a 300 percent increase in getting advanced information in the mail in just over two years.

Balancing that facilitation and/or efficient movement of that legitimate trade, nevertheless, is ever present in our minds, leveling the playing field, making sure that we are enforcing trade laws, and protecting the American public and the communities we live in as best as we possibly can.

Last year, CBP's nearly 34,000 shipments that were in violation of intellectual property rules worth nearly 1.4 billion dollars. 90 percent of that volume, again reflective of the volume and the way with which trade has changed --
90 percent of those seizures that violated intellectual property rights were seized in the international mail and express shipments.

One other very important point, I think, you know, with respect to how it is, we continue to evolve in things that we're doing as well to make, you know, to move ourselves along with -- within a 21st Century Framework, if you will, is ongoing realization and modernization of our own platforms and processes, you know, as far as how we've measured the changes that ACE has produced by way of making ourselves all more efficient with respect to new capabilities and automating old capabilities that weren't automated in the past. Last year, we measured a total economic benefit to the trade community by way of those very specific measures of nearly 400 million dollars, about 35 million dollars in time saved and benefits to our agency in and of itself. So, more good news. We reduced processing times by about 400,000 hours to the trade community and nearly 700,000 hours for ourselves alone, which is
a really, really tremendous accomplishment. We also opened up two new unified cargo processing centers along our southern border, of which now there's ten total, where we're working alongside our Mexican counterparts to make sure that we're reducing wait times and increasing predictability and efficiency while being, again, ever mindful of the economic and national security concerns for both our nations.

So, our trade operation is clearly, as I know all of you appreciate and have known so well given that again many of you have been really in the trenches with us in so many of these efforts, they have a clear, clear, and unquestionable impact on not just the US economy, but on the overall national security of our great country.

So, what is it that we continue to kind of realize, frankly, and why is that we're still looking toward optimistically this effort with a great sense of urgency? Well, that is that trade, particularly over the last few years, is
not only in accelerated and relentless state of change, but it is one that absolutely mandates our keeping pace with all that is going on. If you think back, and some of us were around and can remember, the Customs Modernization Act of 1993. I mean, that was really a generation ago, which was the last time, you know, attached to, if I'm not mistaken, you know, back then some of the North American Free Trade that was being passed. That was the last time that we really went through a comprehensive modernization, if you will, of cross-border Customs processes. So, arguably, and frankly from my point of view, long overdue, that we really delve into and make substantive change to keep pace with the 21st Century reality of this ever-changing landscape.

So, again, when you think back of where we were and where we are today, I learned and was reminded that back in 1993, according to Life Science Technology, there were about 600 websites in the entirety of the internet. Okay. And in 1993, that was actually two years ahead of
Amazon selling its first book on the internet.

Wow, where have we been, right? I mean, think about where we've been. It's incredible. Look, I know you all appreciate and understand frankly, better than most, what this really has presented for you all by way of businesses and certainly we continue to pay particular attention of what it continues to change for us and how it is we can deliver the best security and service to all of you.

Thanks to the evolution and the change of E-commerce, factories, you know, continue and they are now struggling with increased backlogs. They are vying for last-mile warehouse storage all over the country and in and around those areas where they know they need that type of warehousing. Many links in the supply chain are also seeing some labor shortages. There's a lot of demand out there, you know, with respect to that changing landscape.

An exponential growth in small packages also, as I mentioned earlier, you know,
given the volume of what we see in the mail streams, has significant risk, not just the counterfeits that I mentioned, which clearly poses not only a risk of undermining legitimate businesses, but also safety risks as well due to poor quality, and untested products being put in place and/or shipped in place of legitimate ones.

And I have to mention, as you all have no doubt heard of and seen, the ongoing scourge of synthetic narcotics, particularly synthetic opioids and fentanyl being shipped through the international mail streams and what that presents by way of an ongoing national security challenge.

So, sales platforms changing, marketing platforms changing, even consumers now functioning more than ever before as importers, many of which really don't have nearly as much information or just awareness of how it is international trade functions, all of which is why we are here today.

And, as Bradley mentioned, as I
mentioned, you know, kicked off and/or introduced last August at the Trade Symposium, our 21st Century Customs Framework really begins today in earnest. And so, thank you again for your interest and essentially what we've done is, you know, getting your feedback and working through some of that, we've created six key areas within the framework that are going to essentially be the lines of effort that we are going to pursue, five of which are going to be delved into and spoken to in depth today by way of the panel to my left and also additional panels across over the course of the day. But, I thought I'd briefly mention, you know, what those six are.

So, the first self-funded Customs infrastructure, it really is an acknowledgement of how important that ACE infrastructure, those platforms that we oversee and that we manage, how valuable and how important they've become. That is the one area that we're actually not going be discussing in depth today simply because, you know, the primary venue for that continues and
will be an interagency process with our Border Interagency Executive Council. Nevertheless, again, that dialogue vis a vis us and you all will be something that we will look forward to continuing to have as we form that interagency due diligence of how we, you know, look toward making sure that that infrastructure doesn't fail, especially when we need it most -- when you all need it most. And that is something that evolves over time.

The five of which we're going to discuss and we'll have panels all discussing today, begin with first cutting-edge technology, making sure that we are keeping up with incorporating, leveraging, using as effectively and efficiently as we can, the latest in technology and not lagging behind, keeping pace, again, with the technological solutions whether it is, you know, machine-learning, artificial intelligent analytical predictive analytics and/or robotics, however it is and wherever it is, they can be incorporated and is incorporated into 21st
Century International Trade. We need to make sure that we're keeping pace with incorporating technology where it's going to help us most, again, with both the national security and the economic security mission of our agency.

Data access and sharing. No secret, we collect a lot of data. You all share a tremendous amount of data with us. But, where is it, and how is it that we can more effectively utilize that data, and/or where are there still potentially gaps and not just what it is that we could collect, but the timing with which we all have the ability to have that transparent knowledge and that we share it. Those are the things that we want to explore in the data access and sharing discussions to make sure again that we are making as most informed decisions as far as managing risk as we possibly can.

Emerging roles in the global supply chain. Again, as I mentioned just briefly a moment ago, new parties exist and are involved in international trade transactions that frankly 20
years ago either, you know, weren't part of it or just didn't exist before. And so, you know, identifying with all of you and a lot of the industry experts, what are those roles and responsibilities? Who are these parties and how should they be defined in a 21st Century way as opposed to trying to have them fit into a definition that was frankly put forth back in 1993 or before?

Intelligent enforcement, again gets back to, I think, leveraging a lot of the technological solutions and tools that we want to employ as well as that information, but intelligent enforcement, again, really speaks to how it is we can all work together to keep us all safe and to protect legitimate trade, protect the economy, protect the legitimate businesses, and, again, our communities from all the risks that I just mentioned a little while -- a short while ago that continue to permeate and exist in so much of this trade right now, and it is an ongoing challenge.
And then lastly, just 21st Century trade processes, looking at the ins and outs just from a procedural perspective, how are we conducting business. You know, when you think about it, again, you know, a couple decades ago, and even probably more recently about a decade ago, the vast majority, and there's so much, and there still is a significant amount of trade volume that does come in 40-foot, 20-foot, large containers overseas and across our borders in trucks, but that is shifting, and has shifted, and continues to shift. And so, again, whether it's the type of technology we use, the information we're collecting, or even just a logistical chain of all that movement of trade, the 21st Century Process Group is, we're hopeful, going to examine exactly how it is from a procedural standpoint we need to modernize how we look at the logistical side of how trade is moved and processed across our borders. Pretty tall order. That's a lot. That is a lot to tackle, but we are absolutely up to the challenge, folks, and we know you are as
So, I'm going to thank you in advance for what I know you all are going to continue to do alongside us to get this job done. Our Office of Trade alongside all the offices in CBP that -- that had some role in trade, whether it's the Office of Field Operations or Office of International Affairs, or Office of Information Technology and Finance, they will all be part of what our Office of Trade will lead, which will be taskforces assigned and dedicated to pushing forth and finding real solutions to each one, again, of these topics that you're going to hear about more in depth over the course of today.

So, I want to thank you, again, for those of you who provided some written comments to the Federal Register Notice, and again, for being part of this discussion today.

Lastly, I think it's just important for me to emphasize one, you know, critical point, because this really, I believe, speaks to the culture of CBP, one of which all of us that are
part of this agency are particularly proud of.

You know, since we were created, and this
department was created, which happens to be today, 16 years ago, I might share. We've always taken
great pride that over the course of our existence, whether it was a regulatory change, a statutory change that we were collaborating with up on Capitol Hill, our Congressional leadership, or whether it was, you know, just an interagency and/or stakeholder partnership initiative, collaboration is so key and so much part of the culture of CBP. And so, I want to just make sure that you all know that as we embark down this path, and as these taskforces are stood up, and as we go about this work of finding these 21st Century solutions in the most robust and aggressive of fashions that we're going to ask you to be right there shoulder-to-shoulder with us and helping us define those solutions so that they are mutually agreeable, mutually beneficial, and really, again, do the best we possibly can to protect not only our economy but our national
So, again, thank you for being here today. As I relinquish the microphone, I first have the good pleasure of introducing a very, very special stakeholder of ours and special guest today. Senator Bill Cassidy has served Louisiana for 13 years, first as a State Senator elected in 2006, then as a US Representative elected in 2008, and since being elected to the US Senate in 2014, Senator Cassidy has been engaged many of the areas of interest to CBP, particularly in the trade arena. Among the Senator's committee posts, he serves on the Senate Finance Committee, which provides primary oversight of CBP's critical trade and revenue detection functions, and we at CBP are particularly appreciative of Senator Cassidy's ongoing collaboration and unwavering support for what it is we try to do in our agency every day.

So, ladies and gentlemen, thank you again for your attention, thank you for being here, and I have the good pleasure of introducing and welcoming Senator Bill Cassidy.
[Applause.]

SENATOR BILL CASSIDY: I thank the Deputy Commissioner. I wanted, if you will, to give a legislative perspective but a little bit more so, because I'm not sure fundamentally there's that much I will say differently from the Deputy Commissioner. There's a whole set of issues facing our country that are inter-related and often times the root cause is below the radar. But, if we're only going to address those issues which are seen as above the radar, we must go to that root cause, and I would argue that this agency is the point of the spear in terms of addressing those root causes.

By the way, I'm a physician, and so when you make a diagnosis of a disease, you don't say oh my gosh, here's the symptom, therefore we must treat the symptom. No, you try and go down to that which is the cause of the symptom, and that, again, is, if you will, where I think we need to be.

Now, what are some interconnected
issues? Some interconnected issues are that 64,000 Americans died last year from drug overdose, that trade-based money laundering is often the way that cartels get their ill-gotten gains out of the US, back to their home country, in order to continue to finance the drugs coming up to our country, which then subsequently kill another 64,000 Americans, and seemingly unrelated, but intimately related, we have a problem in Central and South America where economies are dysfunctional and because of that dysfunction, we have immigration across our border. And yet related once more, seemingly different, but related, is that we have counterfeit goods coming across adulterating our supply chain. Again, as the Deputy Commissioner said, endangering many aspects of our economy, of our health, and of our safety. You are frontline.

Now, our mutual responsibility is how do we educate legislative -- my legislative colleagues to understand the interrelatedness of these issues? I don't know where my staff is --
Maria, Jamie, are you all around? I have staff right here, Maria and Jamie, they've been working on me to understand this issue for the last two years, and it's taken me that long to get to the point where I can comprehend Mr. Perez's opening talk. So, we need to -- we -- we -- you and me -- need to educate others on Capitol Hill to come to that understanding a little bit faster than I did in order to give you the tools you need in order to accomplish what we need to be accomplished for us. Never has so much depended upon so few for so many in quite some time.

So, let me elaborate. How do I put all those seemingly different issues together? Well, the way I look at it is that we again have drugs being produced, which come across the finance and returns that financing disrupts Central American economies. When you have a lot of dollars flooding in from drugs being sold in the United States, it inflates the value of your currency, which makes your economy less competitive in terms of exports. There is also a
heck of a lot of free dollars there in which to bribe public officials, corrupting, if you will, police forces and military.

Now, part of the way this works again is through trade-based money laundering, in which the good may go in one way, the invoice goes in another way. If the invoice passes through a third country -- through a second country -- so, the goods go from the United States to a Central American country, but the invoice goes through another country, if the invoice comes back and it's been marked down, so instead of being for a million bucks, it's for five hundred thousand dollars, that Central American company -- country just loses that tariff revenue. It loses that governmental revenue, which could be used to support infrastructure to attract foreign directive -- foreign direct investment, which might create economic opportunity for someone in their country, enabling and enticing them to stay in their country as opposed to joining a caravan and come to ours. There is an interrelatedness
here that we can accomplish if we are smart about how we attempt to accomplish.

Now, the Deputy Commissioner laid out the obstacles. It is incredible the volume of goods that you're taking care of. It is incredible the rapidity with which E-commerce now circles our globe. But, by golly, we're Americans. We're Americans who have consistently come up with solutions to problems that others threw up their hands and said we cannot do. And in finding those solutions, we actually provide leadership for other countries to allow them to emerge from that which seems insolvable and to that which is doable, and that is our goal today.

Now, what are some possible solutions? And I offer the solution not to say, oh my gosh, this is written in stone, but rather I find it more effective to move a conversation to advance an idea, a straw dog if you will, and if folks don't like it, then offer me a better. So, I'm going to offer an idea. But, by the way, the solution I'm going to offer is something my staff
and I have been kicking back and forth, and as I was sitting drinking my coffee in the green room waiting to come in the room, across the way I hear two folks speaking to the same issue, and that makes me think there might be a convergence, if you will, of thought as to how we can go forward, and that, of course, is incredibly affirming for what we've been attempting to do.

So, what are possible solutions? I could imagine that we institute, slowly scaling up, but institute a public-distributed ledger system, which, I understand, that IBM and Merck are already working on, that Wal-Mart already uses for agricultural goods, which are sold in Wal-Mart, and in this distributed ledger, as I understand it, there is a chain of truth. By the way, if anybody wants to understand distributed ledgers, there's a fellow at University of Louisiana, Ramesh Kolluru, who wrote me this two-page summary of -- two-page summary of how to understand distributed ledger, and he said give it to anybody I wish. So, if you wish to have this
two pages, and you listening and you in the
audience, just get in touch with our office.
Maria Sierra is my -- is my point person. She's
got a husband and a young child, but you can call
her anytime day or night, you know? If you're in
Guam, don't worry about the time zone, just get in
touch with Maria. Grab her card, her cell phone's
on there, and she'll be sure to send it to you
just at that moment. And if you hear a baby in
the background, don't worry, that's just a kid who
needs to stop crying anyway.

But, if we had a distributed public
ledger where there was a so-called chain of truth,
and there is actually a linkage between that
manifest and that invoice. So, when the good
comes from say the United States to Guatemala, and
the invoice passes through Panama, the systems in
each country can watch as a chain of truth is
attached, and if there is any corruption in the
process whatever or if there is anyone who along
the way notices that the goods, the volume, the
quality, the description somehow ends up being
different, all three countries are notified, and in this chain of truth, we have the ability to enforce real time that which now we have a lag, and that real time is critical, because then you can go in and make the adjustment that allows the good to actually be delivered, the bad person who might be trying to corrupt the process to be identified, and the duty to be collected, so that the say Guatemalan government has the enhanced revenue to build that infrastructure, which attracts foreign direct investment, which gives the Guatemalan the opportunity to stay in her country, which is where she would rather stay if she had that economic opportunity. That is the virtuous cycle.

Now, it may not be the public-distributed ledger is the way to go, but it was so affirming to hear that being discussed on the panel as we were just sitting in the green room and for this to occur.

Now, this could be cloud-based, because you can imagine that some countries do not
have the technical resource to do it, but that's what you do. You already station folks in other ports in other countries in order to help those countries comply with our law. And if cloud-based in a small region, imagine Central America -- which we have allies and they have a vested interest in making sure this happens, as do we -- then you can scale from there.

Now, we have our mechanism by which to scale. We have our TTUs, our Trade Transparency Units, we have a new US-Mexican-Canadian agreement in which I understand there is enhanced cooperation for electronic data passing back and forth. Well, we heard that from Mexican officials when we went down there, so I know the Mexicans care about this. So, I think that this small operation, if works, can scale.

I also like it because the Deputy Commissioner spoke about the need to collaborate with the private sector. The private sector is doing this. I mentioned IBM and Merck. DOD is doing it, because DOD understands that if there's
any corruption in any part of their supply chain that F22 may not fly as it is supposed to fly.

And so, we have examples both from the public and the private sector where supply chain integrity is being emphasized tremendously and, in that emphasis, systems being created, systems that you imagine could marry with the system put forth by your agency, in which we don't have to reproduce, rather we can partner. And that actually seems ideal, because no one has a greater vested interest in rooting out counterfeit goods than the private sector, which is responsible for the integrity of the product, and which, by the way, is losing millions and billions of dollars to those who counterfeit in a means in a way to launder dollars through trade-based money laundering.

So, let me finish by saying this. I thank you for being the point of the spear. You've been the point of the spear at the border. You've been the point of the spear in terms of trade. But, now I ask you to be the point of the
spear in another regard, which is to help me
educate my legislative colleagues for issues which
are below the radar but need to be above the
radar, for issues which are root cause, of those
which are talk of the headline, because only by
addressing that root cause will we address the
headline. And if we do that, and I am confident
that we will, then we will occupy the traditional
role of Americans, which is to find solutions to
seemingly intractable problems and to provide the
leadership worldwide that points our worldwide
community in a better direction. Thank you for
being the point of the spear.

[Applause.]

MR. BRADLEY HAYES: As our former
Senate staff, of which I know several in the room
have, nothing terrified me more than when my boss
would throw me to the wolves and offer me up for
the subject matter expressed. So, I recognize the
good work that staff does to educate our
Congressional champions, and, Senator Cassidy, we
thank you for educating yourself on these issues
and being a champion for all of us. I really want to commend you for sticking around on a Friday morning, when I know the entire state of Louisiana is celebrating Mardi Gras, and you've got -- which, as we were discussing earlier -- so, as we discussed earlier, Mardi Gras, I'll make mention, was invented in Mobile, Alabama, which I believe your wife will agree. But, Louisiana perfected the celebration, so, hence the gold, purple, and green tie that the Senator is rocking. But, thank you again for joining us this morning. We appreciate your comments. And also those of Deputy Commissioner -- well, he may have left -- Deputy Commissioner Perez. Obviously he has -- he was taking the lead internally for CBP on all of these trade issues. So, again, I think those comments really highlight the importance of our efforts this afternoon.

So, before we proceed any further, I'll provide an overview of today's proceedings. I get the exciting job of sharing some of the administrative instructions for our panelists.
First, I'll direct your attention to the agenda, as Deputy Commissioner Perez pointed out. The proceedings today are going to be structured under our 21CCF theme. The five things we're going to be discussing are cutting-edge technology, data access and sharing, 21st Century trade processes, intelligent enforcement, and emerging roles in the global supply chain. So, we're going to dedicate one hour to each of these five themes. For each theme, the government panel will first hear from a panel of experts and speakers who have agreed to present their comments in this public forum. Each of the individual speakers is going to be limited to five minutes. For those speaking on the panel, you'll notice that there's a box on the table with three lights, green, yellow, and red. The green light will be illuminated when you begin your remarks. The yellow light will be illuminated when you have one minute left in your remarks, and that will indicate that that's the time to start wrapping up. And the red light will come on once your time
has elapsed. And I really don't want to have to
cut people off mid-sentence. So, if we could be
cognizant -- obviously we have a long day of the
time constraints -- we would appreciate it. And
if the red light comes on, I'll ask you to
conclude your remarks and introduce the next
speaker.

We've got a very busy schedule today,
and we've got a total of 23 speakers that are
going to talk about all five of these themes. So,
again, I ask the speakers be cognizant of the time
allotted and understand if I ask that you conclude
your remarks. I'll do so in a very light, less-
than-harsh manner.

So, after a commentary from all
speakers on a theme is complete, the government
panel is going to have 15 minutes to address the
speakers. The government panelists may direct
their questions to one or more speakers on the
panel, but given the number of speakers on the
schedule, we request that the speakers be concise
when they are responding to our panelists today.
And after the government panel has spoken, it's important to note that I'm going to open the floor for 15 minutes to hear public comments from those in attendance today. I'll invite attendees in the auditorium to approach the microphone stands in an orderly fashion and form a line to speak on that theme. So, if you plan to offer public comment, please introduce yourself, keep comments concise and relevant to the theme being discussed, and importantly, please refrain from sales pitches for products or services, and refrain from the use of offensive language, as again, this is a public hearing.

Due to time constraints, teleconference attendees are not going to be able to offer public comment during today's meeting. After the public comment period is complete, there will be a five-minute transition period between themes. During the break, a new group of speakers will be directed to the table down front to replace the previous group, who will be directed back to their seats, and then we'll begin our
Towards the end of the day, after we've covered all five themes and they've been addressed by our panelists, there will be one final 15-minute block open for public comments on any of the themes discussed during today's hearing. And a full transcript of today's meeting will be made available.

And I want to make note though that after today's public meeting, we're going to solicit -- CBP will further comment on the 21CCF themes by issuing another Federal Register Notice, so please be on the lookout for that later this March. We'll be sure to push that out to members of the trade.

Restrooms can be accessed by exiting the auditorium through the door on your left-hand side. So, please proceed down the hallway, and you'll find the restrooms to your right. The auditorium has four emergency exits. There is one on each side at the front at the auditorium, and two more located in the back of the auditorium.
that lead out to the second floor. So, we'll plan to break for lunch today, assuming we're on schedule, right around 12 noon. Lunch options -- there's a food court in the Ronald Reagan Building. There's access right across the street on 14th Street. And there are food trucks supposedly located behind the Department of Commerce on 15th. Hopefully the weather hasn't diminished that. The cafeteria located in this building is reserved for federal employees with badge access.

All right. So, now that I've gotten all the fun stuff out of the way and covered logistical and administrative items, we will introduce our government panels.

As I mentioned earlier, we're pleased to have senior officials from not only CBP but several partner government agencies on our panel today, and I first want to start by introducing the Panel Chair, Ms. Brenda Smith, who serves as our Executive Assistant Commissioner for the Office of Trade at US Customs and Border
Protection. She's going to introduce the rest of
the panel. I'll make note of her commitment of
this issue after, I think, arriving about seven
hours ago back from Australia for meetings. So,
we're glad to have you here, and I'll turn it over
to you for introduction of the rest of the panel.

MS. BRENDA SMITH: Thank you,
Bradley, and thank you all for being here. We
have been looking forward to this day for a number
of months. A lot of internal work, as you can see
from the buzz of activity up here in the front.
But, I'd like to start off today's conversation by
introducing the panelists that have joined me here
on stage. What our role will be is essentially on
behalf of the US government to ask questions -- to
listen to the testimony, and to ask questions
about the substance presented. We reviewed the
comments that were submitted in writing and now
look to really have more of a conversation about
the themes related to what we see as the key
drivers of what a 21st Century Customs Framework
could look like.
So, with that, I'd like to thank all of you for being here and introduce first of all my colleague to my left, Todd Owen. Many of you know Todd as the Executive Assistant Commissioner for the Office of Field Operations at US Customs and Border Protection. To my right is Michael Dougherty, who is the Assistant Secretary for Border Immigration and Trade Policy at the Department of Homeland Security. To my left is Mr. Lee Smith, the Deputy Assistant Secretary for Policy and Negotiations here at the Department of Commerce, and we would like to thank you, Lee, for allowing us to join you here at your beautiful facility. Also to my right is Mr. Tim Skud, the Deputy Assistant Secretary for Tax Trade and Tariff Policy at the Department of the Treasury. To my left is Dr. Jennifer Tucker, the Deputy Administrator of the National Organic Program, Department of Agriculture and certainly one of our key other agency partners. Thank you for being here. And finally, last but not least, Ms. Catherine DeFilippo, the Director of Operations at
the International Trade Commission, also a key partner in a number of the activities related to administration of Customs for the United States. So, I want to thank you all for being with us, and I would also like to thank all of those who have volunteered to be speakers today and represent the private sector and the trade community. We are really pleased to have your comments and look forward to this as a continuing conversation as we look to up our game in 21st Century Customs.

Thank you.

MR. BRADLEY HAYES: All right. Thank you for those comments, and again I'll echo our appreciation for our government panelists. So, why don't we go ahead, and I'll invite speakers from our first group who are going to start talking about cutting-edge technologies come forward and be seated at the table.

All right. At this time, we'll begin commentary on our first theme today. As I mentioned, it's cutting-edge technology, and one of the founding features of the modern trade
environment is the rapid emergence of new

technologies. At US Customs and Border
Protection, we explore the use of new technologies
and seek to explore these new technologies to
improve our trade facilitation and trade
enforcement activities. We welcome the input and
insights from our industry and our panelists on
how cutting-edge technology is changing the face
of trade.

So, Madam Chair, our first speaker on
cutting-edge technology is John Drake from the US
Chamber of Commerce. So, Mr. Drake, go ahead,
you've got five minutes.

CUTTING EDGE TECHNOLOGY

MR. JOHN DRAKE: All right. Thank
you, Bradley. Good morning. My name is John
Drake, and I'm the Executive Director with the
Supply Chain Policy for the US Chamber of
Commerce. Thank you for the opportunity to appear
before you today to share our members’ views on
the CBP's 21st Century Customs Framework. We
commend CBP for pursuing this initiative. The
Chamber agrees that the trade landscape is rapidly changing. These changes place new demands on all trade sectors, trade actors from the private sector to you and your federal partners. And these changes are creating new opportunities and enormous investments in trade infrastructure, the creation of hundreds of thousands of new jobs, and new innovations in business practice and technology. Your pursuit of this initiative to evolve with these changes is welcome.

We have three recommendations for CBP regarding cutting-edge technology, and we believe these recommendations are right in line with Deputy Commissioner Perez's comments just a few minutes ago.

First, we recommend CBP maximize its ability to adapt to new technologies relied on by traders.

Second, we recommend CBP continue to improve current technology systems that streamline compliance, facilitate legitimate trade, and stop the flow of illicit goods.
Third, we recommend continuing working with the trade community to realize these new technologies.

Regarding adapting new technologies, CBP should not limit itself to specific technologies when evaluating digital innovation and evaluate all new technologies carefully before federal adoption.

Block chain is a good example. Block chain has enormous potential to improve tracking and compliance in secure, real-time shared ledgers and may enable further efficiencies in Customs processing and the sharing of data across multiple Customs organizations. CBP should continue exploring block chain applications for proven concepts, pilot programs, and industry collaboration to identify technology that supports interoperability between different technology platforms.

We also recommend CBP continue pursuing other innovative technological solutions like artificial intelligence, machine learning,
and commercial cloud computing applications. These applications have enormous potential and will help improve the efficiency of the classification process and enforcement while reducing time.

Additionally, to ensure the accuracy and integrity of the data being submitted, tracked, and analyzed, we recommend that CBP evaluate how the latest and secure authentication and verification technologies can link the physical products and shipments as well as the individuals in organizations in the supply chain confidently to the data.

Regarding improving current systems, we recommend CBP continue investing in state-of-the-art screening methods like x-ray, container scans, and chemical testing and expand successful services like the Unified Cargo Processing Program.

CBP should also continue efforts to strengthen its current systems such as the ACE single window, as there are many potential
enhancements to increase their performance and
reliability.

CBP should set up Wi-Fi capability
and internet access or other means of wireless
communications securely within CBP operations.
This will allow for faster response of traders
within a safe and secure environment.

Along similar lines, we recommend CBP
develop a handheld scanner or similar device that
allows personnel to upload data directly into the
ACE system within that secure network facility.

Finally, and I think this is
something that we know that you were doing, we
urge you to continue working with the trade
community to realize these new technologies. New
technologies may place new expectations on
business including new costs. The Chamber is not
opposed to this. But, we ask that you work with
the trade community through proof of concept,
pilot programs and industry collaboration to help
demonstrate their need.

Thank you for the opportunity to
speak before you today.

MR. BRADLEY HAYES: All right, Mr. Drake. Thank you so much. You set the bar high for the conciseness of your comments. We appreciate the work of the US Chamber on these issues.

So, now I'll tender our next speaker on the cutting-edge technology panel, and it's Mr. Rick Ryan for Pitney Bowes. So, Mr. Ryan, please proceed.

MR. RICK RYAN: Thank you. I'm pleased to be representing Pitney Bowes today. I'd like to thank Customs and Border Protection and the panelists and our -- our colleagues in industry as well for the opportunity to present today.

Today's sessions are of particular interest to Pitney Bowes since our cross-border platform serves iconic American retailers as well as thousands of small businesses across the globe. We're a little different than a lot of people in the auditorium today in that we facilitate all
aspects of cross-border E-commerce including localization, guaranteed landed-cost calculation, payment processing, fraud management, export screening and regulatory compliance, shipping and logistics, and merchandise returns. So, we see all aspects of E-commerce.

The rise of international E-commerce is changing the landscape of cross-border shipments. Rather than manufacturers shipping products in bulk to distribution centers and retailers, sellers ship goods directly to consumers. Consumer expectations have also changed. They expect transactions to complete more rapidly, transparently, and at lower cost. In addition, consumers are becoming more comfortable returning goods ordered online, which means that goods are making a complete cycle in and out of the US.

Pitney Bowes believes three complimentary technologies are foundational to enabling CBP and industry to address these new challenges; improved data collection and better
facilitate partnering with industry as well as partnering with other agencies and governments. These three technologies are block chain, the tandem of artificial intelligence and machine learning, and internet experience.

Other technologies such as computer vision, advanced robotics, image processing, augmented and virtual reality are also important. However, these technologies will rely upon data shared on block chain and collected from IRT devices. The data will be fed to artificial intelligence and machine-learning algorithms that will assist CBP in its decision-making and identification of new trends as well as potential threats.

At the heart of this good decision-making is access to trustworthy data. Block chain technology enables parties to certify the data, share data selectively as required, and maintain an immutable history of changes and permutations to the data. Block chain can be leveraged to maintain licenses and certifications, track the
chain of custody of an item including the return of an item, record any interaction or any inspections of an item, maintain an item's description and a record of any modifications of that description, maintain product authentication data provided by intellectual property owners, share information with other government agencies that depend upon CBP, and maintain a record of payments. Through smart contacts watching can also enforce procedural safeguards and automate the flow of information to interact with other agencies, request additional information from a seller or carrier, notify an intellectual property owner of activity, or feedback information to other parties, for example, informing the seller about an item's description and misclassification that occurred.

Artificial intelligence and machine learning can be deployed to streamline processes and identify potential threats as they emerge. Pitney Bowes has successfully deployed artificial intelligence algorithms to identify regulated and
prohibited items and classified commodities based upon the item's description, weight, size of the packaging, and other factors. We've also deployed AI algorithms to identify individuals that use multiple user IDs and ship-to addresses to distribute their fraudulent activity. We believe that analogous AI and machine-learning algorithms could be deployed to detect both repeat and emerging patterns of fraudulent activity related to counterfeit goods, pharmaceuticals, or restricted items.

The increased trust in auditability provided by blockchain coupled with the ability of AI and machine learning to automate processes and identify new threats will enable CBP and industry to streamline operations and focus resources in critical enforcement areas. Leveraging these technologies, CBP could electronically clear shipments for parties that provide a certified chain of custody and demonstrate a history of compliant behavior, no matter the size of those parties. Similarly,
these technologies could identify higher-risk shipments for CBP's scrutiny based upon both existing and emerging patterns of behavior.

Thank you for the opportunity to present today. Pitney Bowes looks forward to working together with CBP and our colleagues in industry to ensure consumer safety and grow legitimate trade.

MR. BRADLEY HAYES: Thank you, Mr. Ryan. I appreciate those comments. With that, we'll turn to our next speaker on the panel, Mr. Mario Palacios from Intel Corporations.

MR. MARIO PALACIOS: Good morning. On behalf of Intel Corporation, I would like to thank the Department of Homeland Security, US Customs and Border Protection, and the other government agencies on the panel. I would also like to thank you for the opportunity to present our comments.

Headquartered in Santa Clara, California, Intel is the world's leading
semiconductor company. Intel's engineers push the limits of physics every day. Our microprocessors, memory, and other technology power billions of connected devices in the world. Intel fulfills over 750,000 orders a year from 16 countries. Our products are produced in high volumes and moved through a worldwide computing and communications ecosystem consisting of original equipment, design, industrial, and communication-computing manufacturers. Our products are the building blocks of the information economy and are instrumental in the emerging fields of artificial intelligence, autonomous vehicles, and 5G networks. Intel processors provide the brains and the servers and data centers that power digital infrastructure.

To be competitive in this global environment, Intel depends heavily on the ability to ship products across international borders quickly and cost effectively and generate significant revenue from sales overseas that sustain our operations here at home.
The modernization of Customs and other government trade procedures is highly important to a key supply chain participant like Intel. The movement of data or electronic transactions across borders underpin the digital economy. At the core of this new and rapidly evolving trade environment, our intricate network of data and supply chain models that serve as the backbone of the digital economy consisting of data centers, an IoT ecosystem, and ever-evolving telecommunications infrastructure, soon to be enhanced with IoT technologies. The ability for electronic transmissions of data to move freely across borders also enables the implementation of more efficient trade facilitation measures. Emerging digital technology such as distributed ledgers or block chain according to the OECD, have the potential to create new trade ecosystems helping coordinate value chains by increasing trust and speed of transaction, empowering actors, enabling verification of the providence of products, facilitating the transfer of funds, and
helping better enforce or automate contracts.

At the same time, these digital technologies can enhance trust for consumers, increase the resilience of value chain for private actors, and enable the public sector to better manage risk and cost for Customs authorities.

As we endeavor to shape the future of the efforts of the 21st Century Customs Framework, a closer look at block chain's technological momentum and potential should be explored. In short, block-chain solutions enable shared access to records with assured data integrity, identity protection, and access control. They create and update and validate various documents through logistics life cycle providing one version of truth and digitizing the process.

You may be asking yourselves what, does this all mean from the Customs or import procedure process. In the area of Customs enablement, block chain technology promises increased administrative ease to collect the necessary import data in an accurate and timely
way. It enables data to be entered that could be
integrated automatically into Customs systems and
validated instantly, easing Customs clearance,
enhances revenue compliance, duties, taxes, and
fees, and it increases the visibility to parties
and agents involved in trade-relevant financial
transactions.

In addition, CBP should also look
into integration of artificial intelligence and
machine learning and commercially applied
computing applications, which can assist in
commodity classification, valuation, and tariff
compliance. Each of these examples share a common
denominator -- the free movement of data within
and across borders. And we also ask CBP and the
other government agencies to innovate -- to look
at innovative technologies as we move forward.

In conclusion, I would like to thank
DHS, CBP, and the various other government
agencies here today for your interest, and we look
forward to working with you in this journey.

Thank you.
MR. BRADLEY HAYES: Thank you, Mr. Palacios. We'll now turn to our next speaker, which is Mr. Craig Seelig from Wisetech Global. Go ahead, Mr. Seelig.

MR. CRAIG SEELIG: Good morning.

[cut off 1:00:43] Customs and compliance at Wisetech Global. Wisetech Global is a global software provider -- logistics provider.

Before we get into some of the technologies, one thing I would like to challenge CBP with is an area of policy. We always know that technology is always going to outpace the regulations, but that's one area that we seem to struggle with being a technology provider is to make sure that whatever we're doing is going to match CBP policy or other Customs agencies across the globe. As we develop new technologies and as CBP develops new technologies, many times we're waiting for the legislative part of that regulations to come into play, and so I don't want to lose sight of that as we walk into the new technology areas. We want to make sure that the
regulations keep pace with those.

A couple of areas that, you know, we -- in the US, we've struggled with recently are some of the policies around electronic recordkeeping, policies on cloud-based solutions, and, you know, how are those handled when the cloud is wherever. So, those things are sort of the things I just want to keep in mind as we move forward into the 21st Century with new technologies.

I would also like to recommend to CBP, as I'm sure you're aware of, to apply these technologies in the area around E-commerce. As we heard this morning, there's 630 million packages that came across last year and that's growing at an exponential rate every year. Part of what Customs is doing in that area right now currently is, I know that there's work in place in the ACE environment to automate the Section 321 entry. That will help Customs brokers get away from mounds and mounds of paper that they would print and then dump on the Customs officers' desks. So, that -- that will be a great move in the right
Again, on the policy area, we want to make sure that regardless of the method of filing, there's consistency across the agencies regarding Customs and other participating government agencies as well.

Regarding the advanced technologies, as we've heard already from my colleagues, the complete digitalization of the supply chain our future. CBP would be well advised to get involved with the distributed ledger technology, also known as block chain. Digitalization and advanced technologies have the potential to significantly reduce processing times and the costs of cross-border movements of goods, transforming paper-based documents into electronic formats and applying smart tools and technologies to help reduce the trade barriers. We've already seen this advancement with the ACE application in the single-window environment with the process improvements with many of the PGAs involved.

Also, utilizing new technologies such
as machine learning and artificial intelligence to enhance enforcement and compliance would be important. At Wisetech, we're currently developing tools using machine learning and technology in regard to classification and single windows, and those are some advanced technologies. We have a team working on those things, and I think that that is definitely the wave of the future.

I'd like to thank CBP for the opportunity to speak this morning. Thank you very much.

MR. BRADLEY HAYES: Thank you, Mr. Seelig. I appreciate those comments. And so, now we'll turn to our final speaker on this panel, which is Mr. Jim Masloski from Customs Direct. Mr. Masloski, the floor is yours.

MR. JIM MASLOSKI: Good morning. Thank you for allowing me to speak today. You gentlemen did a good job with covering the high-level stuff. I'm going to take it into the weeds just a little bit, sticking to the global points.
What emerging technologies are most important for CBP to monitor or adopt? We'd like to see the support and the development of standards that enable interoperability between private-sector companies. This supports competition between these same companies to bring the best solutions to market for the benefits of consumers and governments. Verified credentials and decentralized identifiers empower companies and individuals alike, increasing confidence and transparency to know the true beneficial owner of legal entities.

We see through shell organizations that this feature is available in real time, this reduces using shell and shelf corporations to obscure corporate ownership. Transparent and interdependent organizational identity increases corporate transparency and operational efficiency. Sharing identity proofing data and confirming data from multiple sources, including long-term transaction data, enables a complex and authentic view of the company.
We are in the early proof of concept stages with several new technologies; verifiable credentials, decentralized IDs, distributed ledger technology. The results of these POCs are promising. We should use this opportunity to learn how to scale them into a stable, adoptable technology platform that enables cooperation and market competition. We have standards bodies working on this. We have associations trying to bring these different concepts to fruition. CBP should continue with the format of POCs and continue to review other areas that can benefit from this technology or dive deeper into POCs that look promising.

The interplanetary file system, IPFS, is a protocol the network designed to create content addressable peer-to-peer method of storing and sharing hypermedia and distributed file systems, looking at this technology to use for the sharing of data between agencies or Customs organizations to standardize the data accessibility.
What technologies are being adopted by the private sector that are incompatible with CBP's current legal or policy framework? Taking a little bit different twist on this, there are several proof of concepts that are exploring verified credentials and decentralized identities, as mentioned above. With my experience on the NAFTA POC and my years of experience in the trade brokerage sector, seeing the benefits of these verifiable credentials and decentralized IDs, it isn't that they fall outside of the current legal framework, it's how we build the interoperability and accessibility to the information that is the challenge.

Using existing agencies or associations to support the consensus mechanisms for these technologies would allow us to use some of the current framework and legal policy to keep us coloring between the lines.

What technologies on the horizon have the potential to be disruptive, enabling with the trade ecosystem? Working with standards groups
and recognizing verifiable credentials and decentralized identifiers -- a common theme there -- a potential digital identify technology and using some other identity specifications or standards such as GS1 has legal identity identifiers, has global electronic party information registries that can be used to identify origin, company, and factory.

There are a variety of identifiers such as UIDs, [inaudible 01:08.29], RFID, EPCs, EIN skews, serialized shipping container codes to name a few, are used to track individual items in containers. However, there are challenges in the correct and detailed information associated with these identifiers, especially when coming through Customs or passing data between different entities in the supply chain if used individually.

Using the new technologies with existing identifiers and providing an interface to interpret this information for the appropriate government agency, trade member, and service provider to access for their needs with the
verifiable credential a decentralized ID on a
distributed ledger that is secure, verifiable,
immutable, can be disruptive and enabling to our
security and transparency in our supply chains.
Thank you for letting me present.
MR. BRADLEY HAYES: Thank you, Mr. Masloski. With that, this concludes our panelist
comments from the Cutting-Edge Technology Panel.
So, at this time, I'll open the floor on the
Government Panel for questions. As a reminder,
you may direct your questions to the panelists who
presented today. Again, I'll remind once again,
our schedule today and our time constraints. If
you will be very concise in responding, we
appreciate it.
So, with that, Madam Chair, the floor
is yours.
MS. BRENDA SMITH: Great. Thank you
very much. Panel, excellent comments. Really, I
think, set a high bar for the rest of the day.
Lots of discussion and comments, but also, I
think, [inaudible-audio]. There's technology,
yes. Always -- technology is always fraught. In fact, as I was thinking through our -- our prep and our arrangements for today, the only thing I was worried about was the technology. We'll get there.

I think what I'd like to do, if the panel doesn't mind is, I'll go ahead and ask the first question, and then we'll go in order for this panel of the introduction of the panelists here. Feel free to pass if you don't have a specific question, and then we'll mix up the order in subsequent panels.

So, my first question for you all actually stems from an issue that we managed during the transition from the Automated Commercial System to the Automated Commercial Environment, and it is around working with the private sector to make the investment in new technologies. We had a lot of early adopters, but then there was a real challenge to convince different business entities of the need to invest and make the transition to ACE, which we
eventually mandated. So, my question really --
and I'm going to ask Mr. Seelig to start the
answering on this, is how do we ensure as we look
to adopt a standard for technology that companies
have enough information from the government to be
able to make that internal business case.

MR. CRAIG SEELIG: Yes, that's a good
question that we went through with ACE,
incentivizing the trade to participate.
Ultimately, the incentive was that it was
mandated, and that's what really worked. However,
there were -- there were many -- there were many
lead companies that were heavily involved and
heavily invested early on in the process that
wanted to be on the leading edge, and they were
very interested. With ACE in particular, there
were several stalls during the process, which I
think then led to some of the naysayers, kind of,
we'll wait to see until it comes. I think the
more openness that we have, the more
documentation, the more that it's out there and
you participate with the trade, which Customs has
done a great job in the last, you know, five or six years. I think those are the things that will help to lead to get more and more involvement with ACE since it had stalled a few times, and there was kind of a we'll wait and see approach.

MS. BRENDA SMITH: Great. Thank you very much. Any other thoughts or comments on perhaps the question of government mandate versus voluntary?

MR. JIM MASLOSKI: I'll take a stab it here real quick. Just looking at how my experience with the group this last proof of concept and the idea of being able to participate within interoperability. I mean, I think with the building of ACE, we have a lot of data. We have a lot of other agencies. I think you take a look at how you deliver that information and how they can receive it will help. You've got different trade organizations and TSN. You have different brokerage organizations, freight border, and other manufacturing organizations that I think if you can make that data accessible in different needs
with some of the technologies that we mentioned would have a big impact. We were able to sit, you know, a boutique-type facility and participate and actively provide feedback with this last POC. I think that's a statement in itself to say, hey, we might be going down the right path in this next process with how you're putting the message up.

MR. RICK RYAN: So, I work in an R&D organization. We have the exact same problem with other organizations within Pitney Bowes, and I think the concept of going through proof of concepts and being very specific about new metrics and using the metrics to show the participants this is what is valuable for you in this particular new technology or system that we're rolling out.

MS. BRENDA SMITH: All right. Thank you.

MR. TODD OWEN: Good morning, everyone. Well, I would just ask as the responsible party for the ports of entry to make sure imports are coming through, what are some of
the greatest costs that you're seeing associated
with getting cargo through our ports of entry, and
how are you using technology to try to reduce
those costs or not?

MR. JIM MASLOSKI: Specific to, I
mean, the data quality. I mean, taking a look at
what the panel has suggested for cutting edge, it
was the accessibility and being able to see the
data, if you can verify who it's from, where it's
from, where it's going to be. You look at IoT,
you look at -- I'm hung up on the ID side of it --
but, I think that would reduce a lot of the
processing time and the question if the
accessibility to the information is presented to
the inspector at the booth knowing that it's
coming from a back-end piece that's trusted and
transparent. So, I think there you see a lot of
savings and then, as it works down the chain from
the import specialist, the revenue collection, it
just builds a solid -- solid information. So, I
think you'd see benefit in time saving with that
information.
MS. BRENDA SMITH: Thank you.

MR. MARIO PALACIOS: If I may, I'd like to add to my colleague on the panel, I think the access to data is very important. Over time, you see very similar line items, HS classifications, valuation information, and that if we can be able to share that with you all much quicker, we'd see patterns, we'd see similar commodities entering and then cut down the line item per line item transaction activity that each of the officers have to do. Some of that activity comes through maybe integration of some technology in terms of machine learning and maybe some AI. I know those terms kind of scare people, but there's technology already out in the ecosystem that does that, and there's algorithms already whether you're looking at your social media feed or not, there's algorithms that help link similar data -- similar information. And I think that's something that could help share the transaction data move much more quickly between the importer and the agencies at the border.
MR. JIM MASLOSKI: It simplifies it and consolidates it, puts it together in a long string that you have better predictability.

MR. TODD OWEN: Very good. Thank you.

MS. BRENDA SMITH: Mr. Dougherty.

MR. MICHAEL DOUGHERTY: Thank you.

Senator Cassidy had spoken kind of like about larger policy perspective when looking in virtuous circles, and then I think he did a very good job of describing the non-virtuous circles that involved sort of corruption inside emerging economies. I don't know if it's a particular question for anybody here. It might be. When you think of the things that one can do with block chain, would you be able to say that block chain, by the way that it operates, is capable of reducing corruption in emerging economies so that you use the investment in a growing economy inside let's say a Central American country or a South American country.

So, I hear lots of virtuous things
coming through block chain, where, you know, it's
like block chain does this, block chain does that.
How does block chain actually do that? And I
wonder if anybody's interested in that question.

MR. JIM MASLOSKI: We have to ask
Bradley if we have enough time to explain it.

MR. BRADLEY HAYES: If you can do it
in seven minutes, yes.

MR. JIM MASLOSKI: I mean, the short
-- the short side of it is we talk about block
chain, we talk about distributed ledger, but we
take a look at what's put into it is what makes
the driving force and the benefits, and you talk
about Central America. We had conversations with
the coffee makers. They wanted to have a grower
start the process and then, you know, gathering
that information, where is the coffee collected,
who owns the coffee, and by putting that in a --
in an ID on the ledger, you can rest assured that
we know where the product is coming from, we know
who owns the product. So, by putting that into
the distributed ledger, you can tie in who, what,
where, when, and why, and it's -- it's the piece
of how those pieces get put on the ledger. We
have to trust and have processes -- systems that
could already be existing to identify what, you
know, what the product is and who it is. So,
that's taking -- I use -- I'm not affiliated with
GS1, but you -- I think that's a common name in
how they do some of that report -- recording of
identities and products and those types of things
but by around that could be put in with new
technology -- mobile technology from all these
things that are out there being held on the mobile
side of the house. That's where you see the
benefits. So, it's not the block chain, but it's
what you put on it that makes it sweet.

MR. MARIO PALACIOS: I would also add
that it's also -- the financial industry is a key
adopter of block-chain technologies today, and
there's a lot of learning we can have on
application of block-chain technology at the
border that today the financial industry has
solved, a lot of challenges with this type of data
integrity. We all pay attention to our wallets and our pocketbooks, so they've really done a lot of good work, really focusing on QA of the data, ownership of the data, reliability of the data, trustworthiness of the data. So, I would recommend that maybe folks in the financial industry or those agencies involved in regulating the financial industry maybe participate in this idea of providing information on how block chain could potentially be applied at the border for data integrity, et cetera.

There is some overlap on that even regarding letters of credit in regard to those things, so there is some natural overlap where the financial organizations would be happy to participate.

MR. MICHAEL DOUGHERTY: Have you ever seen -- I'm sorry, I shouldn't ask --

MS. BRENDA SMITH: No, that's okay.

You get one followup.

MR. MICHAEL DOUGHERTY: I only get one? Have you ever seen it red-teamed by anybody
trying to break it up? So, hey, I've got my block
chain end-to-end. It's a chain of trust, and I'm
doing certificates and I'm doing this. How often
-- there are -- maybe you've answered the
question. The financial industry has determined
that it's basically good enough that it's going to
protect the interests of people and it can't be
compromised. You know, how susceptible it is to
corruption or criminal activity, I guess, is what
I'm trying to say.

MR. CRAIG SEELING: You know, block
chain itself as a -- as a technology and
distributed ledger and putting data on it is
pretty secure. What typically happens is that
smart contracts will get written and they'll be
problems with those. So, it ends up being around
in the implementation of what we do that problems
get introduced. The cryptography behind it and
those algorithms are pretty -- pretty solid at
this point. So, it really requires, you know,
close scrutiny of the actual implementation of the
applications.
MR. JIM MASLOSKI: You know, there's a consensus methodology that -- that happens when you put the data on a distributed ledger, and as long as you have organizations, whether they're existing organizations or government organizations that the consensus -- the mathematical computations to say, yep, I agree, this is what it is, it tightens up the security of the information that gets place on it -- once it's placed on the distributed ledger very solid. You've covered it. Yep.

MR. MICHAEL DOUGHERTY: Thank you.

MS. BRENDA SMITH: Mr. Smith.

MR. LEE SMITH: Yes. This is my first time speaking today on behalf of ITA. I'd like to thank both the speakers -- these speakers and those speaking later for their comments. I'd also like to thank CBP for inviting ITA to join in this -- in this program. And my question, I'll just put it to the group, but I'll direct it to Mr. John Drake. Are there specific technologies the US government should consider implementing to
increase the volume, speed, and efficiency of cargo inspections?

MR. JOHN DRAKE: You know, I think we laid out in our written comments I think and raised some examples. I do think if I could follow up with you with some specific examples to provide for you. But, I think you know, for us where we're coming from with this is there's a lot of excitement around a lot of new applications like block chain. [inaudible-audio problems.] The speakers, you know, and microphones agreed, although there's a commerce issue, I believe. And, you know, for where we're coming from -- where the Chamber is coming from is, you know, we recognize that there's a lot of promise in that, and we're not saying no to that. But, I think just making sure that for a lot of companies, you know, they have to make significant investments any time they're going to be, you know, putting their -- putting their responsibilities into this. So, we would just want to make sure that they're tested before they're fully implemented or before
the federal government imposes a requirement that may be adopted on a large scale.

MR. JIM MASLOSKI: This would -- this would be harder to -- you couldn't mandate something like this. It's not that you can say, hey, at this time we're going to go with a distributed ledger. It just wouldn't work. You have to have buy-in from the entire chain.

MR. LEE SMITH: Thank you.

MS. BRENDA SMITH: Mr. Skud.

MR. TIMOTHY SKUD: Thank you, Brenda.

Bob Perez talked about how the world has changed in the past 25 years since the last time Customs laws were changed and, in some sense maybe that changed 25-odd years ago with just an adaption of an 18th Century that worked in the 20th century. So, Bob pointed out that the world has changed a lot in the last 25 years. It has changed a lot in terms of technology.

I've got a question. It's related maybe more to the Data Access Panel, but I'd like to pose it to you guys to see if it involves the
[inaudible 01:25.23] and it's as much a legal question as a technology question. I think I'll pose it to Mr. Ryan first because from your remarks and what little I know about your company, I think in some sense you're -- you're here to consolidate. You get data from the customers and their customer's customers, and you put it together on your system so that they can make -- make a deal, do business. So, you have a lot of data, and in the modern world, I think we all recognize that data is how we do risk management. Data is how we move things quickly. So, the question is, in this new role that you've kind of created using the new technology, what's -- what's the role of a company -- a data consolidator or platform, one, in providing data to the government, Customs, other agencies through the single window, and what -- what leading responsibility does that -- that data company -- data consolidator have, because I think we have to recognize that legal liability is how the government enforces, one, the quality of the data,
and the underlying compliance that we're striving for.

MR. BRADLEY HAYES: If I can just momentarily -- we're about 15 minutes ahead of schedule, so I just -- we've added a couple more minutes on the clock so if you'll be concise for the rest of the rounds, I want to make sure that we keep on schedule. Thank you.

MR. RICK RYAN: So, as an engineer, in my expert legal opinion -- so, I actually can't comment on the legal aspects of it necessarily. I will say that we have common goals, right? We all want to maintain the safety of the American people. We all want to grow the economy, and the data can help us do that, and the sharing of data in both -- in both directions, right? Our company, with the data that we collect, sharing with CBP and other -- other government agencies to comply with legal requirements, and also to just make things safer in general.

The other aspect of that is government feeding back data as well that helps us
to know maybe we shouldn't be doing business with 
this particular party or these are things to look 
out for or together using some of the AI 
algorithms and things that we talked about, 
finding ways to look for emerging trends of fraud 
and different things like that.

MR. TIMOTHY SKUD: Other thoughts on 
that?

MR. JIM MALOSKI: Just the comments 
that I made in regard to you have -- there's 
existing regulation out there that accommodates 
the collection of data gathering, whether it's -- 
whether it's identification of the product, 
utilizing the different mechanism to capture and 
store. I don't think there's a change -- limited 
legal knowledge -- but, I don't think it's a 
change in the requirement. There's still the 
agency that's collecting it that still has to 
reproduce it, present it in a readable form. So, 
I think it's how we capture the data. I don't 
think the storage is going to have a huge, huge 
impact.
MR. TIMOTHY SKUD: You know, I'm not so sure. Maybe that's something we'll discuss more in the day. But, because new technologies have been produced, new participants in the system who don't necessarily fit the traditional roles that we relied on to test data. Sometimes there's new parties who are less able to comply with the current system, and I think that's in part why we're here today to see how we can modify the current system to fit changes in the world. That's sort of the thrash of my question.


MS. JENNIFER TUCKER: Hi, good morning. I'm interested in the bigger picture here. What do you see as some of the biggest needs for technology modernization, software improvements across all the different partner government agencies? So, we've been talking about CBP here, what do you see in other area of the government where technology modernization is most needed? Is somebody dying to answer that first,
or I'll start with Mr. -- Mr. Drake.

MR. JOHN DRAKE: I'll turn over that.

I think the subject matter is little bit more directly intuitive to Rick.

MR. RICK RYAN: Okay. I think it's really that the sharing of data among the organizations and using technologies to be able to maintain the legal requirements for those -- to maintain the access control, but to combine data in a way that you can use it to better serve your roles.

MR. MARIO PALACIOS: Yeah, I think like Mr. Ryan, and you'll get a lot of this from the trade. I think it's how do you aggregate data already being collected in order to provide information needed for the various government agencies enforcing requirements at the border. There's a lot of information that importers share with you all. If you all had access to that data quicker, faster, reliably, you'd see that information get to you very, very quickly in order for you to help clear Customs quickly. An example
I give all the time is about the SEC. We import radiofrequency emitting devices, and there's information that we provide CBP as we clear Customs with these integrated circuit products that emit radiofrequency waves that we have to transmit to the SEC. And we've been very successful about it, but we've had to work a lot alongside our SEC colleagues to get them that information. However, if that -- if there were systems in place to help share that information faster, reliably, quicker, we'd see a lot of that cost of compliance, if you will, reduce -- get reduced.

MS. JENNIFER TUCKER: Thank you.

MS. BRENDA SMITH: Thank you very much. Ms. DeFilippo.

MS. CATHERINE DEFilIPPO: I'll round out the panel. I'd like to say thank you to all the panel members that presented information. It was very interesting. The ITC, which is the agency that I work for and represent, is a little bit different. We're an independent agency.
We're not a policy maker. But, one of our mission functions is to maintain and update the harmonized tariff schedule, you know. Several years ago we had moved from a huge paper document to an electronic system, so, you know, we continue to try and look for ways to leverage technology and that process to make it more accessible and usable. So, we're -- we're always looking for feedback from people that use the HTS to -- to try and improve that experience. So, if there are any comments on that, or else feel free to put some through on our website.

But, I guess, in that, I was interested in your thoughts on what your experiences are importing and exporting with the US government relative to how it is with other countries? Easier? Are there challenges here or -- or that you don't see in other countries?

MR. MARIO PALACIOS: Thank you. I'll -- we're a global company, and we find ourselves just having an easier time with all of you than we do in other parts of the world.
MS. JENNIFER TUCKER: That's good to hear.

MR. MARIO PALACIOS: Thank you. And it really -- it really starts with the dialogue. Consultation with government in many parts of the world is very, very difficult. Governments around the world do not listen to their industries, do not listen to companies doing business in their country, whether you're selling or operating a factory, or whatever it is, it's the -- the dialogue between industry and government is not as easy. I think of a panel like this in another part of the world, I don't think it will ever, ever happen. I don't think it will happen. So, I think it begins with dialogue. I think if we look at what you're all trying to do with this framework, with this activity, all of you here, the Congressional engagement as well, that's something that I think we have to commend all of you on, and I think we, speaking on behalf of my panel, I think we -- we would like to continue doing that with you all. It's very important.
I represent a technology company, not all companies have the same issues we do. But, you'd be surprised how many issues we have in common, regardless of whether your semiconductor or something else. And I think we -- we would like to continue doing that with you all.

MS. JENNIFER TUCKER: Thank you very much.

MS. BRENDA SMITH: Other comments? No? Okay. And so, maybe we'll go through with a round two of questions if panel has questions.

I'll -- let me start --

MR. BRADLEY HAYES: So, just to point out, we're about 10 minutes over on the allotted 15 minutes. We're still -- we're still 5 minutes ahead of schedule though, so do you want to do another round?

[Laughter.]

I don't want to cut our government off -- I just wanted to keep you appraised.

MR. BRENDA SMITH: Thank you, Mr. Timekeeper.
MR. BRADLEY HAYES: We'll just put another 5 on the clock, so do another round.

MS. BRENDA SMITH: Is that all right?

MR. BRADLEY HAYES: Yeah.

MS. BRENDA SMITH: Okay. Good. All right. Quickly then, so one of the things that struck me is that many of you talked about data collection and management. One of the things I know we struggle as an agency with is around making that data available to the people that are making decisions, whether it be at the executive level, or whether it be that front-line Customs official trying to assess do I intervene -- do I an inspection, do I do a document review, et cetera. It strikes me that there are many service providers in the private sector that are working to provide better transparency into data -- into supply chain data. Is there a role for the government in helping to improve the use of the data that we collect -- the accessibility to both our PGA partners but particularly back out to the private sector? And, if so, how -- how would we
structure that? What would we prioritize?

MR. JIM MASLOSKI: I can take a stab

at that one.

MS. BRENDA SMITH: Okay.

MR. JIM MASLOSKI: I think it talks

about the accessibility to data within your

organization. You do have a lot of data. It

would be my humble opinion that you look at how --
you can take a look at how the trade does some of

those processes, whether it's API, whether it's

database, whether it's whatever it is in the

background. Take a look at that internally within

your -- within the other participating government

agencies internally and see how that data can be

shared. I think if you could replicate some of

the processes that happen on the commercial side,
even doing business internally, you would see some

benefits externally because we would see direct --
direct speed of access to that type of information

that you could supply your front-line users. But,

I think looking at some of the commercial

processes and seeing if that can be replicated
within the PGA side is -- would be a strength, not being inventing the wheel.

MS. BRENDA SMITH: Thank you. Mr. Dougherty.

MR. MICHAEL DOUGHERTY: I'm solid. Thank you.

MS. BRENDA SMITH: Okay. Mr. Skud.

MR. TIMOTHY SKUD: Okay. Wow. See, you brought it in.

MR. BRADLEY HAYES: Well, very great. Thank you so much to our government panelists and obviously to our industry panelists. That wraps up the questions from our distinguished panel.

So, we're going to open up the floor for 15 minutes for public comments. So, anyone who is in the auditorium who would like to make comments or ask questions of the panel, I invite to line up. We've got two microphone stands on either side of the aisle, so we'll do this in an orderly fashion. We're back to right on time. So, if you could please keep your comments very concise and short, you know, a minute and a half
at the max, we would appreciate it, and we'll go from there.

So, we'll now turn it over. We'll start on this side of the room. If you'll, again, identify yourself when you start your questions.

MS. JANET LABUDA: Thank you very much. Janet Labuda with Vandegrift Forwarding, Inc. I would like to ask the panel -- the industry panel -- when I hear the term block chain, I hear the word chain, and I'm just wondering, what are the potential vulnerabilities, because we all know with a chain that the weakest link is your strongest part, really. So, I'm just wondering what, in using block chain, would be the vulnerabilities from your perspective? Thank you.

MR. JIM MASLOSKI: From my side --

MR. BRADLEY HAYES: If you'll -- yeah, speak into the mic, please. Yeah, for the transcriber. Thank you.

MR. JIM MASLOSKI: Yeah, from my experience working with the POCs, it comes down to being able to validate the information that's put
in it. I mean, as long as you've got a strong methodology to ascertain what information is being put there, and then that's going to be the weakest link. If you can't ensure the identity of the product through a systematic process, you're going to have a problem.

MR. RICK RYAN: I would agree. You know, if you have really bad data, then -- and you put it on block chain, you have really secure bad data, which is not going to help. So, it's that, and then the administration of the applications around it.

MR. RICK LANE: Hi, my name is Rick Lane. I'm a strategic advisor to a company called Security Matters. It's a company that has developed a technology -- basically a bar code at the submolecular level to be able to track through the supply chain, and my question is even with my extensive experience in Washington -- I helped create the US Chamber's GIPC, I was the first E-commerce Director at the Chamber -- as a small business, it's very difficult to find
opportunities if you're a domestic company or international company -- to find ways into the Department of Commerce, and I found this advantage by LinkedIn, which, thank you got whoever put it up on LinkedIn. I appreciated that. But, it's very difficult. We don't scan through the Federal Register. We, you know, it's how do we find and what mechanisms are in place for small businesses like us with cutting-edge technologies, you know, technology that works in gas, liquids, and solids, to contract, you know, from like the ground to the table. How do we find opportunities within the Department of Commerce and Customs and Border Protection? Thank you.

MS. BRENDA SMITH: So, thank you very much. I'm -- rather than try to address that as a question, I'm going to take it as a comment that we have other avenues -- we need to use other avenues that specifically highlight the interaction with small and medium-sized enterprises. Thank you.

MR. RICK LANE: Great.
Hi, Kate Weiner with Cargill. Great panel. Thank you, guys. All well said. I appreciate it. There's just three really quick points I want to make, and they're just comments. So, the first one is the security of the supply chain. I mean, that is a -- it terrifies me frankly from a Cargill perspective and agriculture. We spend a lot of time maintaining our corporate identity to ensure that no one's stealing it. Corporate identity theft is on the rise. In addition, what happens like today when ACE goes down or we have a hurricane? The whole technology is disrupted, and there's a backlog. So, it's not just the security of our corporate identity, our pricing, our valuations, our suppliers, we have to really remember that these are all businesses trying to do their jobs. We're an agriculture company; we're not a technology company. We're still going to have to buy cattle at an auction, and there's going to be a handwritten envelope piece of invoice that we're going to have to deal with, and that's not going
to change with any technology. That's been the
same for hundreds of years, and it's going to stay
that way.

But, additionally, how, you know,
please be sure you're not only keeping our
business information secure, but the whole supply
chain secure, and we're not completely dependent
on technology to move something across the border.

But, two other quick things, USDN,
glad you're here, Dr. Tucker. I'm very worried
about scanning technology on our food supply chain
at the border. I'm worried about what it's going
to do with my cattle. I'm worried about what it's
going to do to some of my very highly sensitive
produce and things like that.

And then lastly, I can't say that
enough, how important it is for Customs and other
agencies involved in this to help give our
companies the reason why we're doing this. It's
super expensive. It is so expensive, and the
small few block chains that Cargill has, we've had
to pay for all that technology for our suppliers,
because our farmers don't have the ability to buy it on their own. So, we've done it for them as a service so that we can help them feed their cattle, et cetera. But, it's expensive. Thank you.

MR. JOHN BOUCHER: John Boucher [phonetic], Consumer Product Safety Commission. I have a question of the panel. In terms of the block chain and the distributed -- well, the distributed data that ends up residing everywhere, how would a company or an individual or even an agency go about collecting data that bad data ends up getting in that ledger? So, that's one of the biggest concerns that I think I'm seeing. I'm not reading much on how that gets corrected and the correction getting distributed. So, if you could highlight -- explain that a bit to us, I'd appreciate it.

MR. RICK RYAN: Once it's on the block chain, it's there. So, you're correcting that in that statement. You can't append the data and make the correction to it, and one of the
values of it is that the fact that it was appended and corrected is there, and so you know who corrected it, when they corrected it, and you can know why they corrected it as well.

MR. JIM MASLOSKI: Yeah, you -- there's a trail of it. If there is an error put in, you would track what the change was, when the change was, and you tie it back. It would be no different than an audit trail. There just has to be a mechanism to allow that type of chain.

MR. BRADLEY HAYES: All right. Go ahead.

MR. EDMOND SMITH: Hi, my name is Edmond Smith. I'm the CEO and co-founder of a company called [inaudible], a machine running company focused on global trade. So, I wanted to address one of the main thrusts of the panel this morning, which was the use of IDs around authentication, risk management, on the border, on the targeting, on facilitation operation. And I wanted to push back on that. I think it's almost impractical within a given government to
effectively create unique IDs for every single entity that would be regulated. I think it's absolutely impossible to do that across borders, and requiring foreign jurisdictions, foreign parties, shippers, carriers, et cetera, to maintain unique IDs of something as complex as trade is practically impossible. So, what I would encourage the -- what I'm here to think about and what I would encourage the panel to think about is the use of natural language processing and machine learning for data fusion. That's using entity resolution techniques, data linkage techniques, network analysis techniques to join data at scale across languages, across scripts. These technologies exist and are the future for authentication of the risk management and their applications. Thank you.

MR. BRADLEY HAYES: All right. Any other comments from those in attendance? If not, we're a couple of minutes ahead of schedule, so I don't know if there are any other questions from this panel?
MR. LEE SMITH: I just wanted to make one -- one comment based on the questions DeFilippo asked about the experiences that traders are feeling in other countries. Just a plug on the ITA side, our group -- trade agreements and enforcement and compliance group handles trade facilitation issues, and many times we hear from companies like yourselves that are experiencing difficulties getting goods into other countries. And whenever that occurs, we were happy to hear from you to help. As you can imagine, we can't always fix everything. Maybe there's other issues. But, if there are issues that can be handled underneath the [inaudible] and other trade agreements that we have in those countries, we're happy to assist companies to ensure that they get their goods out of the United States and export into the proper world markets where they can make sales. Thanks.

MS. JENNIFER TUCKER: I'd like to just make a final -- a comment on the role of language and metaphor. When we use a word like
block chain, it creates a real image in our mind of, okay, there are blocks and chains. So, thinking about how else we could talk about these technologies, the fabrics, the streams of data, as different ways of using language to describe these systems so that when we're at this really early creative phase of thinking, that we don't lock ourselves in by a standard single term and that we think about it creatively, because that's where we'll have the most potential for innovation. So, just a comment.

MS. BRENDA SMITH: Thank you.

MR. TIMOTHY SKUD: So, I have a question about where we're going. So, I think people in this room know that the way the government relies on their schedule at ITC for all kinds of purposes beyond the original purpose. Some people have suggested that it's an alternative to relying on the tariff schedule that sort of classifies goods and identifies which goods we further investigate, and which would need further government action. Talk about AI and
looking at text descriptions of the goods involved. Are we there yet? Are there other technologies that accomplish this goal as well? Where are we in the world on this?

MR. RICK RYAN: So, we do this for our international merchants that are selling on our E-commerce platforms and through auction sites, and we've been pretty successful at it using AI to classify the items. There's still a long way to go, I would say. It's new. People are not writing E-commerce descriptions to meet the HDS codes yet, they aren't. They're writing them to sell the item, and so, I think when we start dealing with smaller merchants, it will become -- continue to become more and more difficult. But, that's where I think the sharing of our data across organizations will help, because you have more data to turn your algorithms.

MR. JIM MASLOSKI: I just had an inside thought. But, you hit the nail on the head, and I think it's a ways down the road to use
from my experience -- a ways down the road to use English language as a language to classify. But, using different mechanisms to tie that in with machine learning, I think, the length that this is together, I think we can do better than what we've done.

MR. BRADLEY HAYES: All right. Well, gentlemen, thank you very much. This is a very insightful panel. I'll remind both the audience that is in attendance today and those who are participating via teleconference that we are going to solicit further public comment on these things. We're going to issue another Federal Register Notice, and there will be an additional opportunity to comment on things as issues arise.

So, with that, thank all of you for joining us today and for your willingness to participate, and we will release you and turn to our next panel. Thank you very much.

All right. So, at this time, members for our second panel who are going to be speaking on data access and sharing will go ahead and make
All right, everybody. If we could have the room come to order. I don't have a gavel, so that's as much as I can do. All right. That was quick. Thank you all. All right. So, we will move onto our next panel who, as I said, is going to speak on data access and sharing.

As we move from the discussion of cutting-edge technology and turn to this next panel on data access and sharing, you know, the volume and types of data and the speed at which that can be transmitted creates valuable opportunities for CBP and its stakeholders and our partner government agencies. I think it's been brought up a couple of times today. As CBP examines how more efficient data sharing can improve trade facilitation and enforcement, it's also looking for ways to reduce duplication and unnecessary data capture.

So, with that, we will begin the panel, Madame Chair. I'll turn it over to our
first speaker on this panel, who is Celeste Catano from Blue Jay Industries. Celeste, you've got five minutes.

DATA ACCESS AND SHARING

MS. CELESTE CATANO: Hi. I'm Celeste Catano from Blue Jay Solutions. We're a software company that deals with the whole supply chain. My remarks are in support of the submissions that were done for the Trade Support Network as well as COAC. So, some of my -- some of my beginning comments are really surrounding things that we could do short term, things with the existing system. So, I'll start with that.

So, one of the big things that is really missing in ACE for the trade is the Importer Trade Activity Report that we all know as ITRAC. The trade is looking for this report to provide data to recap their activity over a period of time using the ACE portal as their source of data of what is on file with Customs. This report is often relied upon for importers that use multiple brokers or don't have access to the data
from their brokers. The trade is looking to use
the ACE portal for information as a single source
of truth for the entry data. So, it becomes very
important for access to that data so that we know
exactly what's on file at Customs at a specific
time.

Another area is the data size
limitations that really needs to be addressed.
There are eight areas within ACE that causes the
filers to resort to manual override processes in
order to file large entries: entry summary,
drawback, direct conciliations to name a few.
Some of these limitations are imposed by the
number of lines that can be transmitted on a
single filing. For example, an ACE entry summary
can only have 998 lines. If a filer had more than
998 lines, they must split the entry into two and
potentially pay the MPF twice. Other areas with
limitations are, for example, with the size of
documents that can be transmitted through DIS, and
some with the number of house bills that can be
submitted on a master bill on a manifest. So,
some of these limitations are based on size of data fields in the existing system. Others are -- will require more technical expertise in order to resolve the issues such as the file sizes.

So, at this point, the Trade Support Network is volunteering our efforts to convene a working group to work with Customs to look into these limitations and to come up with ideas and recommendations on a path forward to reduce the workaround that currently needs to be used.

So, data needs to be shared with all parties to the transaction including consignees, foreign supplier verification importers, and PGAs. The ACE portal may need to be modified to change the account structure to support this additional data visibility. Carriers need data to allow them to aid CBP in their efforts in their enforcement goals in their enforcement goals through improved oversight of what moves via the networks, by whom, and when. An example is the data surrounding in-bond moves against a carrier's bond. Carriers need visibility into who is obligating their
For many of the parties, it may be sufficient to provide the information through the ACE portal and its reporting functions. For others, like the brokers, they need notifications, preferably through ABI, on any inquiries and enforcement activities relating to entries filed on behalf of their importer clients. Having this information in their own system allows them to use their available tools to monitor the required actions on behalf of their clients.

The statement that CBP is looking at ways to reduce the duplication or unnecessary capture of data was made in the FRN. In thinking about this, there are many options to help reduce the duplication of data. One idea that has been floated around for years is for CBP to provide a way, possibly through the ACE portal and ABI message or block chain, for an importer to supply data on a part and skew level. So, this information would include things like the certificates, registration numbers, parties to the
transaction, and representative data needed for filing line and PGA data. With this data on file, the filer would not have to send that data in with each transaction with each entry line, and the CBP system can reference or pull that data in as needed.

So, thank you for the opportunity to speak today. I look forward to engaging the Trade Support Network in whatever areas we can.

MR. BRADLEY HAYES: Thank you for your comments, Celeste. I was remiss before the panel started. The boxes on the tables, I'll point out, will indicate five minutes, then one minute remaining when the yellow light comes on. Thank you for abiding by those without my reminder.

Our next speaker is Lisa Gelsomino from Avalon Risk Management. Welcome Lisa, and I'll turn the floor over to you.

MS. LISA GELSOMINO: I'm Lisa Gelsomino from Avalon Risk Management. Thank you for having me. Like Celeste before me, I am also
here in support of the TSN comments. We both
share in support of the COAC comments, and I’m
also representing the International Trade Surety
Association and Avalon comments from my own
company. I'm really focusing on data sharing with
the sureties and how our times have also changed
and evolved and why that's become more important
in our environment and can also work with CBP on
their efforts for intelligent enforcement.

Specifically, we heard today how CBP
handles over 33 million import transactions, with
over 50 billion in duties collected, sureties are
part of that process every step of the way.
There's only a handful of sureties that write
Customs Bonds, which means we're managing millions
and millions of entries and transactions, more
than any one importer or Customs broker as well.
And we're dealing with complex priority trade
issues like antidumping and countervailing duties
that now has 460 active cases, we expect 500 by
the end of the year. As a surety, we need to know
all those cases and our hands are really tied
because while we get some data through the automated surety interface, that interface was built in the 1980s and involves data around the 1980s and not the data that we need today. In fact, we don't even get the commodity or the country of origin or the AD/CVD case number. We are completely blind on all the entries that are coming in under the bonds that we write.

We are jointly and severally liable with the importer to CBP. As an importer needs their data, as the surety, we also need that data. We also work very closely with Customs brokers, and we believe they are a very important factor in the process. In fact, where a custom broker handles both the entries and the bond for an importer, we find that it's ten times less likely that we will pay a claim because there is compliance there and a connection. We are all an integral part of the supply chain. As sureties, we need data like everybody else to do our job.

The data that an importer can get through ITRAC is helpful, and we support that they
need that data and as sureties we often request it. We agree that ACE is the system of record, and that's why we need to also get our data real time from the ACE system of record, because an importer's patterns can change.

I serve on many of the COAC working groups for these priority trade issues including antidumping and IPR and forced labor, and we're always asked to try to share more information to help importers comply with these priority trade issues, and sureties are in a unique position to do that. I often have so many ideas of how I could look at my data and help an importer understand what they need to do for forced labor, but I don't have the commodity, and I don't have the country of origin to share that with them. I'm challenged with antidumping to reach out to my importers when there's a new case to alert them of things that should be happening. And while Customs brokers do that too, we are all dealing with so many challenges in the supply chain today, the more than we can help people comply, the
better off we are and the better CBP is.

Also, real-time data helps us detect trends sooner when there's bad actors. I often talk with Milton Magnus in our AD/CVD working group who is very active with CBP and behind the Enforce and Protect Act. He asks, why do importers have such an easy time getting a bond on file? It's because with E-bond, which has been so successful, bonds can be filed in seconds. An importer may not tell you at the time they secure the bond they are dealing with dumping or forced labor or any priority trade issue, but their patterns change. Without being able to get that real time in our data, we don't see that. And it's not just about the duty, there's things like trade remedies where we weren't able to help importers with the bond sufficiency requests because we didn't have the HTS codes that were required under all of those transactions.

We also help with compliance when it comes to redelivery especially for food and drug. Often times, we don't know when those redelivery
requests are made, and importers aren't complying. And if we could know more of that in our data, we could reach out to importers sooner to correct those problems and protect goods coming into this country that may pose risks or anything like that.

I believe under the Trade Facilitation and Trade Enforcement Act, there's also Section 115 that talks about risk-based bonding and partnership with CBP. That's an area where we think if we had more data, like many of the COAC recommendations that we've made, we could work much more in partnership together to help with those issues and help with the supply chain in the 21st Century. So, I thank you for allowing me to present these comments today.

MR. BRADLEY HAYES: Thank you for those comments, Lisa. Our next scheduled speaker was Tara Steketee from Merck & Company, and she would be speaking on behalf of the International Trademark Association. I believe her train is delayed, but she should be here around 11:30. So, we'll continue with the panel and then when she
arrives, we'll pause to let her make her statement if that works for the Chair. Okay.

So, with that we will turn it to Chris Rubio from UPS Global Brokerage Systems.

So, Chris, go ahead.

MR. CHRIS RUBIO: Thank you. My name is Chris Rubio, Global Customs Brokerage Systems Vice President. On behalf of UPS, I want to thank you for the opportunity to share our information with you today.

So, what we see in the space of data access and sharing is the need to balance security of personal information with the great opportunity to streamline trade with all the emerging technologies that are leading to a digital supply chain for the customers that we serve. What we envision would be an ongoing dialogue and process where we can continue to evaluate the maturity of the emerging technology and how to best operationalize these capabilities to streamline trade and share information.

Global trade will continue to grow.
Global E-commerce will continue to open new markets and simplify the opportunity to trade for firms of all sizes. And the great challenge for industry and Customs is to meet this challenge proactively with tools and processes and continuously adjust. Strategies simply can't be set and then executed and considered finished. We live in an environment that requires continuous adjustment. Emerging technologies such as blockchain, new payment channels, the immense opportunity of using the data and rapidly changing mobile networks will continue to create an environment of high velocity potential and the sharing of information can make us smarter about global trade transactions.

An ideal path forward for Customs globally is to organize in such a way to create a modernization working group. This proposal would be to create a multi-national working group comprised of trade, industry, and global Customs agencies and at solving information sharing for shared goals such as security, compliance,
statistic gathering, and efficient collection methodologies.

Modern supply chain software is multi-national. So, without a global emphasis, the resulting outcome that we end up with are solutions that work in one geography and require customization per region of the world. The customization and exception logic is what creates complexity in software development and drives transactional costs, data collection costs, and end-customer uncertainty. Lack of global synchronization results in an inability to master global rules, resulting in lower adoption for digital standards. Firms simply can't adjust quickly because rules are different around the world.

It should be the aim of global Customs to organize and synchronize the required data models and share these standards globally. With an aim at creating shared global standard information models, tools will rapidly unfold to demystify trade and data requirements, drive down
software development costs, and incent global adoption.

A key barrier holding back rapid adoption would be some form of incentive to share this real-time information to streamline trade. To solve for this barrier, global Customs could create a Trusted Trader fast-pass information model that, for example, would allow faster or simpler revenue settlement or even reduce rates due to lower transaction costs for processing, while still allowing for periodic settling and auditing for security and compliance.

The era of big data has ushered in many tools and techniques that allow for smarter analytics that will only continue to improve security and compliance for verified transactions.

Another key barrier for information sharing is the fact that there are numerous transactions systems of record where the source of information is stored. New tools such as robotic process automation hold the promise of lifting the data from these source systems in an efficient
manner and low-cost manner in such a way that data collection problems can be something of the past.

In the era of speed and rapid consumer delivery preferences in the custom area, if not continuously innovated, has the potential to slow trade. US Customs has a great model via organizations such as COAC where industry and supply chain members can evaluate emerging trade opportunities. In my experience globally, there truly is not another community quite as we have with COAC.

I would suggest that global Customs seek to broaden the innovation dialogue via the World Customs Organization in a way that the US COAC has been organized to share standards globally.

In closing, this is a most exciting and interesting time to be involved in global trade, and the demands for supply chain are critically important for us to resolve. Thank you.

MR. BRADLEY HAYES: Chris, thank you
for those comments. And now, we'll turn it over to our next speaker -- final speaker on this panel for now -- Mr. Mike Mullen from the Express Association of American. Go ahead, Mike.

MR. MIKE MULLEN: Thank you, Bradley, and thank you for the opportunity to be able to talk with you today. As Bradley said, I am the Executive Director of the Express Association of America, which represents DHL, FedEx, and UPS, the three largest express delivery service providers in the world.

EAA appreciates the opportunity to provide comments on the 21st Century Customs Framework. CBP’s focus on ecommerce in this significant strategy effort is a welcome and very necessary step forward to ensure the views of a wide spectrum of stakeholders are included in the agency’s planning process. Ecommerce will continue to grow in volume and in its importance to the U.S. economy, and we encourage CBP to continue a robust outreach to the trade community to ensure its policies align with 21st century
business best practices.

To meet these challenges and modernize their operations, CBP should focus on improving partnerships with the trade, and this process should have both a policy and a technology component.

On a policy level, CBP should leverage partnerships with ecommerce platforms to more accurately identify shippers who have a long history of compliant behavior. CBP could then provide expedited clearance for these entities, while focusing their resources on less well-known shippers.

Regarding the issue of CBP receiving additional data from the ecommerce supply chain, the Trade Act standard should be applied that data is provided by the party in the best position to submit it. All supply chain participants need to be considered accountable parties, especially those participants with unique access to information which other filers may not have. Entities which desire to enter the supply chain
need to understand they take on a certain degree
of responsibility for ensuring compliance.

CBP could deepen and broaden its
partnership with carriers by providing them Tier
III CTPAT status. CBP also should share more
information on general trends regarding illicit
goods, their origins, shippers, and supply chain
intermediaries, to allow stakeholders to compare
this information with trends the private sector
may be observing. Carriers already have cleared
personnel who could receive classified information
for this purpose.

CBP should consider adding repeat illicit
traders to denied party lists, similar to the
procedure followed for export controls violators.
Brokers and carriers cannot become law enforcement
entities, but a better two-way flow of information
would enhance the mission success of both the
trade and Government.

CBP should coordinate with relevant trade
community entities to conduct table top exercises
focused on identifying and interdicting illicit
goods in ecommerce supply chains. These exercises should include Commercial Targeting and Analysis Center participation and should be as realistic as possible.

On a technology level, the key to more effective data sharing and analysis is moving to the next generation of ACE development. To some extent, the development effort that led to the 2016 ACE operational capability implementation focused on automating the traditional customs functions that had been conducted on paper or through manually intensive semi-automated processes for decades.

The next generation of ACE development should address a series of challenges currently facing the trade community, including, first, providing a true multi-modal manifest functionality across all modes of transportation for both import and export.

Second, the capability to handle and track in real time the intermodal transfer of imported shipments
Third, the functionality to allow the supply chain to efficiently handle in-bond shipment transfers.

And fourth, full integration between the import and export manifest systems.

Critical ACE manifest enhancements are needed to adequately address these visibility and oversight gaps with regard to ecommerce business models. This ACE modernization is the most important step CBP could take to enhance its ability to interdict illicit shipments coming through ecommerce supply chains.

To begin addressing the critical manifest topics outlined above, CBP should support the rapid reestablishment of the TSN Multi-Modal Manifest Committee. Thank you.

MR. BRADLEY HAYES: All right. Thank you, Mike. I appreciate those comments. We'll now open it up for 15 minutes of questions from the government panelists, and then again we'll pause when Tara is here to take her statement as well. So, Madame Chair.
MS. BRENDA SMITH: So, I appreciate the thoughts that this panel has shared focused on really building on the emerging technologies panel. What I'd like to do is to give a little bit of predictability to our panelists is actually to start to my right after I -- I'll ask a question, and then we'll start with you, Catherine, and then move down the table, and then we'll flip it. Okay? All right.

So, my -- my question is really around -- and some of you have highlighted -- the non-traditional parties to the supply chain, not only in the E-commerce realm, but also in more traditional supply chains. We've got -- instead of just focusing on importers, carriers, and brokers, we have a lot of other entities that are serving as intermediaries in the supply chain. How do we best access the data from those non-traditional supply chain partners, and is there a way other than changing the regulations to encourage that? Celeste, I'm going to start by asking you to lead on.
MS. CELESTE CATANO: I really, you know, other than regulation, I'm not sure that a lot of people are voluntarily wanting to give you additional information, right?

MS. BRENDA SMITH: Are there incentives that we could offer that might change their calculation?

MS. CELESTE CATANO: Oh, I'm sure -- I'm sure there are, you know, you start, you know, a lot of, you know, like CTPAT benefits, you know, Trusted Traders were, you know, maybe reduce MPF or, you know, you give them less exams or, you know, stuff like that. But, some of these -- some of these parties are, you know, not -- don't have to necessarily report directly to Customs today, you know. They're all done through the entry process and, you know, in this file to the, you know, the importers or brokers. So, to get them to start, you know, investing in -- in technology and stuff that they would need to, you know, talk with Customs might be a little bit of a challenge.

MS. BRENDA SMITH: Any thoughts?
MS. LISA GELSOMINO: Yes. So, I guess from a surety perspective when it comes to E-commerce or Section 321, we're not very involved because there is no import of record and no bonding requirement. So, there's not a whole lot of motivation there to comply. But, I guess when I focus on more of a priority trade issue like antidumping and countervailing duty, it's the supplier that is just so important to the rate and is what really causes so much trouble for the importer of record. The importer of record does not always understand how the supplier could change and impact the rate. And I think more and more, you're also seeing foreign importers of record and that challenges CBP's jurisdiction over those foreign entities. Is there more that you could do to have foreign suppliers and/or foreign importers of record be committed to CBP like other countries do? And also, on suppliers, for example, if you look at what Food and Drug is doing making them register. For a complex priority trade issue like dumping, is that something you could do as
well? Those are some thoughts that I have.

MS. BRENDA SMITH: Thank you. Chris, any thoughts?

MR. CHRIS RUBIO: I think, you know, in addition to the completeness questions, there's also a timing factor in this, and so it's something that would incent, you know, people to participate and provide this information as early as possible in the supply chain, which will then, you know, allow for increased inspection and things like that. But, yeah, I think incentives revenue-based might be something interesting, but obviously a tough hurdle, but certainly that would be a way forward. There needs to be something to drive adoption.

MS. BRENDA SMITH: Okay.

MR. MIKE MULLEN: Well, in my comments, I suggested a partnership approach, and I think that might be the -- the quickest thing you could do in the near term. I mean, CTPAT and start with a regulation, right? That started as a partnership, and you went out and found the famous
seven companies that agreed to sign up. Now, if you could get the seven largest E-commerce platforms to sign on a partnership program, they would provide some [inaudible] and you provide them some concrete benefits in terms of how rapidly those products would be [inaudible.] I'm probably being naïve, but I can't believe there wouldn't be an interest in this.

MS. BRENDA SMITH: Thank you.

Catherine?

MS. CATHERINE DEFILIPPO: I'd like to thank this panel. I found it very interesting. The ITC is a relatively small agency, and even we have a ton of data and trying to figure out how to best provide that in an easily accessible manner both internally and externally is challenging. I listened to Ms. Gelsomino.

MS. LISA GELSOMINO: It's a tough name.

MS. CATHERINE DEFILIPPO: Sorry. DeFilippo is a hard one too. Talking the AD/CVD information and, you know, we are a part of that
process -- one of the agencies that has a role in making those determinations. And we are working right now to try and figure out how to create a database to make it much more accessible to have the statistics on countries and HDS, et cetera. So, we're working on it, but it -- it takes a while.

So, what I was interested in hearing from the panel was, what do you all see as sort of the biggest obstacles that might prevent the timely and accurate sharing of data with the US government?

MR. CHRIS RUBIO: For us, the biggest area that we see is purely the quality of the data and the data collection cost. So, that's really -- because we serve customers of all sizes, we're subject to information that, you know, with all different degrees of quality. So, the challenge for us, and we're zeroing in on it, is attacking the data quality and improving our ability there to collect information from the customers.

MS. CATHERINE DEFILIPPO: Do you find
it challenging that there are different agencies
that are engaged in this or -- or are part of the
process in finding out where to go for the right
information? Is that challenging at all?

MR. CHRIS RUBIO: Globally, yeah.
For sure. I mean, there are two single windows, I
think, right? So, you know, the fact that there
are different standards that creates a problems
for us in communicating with our customers who
have, you know, to deal with different degrees of
information or different agencies around the
world. So, that creates a barrier.

MS. CATHERINE DEFILIPPO: Thank you
very much.

MS. BRENDA SMITH: Mr. Skud.

MR. TIMOTHY SKUD: I don't know if
this is urban legend or not, but I'm told the
current -- I've heard that the current ABI format
of 80-character lines is based on the punch card
route.

MS. CELESTE CATANO: It actually is.

MR. TIMOTHY SKUD: Yeah, okay. So,
is that still an obstacle? I mean, I've heard
that people say that it presents formatting
challenges, it limits the kind of data you'd want
to get for some data elements. Is it -- is it --
is it still a problem? Is it time to move off --
is it time to reformat the ABI format and move
into something more modern, and if it is, what
kind of cost does that involve your clients?

MS. CELESTE CATANO: Yeah. I mean,
it definitely would involve, you know, a decent
amount of cost, although most of us outside of
Customs use, you know, ABIs, XML files, I mean,
that's like the -- probably the easiest one to try
and transition to if you're, you know, just
talking still, you know, sending data back and
forth instead of using, you know, ABIs and, you
know, electronic connections. But, the thing is
that with the 80-character record, what ends up
happening is if you need to add a field, and it
doesn't fit in the other one, now you're creating
another one, and, you know, just the whole -- it's
not -- it's no longer straightforward once you --
once you start having to make changes. It's great when you first make a new one, but it doesn't scale very well, you know, as time goes on. So, I -- I think it definitely is time to start switching over, and I think from a software perspective, I mean, the -- we're used to using other technologies, and I don't think it's a big lift. When we went to ACE, I think there was a lot of -- a lot of pushback because we were at that point talking about maybe moving into different technologies, and I think people weren't ready at that point. I think -- I think we could probably, you know, start -- start moving new things in to -- in to new technology.

It will cost money, because obviously we'd have to retool our -- our software and processes depending on, you know, how that's implemented. You know, we would, of course, have to pass that onto our customers.

MS. BRENDA SMITH: Mr. Dougherty.

MR. MICHAEL DOUGHERTY: Thank you.

Mr. Mullen, you had been talking about tabletop
exercises [audio difficulties] within E-commerce. Can you -- can you pull that out a little bit more and kind of talk about that, and then assuming you had your ideal tabletop exercise with the right types of players, which you would then tell us about that. Also, what is the outcome of it? What do you derive from it in terms of an artifact that is informing to entities like the US government?

MR. MIKE MULLEN: Okay. That's really a good question. You know, I just think we're at a stage in the evolution of E-commerce, both -- both in the trade community and in government where there's a large number of sort of information gaps or visibility gaps or gaps in our understanding about how these systems really work, and where the information lies. And I -- and these are complex supply chains. These are not like these old linear supply chains where, you know, something gets sold and -- and someone contracts with a carrier and then the goods are moved into the United States, and CBP does a
review, and then they're sent out into a distribution system. These supply chains, as you know, are -- are extremely complex, and somebody sitting in the United States can be ordering something from China when they have no idea it's coming from China.

So, the kind of tabletop exercises that we've been talking about, you would get all these different players. They're involved in the supply chains, and it does start with some -- some type of online marketplace where an entrepreneur can sell goods. There are then platforms that consolidate these entrepreneurs into larger marketplaces. There is a -- a financial aspect to it -- to handle the financial aspects of the transaction, and then there are carriers that deliver the goods, and there is the government who does the reviews somewhere in that process. And by doing that, I think you would be -- if you walked through this, you know, tabletop exercises start the scenario, right? You take a shipment, it's going -- how is it being purchased, and how
is it moving from where it's manufactured to the consumer that's going to use it, and you track that shipment through the process, and you see what kinds of information are available each step of the process, and you can identify what the government's interests are in different pieces of that information. It's a huge quantity of information, and the government probably wouldn't be interested in all of it. Well, we'll see. But, in that way, I think you could get a much clearer picture of what the reality of these supply chains are. And again, going back to the Trade Act, who's in the best position to provide particular pieces of that.

MR. MICHAEL DOUGHERTY: Thank you.

MR. LEE SMITH: I do have a few questions being AD/CVD duties are something that's calculated and implemented by my team, and initially I had been working with it for quite some time. So, my first question is for Ms. Gelsomino -- I'm sorry -- Gelsomino. So, has your company experienced problems with defaults by
newly incorporated or non-resident importers that could have been avoided with better information sharing between CBP and sureties about the parties involved in the transactions? And similarly, could you elaborate on the types of information you would like to see in the automated surety interface with ACE to reduce defaults of AD/CVDs?

MS. LISA GELSOMINO: I had a hard time hearing that all. But, I think what you were asking is do we have challenges with non-resident importers? -- Absolutely. I wouldn't say that in general foreign importers are more risky, but when it comes to dumping, yes, it can be. And I think that the lack of information certainly ties into that because what happens is, as I mentioned earlier, the bond you think you were writing for non-dumping suddenly becomes one, and by the time, as a surety, you reach out to parties to gather information, it could cause a lot of damage in that amount of time because a $50,000 bond could allow a very deviant bad actor to bring in millions and millions of cargo in a very short
amount of time. And so, as sureties, we often see
where the $50,000 bond -- we'll pay it -- but,
it's CBP that's really out a lot more money. So,
that's why our goal is to really try to stop that
sooner. I think CBP has some good scenarios like
garlic shipments where they couldn't get bonding
and couldn't bring their cargo in, right? And so,
that's kind of the idea, to stop it before it
starts.

MR. LEE SMITH: Okay. And I guess my
second -- my second part of that question, more
specifically for the rest of the panel, would be
what information do you think would enhance the
government's ability to identify parties that seek
to evade duties and commit illegal actions?

MS. LISA GELSONINO: Can you repeat
it?

MR. LEE SMITH: I'm sorry.
Essentially, what information would you -- do you
-- would you like to have that you think would
enhance the government's ability and your ability
to operate and identify parties that seek to evade
anti-dumping and countervailing duties and other illegal action? This is kind of an overarching issue.

MS. LISA GELSONINO: Right. I think an example, you know, CBP doesn't often share things about the bad actors or the violators. And so, an example of where they have is the Enforce and Protect Act. You know, they do --

MR. LEE SMITH: Right.

MS. LISA GELSONINO: -- post that information on cbp.gov and it is information that a surety or a Customs broker can see and know when we get approached to write a bond if this is someone maybe that's had some deceptive problems in the past. That can be helpful. And I think there are other agencies like BIS who post denied parties. So, is there any reason why that couldn't be done on imports? And another example is the Federal Motor Carrier Safety Administration -- we write bonds for property brokers who move freight domestically, and if they have unpaid claims, as a surety, we have to post that on our
website so that the shipping public is aware of that before they choose a broker that this could be an issue.

So, I definitely think there's opportunity for that type of data sharing. I know there's privacy laws, but I think it's something that should be thought about as we enter the 21st Century Framework. Thank you.

MR. CHRIS RUBIO: And just to build on that, that's something that could be, you know, put into a block chain, and it could be permission for the parties that would require access to that information. So, it could be secured in such a way that it could be beneficial and only the right people would be able to look at it.

MR. MIKE MULLEN: And I also, in my comments, I endorsed expanding denied party lists, and that's important. But, I think -- I think in the end, you have to understand that we are not law enforcement operations, and in a lot of ways, the best thing that we can do is to cooperate more closely with CBP on things like blitzes, which are
happening all the time, and we put a lot of extra
people to work when CBP is conducting a blitz to
help them find what they're looking for and to
help them process the shipments that they -- they
look at and clear, and they can go into the
commerce of the United States. So, I think it's
being able to provide that kind of support to this
-- to CBP's sort of broader enforcement
activities, which is also very important.

MS. BRENDA SMITH: Okay.

MR. BRADLEY HAYES: Tara, we thank
you for joining us. I know we had mentioned that
your train, I think, was running late. So, we
want to turn it back over to you for your comments
with a quick introduction. So, I'll turn it over
to you for five minutes of your statement.

MS. TARA STEKETEE: Thank you. Good
afternoon. I apologize for being late, but
sometimes the weather forecasters do not get the
snow amounts right, surprisingly. I'd like to
thank US Customs and Border Protection for
inviting me to speak with you today. My name is
Tara Steketee, and I'm the Chair of the United States Anti-Counterfeiting Subcommittee of the International Trademark Association. I'm honored to be here today to comment on the 21st Century Customs Framework data access and sharing priority, which seeks, in part, to address one of CBP's missions in combatting counterfeits at the border.

INTA is a leading advocate for the interest of brand owners. We work to foster effective trademark laws and policies worldwide and to harmonize their implementation, and anticounterfeiting is a top priority for our association.

How does INTA combat counterfeiting?

We have an anticounterfeiting committee of members of the network comprised of 285 members from all over the world who provide INTA with local expertise and act as on-the-ground advocates for the organization's position.

The membership of the anticounterfeiting committee ranges from brands
like my company, Merck & Co. to major league baseball to Amazon. The diversity of INTA's membership shows that counterfeiting is an issue that plagues all brands across all industries.

Now, to focus on the data access and sharing priority of the framework. INTA would like to first applaud CBP for the 21st Century Initiative and for seeking public comment on the implementation of the six key pieces.

Data access and information sharing are key to combatting counterfeit products at the borders, which is why INTA believes that this practice should be a priority for the public and the private sector stakeholders. As counterfeiters become more sophisticated, trademark owners and enforcement officials must work closely together to help identify counterfeits to protect consumers from the harms of substandard goods. Incidental to enforcement work by various government authorities in counterfeit cases, information is generated that can be useful for investigating the identity
and the role with other parties, including suppliers of goods and accessories. At the start, data that is available on those of leading should be freely available to trademark owners since they are already available to a third-party, the express carrier. This information can be critical to a brand owner in the course of its private investigation.

Furthermore, to ensure that the trademark owner has prompt access to information regarding counterfeits and the counterfeiter, INTA recommends that CBP provide prompt and reasonable access by trademark owners to relevant documents and information on counterfeiters for the trademark owner's use in conducting private investigations or the filing of complaints. Relevant information includes product and packaging information, the trademark which is infringed, the date of import and export, port of entry, description of merchandise, quantity, country of origin, identifying information such as name, address, or phone number of the
manufacturer, exporter, or importer that may identify the counterfeiter.

CBP should also be willing to share shipment information such as whether the shipment contains other infringing goods, digital images of the merchandise, including labels and tags and digital images of the box and any printed information.

INTA is aware of the concerns and claims that data sharing violates privacy, is contrary to the interest of investigation, and law enforcement. However, INTA believes that best practices and information sharing can account for legitimate purposes including the investigation and enforcement of anticounterfeiting, cybersquatting, and trademark rights. INTA recommends that any data points available be shared with the rights holder, especially through the establishment of an electronic system. Brand owners, in turn, should share information regarding their products with CBP, at least simultaneously with any information on the
importer.

In an effort to improve data sharing with trade stakeholders, we recommend increased cooperation and expanded data made available by the US Postal Service. Currently, the USPS does not engage in the identification and confiscation of counterfeit goods, allowing counterfeiters to take advantage of the system by sending undetected parcels. This trend is growing so much that CBP recorded in its 2017 seizure report that 89 percent of all seizures took place in international mail and express environments. The proliferation of E-commerce has allowed counterfeiters to ship goods directly to the consumer in small packages around the world. Not only is the rising numbers of small quantities of counterfeit goods burdensome to Customs officials, but this trend also poses immense practical and budgetary challenges on the rights holders and ultimately consumers.

As you can see, effective anticounterfeiting enforcement requires strong
information sharing and data access between stakeholders. Through our collaborative efforts, we can not only fight back at the counterfeiters, but we can also protect innocent consumers from using harmful and dangerous counterfeit goods.

With that, I would like to thank you for inviting me to speak to you today on this important issue.

MR. BRADLEY HAYES: Great, Tara. Mike, we've got to open it up for public comment before lunch, and then we'll give you a chance to respond. Tara, thank you so much for that.

We're going to now turn it over to our -- the public in attendance today. Obviously, the same process. We've got two microphones on either side. If there are any comments, we'll go ahead and open the floor.

MS. FANY FLORES-PASTOR: This is Fany Flores-Pastor from the Descartes Systems Group, a member of [inaudible]. Thank you, CBP, for the opportunity for this room to share our concerns and for you to share what is coming for us. I
think that open conversation is always good. I have a couple of comments. We'll discuss about ABI, and that, of course, is close to my heart, of ABI, and we also talked earlier about new technologies. So, I'm thinking if we want to -- it's time for change, right? We want to make sure that if we go forward, that we go forward with what's new instead of keeping up with the old.

So, I think that block chain is an opportunity and new other technologies that will affect other areas are important to review, but I'm just trying to make a comment that if we go and change our ABI format, that we consider the new technology and move in that direction.

The other comment I have is in regard to defining new players. I think before we can answer how to detect and how we can play with them, we need to identify them. When we were discussing that, it brought up my mind that even in the current ACE environment, we have players that we cannot identify in ACE yet. We have had a lot of challenges with it. For example, people in
the OCCs that haven't been able to provide the 
information, they are creating fake where they 
also, you know, bill numbers, so that they can 
comply with the requirements of the master bill. 
So, I think that we have to attack that first, 
right? Identify who they are and go from there. 
I hope that the house bill release 
project is in standing, and that we continue doing 
that first before we try to move on to other 
things. 
And lastly, again, CBP plays an 
important role keeping the trade moving forward, 
right? I think that we have to learn from 
experiences in the past where ABI took many, many, 
many years to be implemented because of the lack 
of enforcement. You know how long it took us to 
get the ACE and trade summary into the system. It 
took many years. So, I think we want to learn 
from that experience and make CBP a little more 
forceful into getting the -- the policy and 
keeping up with technology. And that's it, thank 
you.
MR. LEE SANDLER: Lee Sandler, Sandler, Travis & Rosenburg. I have three quick comments. The first is picking up on Lisa's comments with respect to the sureties. The ACE portal for sureties is less than robust. The fact that the surety is jointly and severally liable and still is unaware of the origin of goods, the classification of goods, whether or not there is an anti-dumping case, and what the number is, is pretty shocking. This should be an easy and early fix and would be important for increased enforcement and understanding with the trade.

The second is with respect to information sharing. You do have a statutory obligation to make certain manifest information available to the public. That system is incapable of accurately identifying what information should be opted out and not shared, and it's a very, very slow process of acceptance that really needs to be automated and looked at in a way that it's a much more effective and efficient program.

And the third, with respect to
counterfeit goods and there is always an emphasis upon the sharing of information to determine if goods are counterfeit, and that is a difficulty. The request to share information after there is a determination that goods are counterfeit is pretty well set forth in the regulations. But, it's not automated efficiently.

I would suggest that you also take a look at the detention stay and the rights of an importer to be given real information about what the basis is for the detention of their goods so that they can respond. There are many kinds of importers who are unaware of what the problem is, and they can resolve it either because the goods can be shown to be genuine, there's a question that can be asked and answered quickly, or because the goods are not what they expected to get, and they are, in fact, counterfeit, and they'll abandon them immediately to CBP for destruction. So, those are three areas that you might look at.

And last is there may be other areas like the information sharing you have on the
detentions of goods, which are suspected of being counterfeit. There may be other areas where you're doing that on a manual snail-mail basis instead of doing it electronically. It ought to be automatic that that information is shared, that you're authorized to share where there's a need to do that to more efficiently make decisions and not waste your time on activities that take too long and consume time of the CBP officials and also cost the import community a great deal. Thank you.

        MR. ANDY SHILES: Hello folks. Andy Shiles. I'm now with CEVA Logistics. A few questions real quick. Why out of who's not at the panel, why is FDA and the Post Office not there? You know, I would be asking if they could be brought to the table to listen to the trade on data sharing, and access, and business facilitation, and all that. And one other thing, then I'll leave it for another time and place.

        MS. BRENDA SMITH: Thanks for the comments.
Mr. BRADLEY HAYES: Go ahead.

PUBLIC SPEAKER: All right. Alan Berson, Executive Chairman [inaudible] Trade and Technology. After 9/11, we saw a change in the information sharing between intelligence and law enforcement communities, and while I think today's conference is good evidence of the great strides we've made on the trade side and the security side. The fact, I think, remains that we still don't share information within the government, let alone between the private sector and the public sector in ways that would be to the benefit of both. Technical means exist today to actually fuse data and combine data in protectable ways.

My question is, what are the major initiatives that are taking place to break down the barriers that exist and give them the existing space today in the exchange of information and the creation of genuine data marks within the government, and then also, I think reciprocally, the question would be in the private sector, why there isn't more sharing in ways that would be
both protectable but would have the benefit of
giving us the opportunity of fusing security and
trade analytics in ways that we have done,
actually, on the security side between law
enforcement and intelligence. Thank you.

MS. BRENDA SMITH: If I might build
on that question really for the panel. The idea
of data marks, data sharing, clearly is something
that has value based on the information that
you've requested, what would you prioritize? You
know, you've laid out a number of what I would
think about as ACE enhancements, for the most
part. But, as we look forward 20 years from now,
what -- what would you prioritize as the most
important set of data, and how do we make that
available with the right tools?

MS. LISA GELSOMINO: Well, I will
just start briefly only because when it comes to
what the sureties are looking for, it's much more
possible because of the module. There is already
functionality built to provide us with real-time
data, and it's my understanding that it is not a
heavy lift to do that, it's more of a policy issue. So, I would say that, you know, right now, we're still dealing with a very antiquated download that's, you know, from ACS, and it has to transfer to ACE, and we're also in a situation where everything is going paperless, and we need information for claims, so it seems inevitable, and it seems possible. So, that's why I think this is the right time for us to revisit it.

Thank you.

MS. CELESTE CATANO: All right. And I think the, you know, one of the areas is really all the data that needs to be filed with all the government agencies and try to figure out a way to minimize some of that data. We did, as we developed all of the -- the single window and all the PGA processing -- we did try to only provide what we absolutely needed. But, you know, there was a little bit of bloating in there. And, you know, some of the things, you know, you provide the same data. If you have a product that has, you know, two or three agencies that you have to
report on the same entry line, you -- you often
times send the same data for each one of the
agencies. So, I think there's -- there's
definitely ways we need to look at to try to, you
know, minimize some of that and, you know, and
then the whole idea of having a data warehouse --
basically a data mart -- where importers could
supply that information to Customs instead of
having to do it on a one-by-one entry, you know,
would certainly reduce the -- the burden.

MR. MIKE MULLEN: I think you could
look at areas where -- how data fits into
multilayered security strategy, and this isn't
really -- the example I'm going to use isn't
really sort of a CBP example. But, you know, in
the air cargo world, if a heavy shipment has to
get screened, it's going to fly on a passenger
plane. Once it's been screened, how much more
data is it going to need to put out that shipment,
and since it's kind of a DHS question, what value,
for instance, does the shipper program have if you
screened it while the shipment is in?
MS. TARA STEKETEE: From the rights holder's perspective, having full access to the complete bill of lading information would be very important, and the tactful implementation of that -- of the spirit of TTO where we're able to receive photographs of a suspect product, full photographs so that we can analyze the packaging at the very least and provide feedback to CBP would be very helpful.

UNIDENTIFIED MALE SPEAKER: And sharing of information, not necessarily the algorithms, but things that -- that could reduce friction. So, things that might cause security risks, engaging in a dialogue that could help us identify transaction types that could be proactively monitored and the same for compliance and for regulations, so we're just building on a data model that would allow us to do it without knowing what the algorithms are, but allowing us to maybe subscribe to some sort of service that would allow us to help share partnership.

MR. BRADLEY HAYES: All right. I
will note that we're at noon, just about 5 minutes behind, which I think is good for the panel. I don't know if there are any further comments before we break from this end. Okay. Yeah. Yes, please.

MR. TIMOTHY SKUD: Quick question. I think on Mr. Burson's questions about barriers and sharing data opposes to the gentleman at this end of the table, because you're in the business of sharing data with lots of different countries all over the world, all that have different electronic standards for that data. So, is the proliferation of standards still a problem? Is it something we should focus on adopting international standards, or has manipulation of data gotten so magical that it's a problem that's technically been resolved?

MR. MIKE MULLEN: Well, you've -- you've accurately identified the express companies as probably the most information-intensive operations in the world, Mr. Skud. But, I would say it's still a problem. Harmonized standards would be a tremendous improvement over essentially
220 different systems that we have to deal with today in the world, and you could specifically focus the efforts on things like membership and Trusted Trader programs, and on prearrival air cargo information. If we can get the rest of the world to adapt the ACAS system, which has worked for the United States for -- very successfully for eight years, that would be a tremendous benefit to the air cargo industry. And I'm sure there's lot of other industries that could give you similar examples to that. But, the more standardization that the US can drive internationally will be a tremendous benefit for ourselves.

I'd like a couple more minutes.

MR. BRADLEY HAYES: We've got to break for lunch. We can -- but, we'll be open to continued comments through the rest of the afternoon. Understand, we need to need to break and obviously keep things on track here.

I want to thank this panel on something as informative, just like the panel previous to this one. Quick couple of
announcements. Obviously, we're going to reconvene at 1:00. So, if those speakers who are going to be on third panel for the 21st Century Trade Processes could be back ten minutes or so before 1 so we can be seated. For the general public, you've got to go -- if you leave the building, you have to go through screening again and have to sign in again. For those of you who didn't stop by our registration table, please do that if you have not done so already. Government employees just have to go through security screening and show their government ID. You don't have to necessarily sign in.

Again, we've got a food court across the street in the Ronald Reagan Building, and there are supposedly food trucks on 15th Street. We will see everybody promptly at 1:00. Thank you.

[Off the record at 12:04 p.m.]

[On the record at 12:58 p.m.]

MR. BRADLEY HAYES: Let's take our seats. We're going to kick off here momentarily,
so we don't keep everybody too late on a Friday afternoon. All right. Welcome back everyone to our hearing this afternoon. Obviously, we've got our third group of speakers ready to talk about 21st Century Trade Processes at the table. So, will the room please come to order so we can begin this afternoon's session. Again, no gavel up here, but.

Welcome back to the US Customs and Border Protection 21st Century Custom Framework public meeting. I think we had a very productive morning session, and now we've got three -- three more topics to address this afternoon. We've got some new members who have joined us on the government panel this afternoon. So, what I'll do is turn it back over to the Chair of this panel, Executive Assistant Commissioner Brenda Smith to introduce our panel once again, and we'll go from there.

MS. BRENDA SMITH: I'm actually going to pull the audience back in. I think we had a very active morning today with lots of good
information shared, lots of good questions, as well as very good public comments. So, thank you to those of you that have participated and those of you that are being an active and willing audience.

So, we do have a couple of new participants on our government panel. To my left, sitting in for Todd Owen is Tom Overacker, who is the Executive Director for Cargo and Conveyance Security in the Office of Field Operations at Customs and Border Protection. To my right is Christa Brzozowski, Deputy Assistant Secretary for Trade Policy at the Department of Homeland Security, and on my far right is Jim Holbein, who is actively engaged in a number of issues at the International Trade Commission. So, we welcome all of you to our -- to this afternoon's panel.

The other thing I will note, just to save us time later, I -- my jetlag is getting the better of me, so I apologize if you see my head start to droop. Cynthia Whittenburg will take over for me after this next panel.
MR. BRADLEY HAYES: All right. Thank you very much. I commend you for staying this long. I know it was long flight back last night, so, I appreciate that.

We have, as I mentioned, three remaining themes to discuss this afternoon. We're going to move onto 21st Century Trade Processes, Intelligent Enforcement, and Emerging Roles in the Global Supply Chain. Following this discussion on the three themes, as I mentioned earlier, there is going to be a time for open public comment on any of the themes at the end. So, at this time, we'll begin our commentary on the third theme of the day.

We're currently exploring the best ways to refine import processes to reflect the modern trade environment, improve the experiences of importers, brokers, and other important actors within the supply chain, and increase overall efficiency. As part of this 21st Century Trade Process effort, CBP is placing specific focus on improving processes that may be overly burdensome
or outdated.

Before I turn it over to our first speaker, I'll remind the panelists we've got the box with the lights that will indicate five minutes, and then one when the yellow light comes on, and then red will be time's up. And then for those who are going to make public comments after the government panelists, if you'll keep comments short, concise, and focused on the panel so we can get through the three. We obviously don't want to keep people here too long into Friday afternoon.

So, with that, I will turn it over to our first speaker, who is Cindy Allen from FedEx Trade Networks. So, we'll turn it over to you, Cindy.

21st Century Trade Processes

MS. CINDY ALLEN: Thank you. Good afternoon and thank you for the opportunity to speak on a topic that is very important to our futures as facilitators of international trade.

As package-based trade continues to become an increasingly larger proportion of global
trade, our primary objective is to facilitate the
movement of these goods across borders as
efficiently and effectively as possible in
compliance with all applicable laws and
regulations. Removing as much of the
administrative process as possible from the border
and conducting more business on an account basis,
especially the Trusted Traders will be critical to
meeting the increasing demands of trade.

To this end, we believe that CBP has
the opportunity to build on the current regulatory
reform work that has been completed recently in
the COAC by exploring opportunities to streamline
payment processes, to mirror modern business
processes and accounting principles that are
utilized by companies across the globe, to engage
new stakeholders in the international trade supply
chains, focusing on parties who have the most
knowledge and possess the information, including
information at the point of origin that will be
crucial to assessing risk for security and
commercial purposes, to embrace new technologies
that allow information to be filed in a progressive manner by all parties in the transaction, the distributed ledger that Congressman Cassidy spoke of this morning, or more commonly known as block chain, could be utilized for this, to implement a One Government approach to effectively -- to perform effective risk management that includes all agencies who have authority over importation and exportation of goods in the US, to expand the concept of binding rulings from the successful model at CBP to a one-government approach. This will allow predictability which is crucial in containing costs to the consumers in the US. We also encourage CBP to explore additional automation and AI technologies to address efficiencies and other efforts deemed effective to issue more timely binding ruling decisions. To design systems that are not function-specific but utilize data from sources already existing in the business environments that exist today. We encourage CBP to share data in a true partnership fashion,
especially with the Trusted Traders who were asked to file a massive amount of data as a courier, as a broker, and as a truck carrier. We would like to have information that allows us to make better business decisions on a risk-management basis as well moving forward.

The trend away from container-based trade to package-based trade is global and not unique to the United States. The strain on the global supply chain combined with the ever-changing cast of stakeholders presents challenges to CBP and its partners to provide trade security, trade enforcement, and trade facilitation.

It is important for government to fully understand the area of trade that has become known as E-commerce. Many assume that E-commerce travels only in the postal, which is the majority of this traffic, and courier modes of transportation, while the reality is much more complex. I can outline one method that demonstrates this complexity. A foreign reseller or consolidator sources goods from foreign
manufacturers and makes them available for sale in the global online marketplace. Once a sale occurs to a consumer, the online marketplace collects the payment and notifies the foreign seller of the details. That foreign seller then packages the goods individually with the recipient's address in the US, and physically consolidates all of the packages into a container, contracts with a carrier, either ocean or air, and tenders the goods. The carrier files advanced data, the ISF or ACAS, depending on the mode, a manifest is filed, the goods travel, and then arrive in the United States. The goods are cleared by CBP and injected into a final mile delivery method. All of this information is extremely segmented right now. No one party has all of the information that revolves around this one transaction. In view of this, it becomes important that CBP have the authority to collect the information about the shipments from parties beyond the current scope in a traditional supply chain to perform effective risk management and intelligent enforcement and
then be able to link all of the segments. It's crucial that CBP work with other global Customs authorities to achieve mutual recognition of not just Trusted Trader status but also recognition of the information filed by entities in each country that are involved in a transaction. Filing the same information in a repetitive manner increases costs and impacts the speed to market of the goods for consumers with little benefit. In the specific transaction example that I outlined, multiple parties have filed the same data with different agencies and different authorities and pieces and parts across the glove. This limits the visibility for each authority to truly understand the risk or to facilitate a legitimate transaction in trade in an expeditious manner.

Additionally, given the increase in international trade and the complexity of supply chains, any decrease in the de minimis level, recently increased by TFTEA, is a significant step backwards and would represent a decidedly 20th Century approach to the trends that CBP has
identified. Any such move would undermine the very themes this effort seeks to advance, more specifically, intelligent enforcement and trade processes for the 21st Century.

We encourage CBP and its partners to not focus on a dollar value or a mode of transportation, but instead focus on the risk of the actual goods and the parties to the transactions themselves. This particular expansion of access to global market presents opportunities for the United States and CBP in particular to demonstrate the value of high-standard Customs regulations that support growth and open markets instead of closing them. Customs officials around the world look to the United States to provide guidance and direction. It is essentially that the United States keep and maintain its influential position in international organizations that are facilitating the top thought leadership on Customs and trade facilitations issues. In scheduling this outreach event, it is evident that CBP will continue to
play that crucial role. Thank you.

MR. BRADLEY HAYES: All right. Thank you, Cindy. With that, we'll turn to our next speaker, who is Mr. Matt Priest from the Footwear Distributors and Retailers of America.

MR. MATT PRIEST: Thank you. Good afternoon. The Footwear Distributors and Retailers of America serves as the industry's footwear trade and business association representing nearly 500 footwear companies and brands across the US including the majority of US footwear manufacturers. Our members include a broad and diverse cross section of the companies that make and sell shoes from small family owned business to global brands that reach consumers around the world.

So, as we think to ourselves what the question is during this 21st Century Trade Process Panel, what specific import procedures or requirements can be improved or refined, FDRA believes addressing the following issues will help ensure accurate statistical reporting, payment of
duties and fees due to CBP, and policies that
address 21st Century issues.

One of our biggest challenges is
athletic classification. US footwear companies
struggle with inconsistent rulings, added costs,
and tremendous confusion as a result of the highly
subjective practice CBP uses to determine whether
a shoe is athletic or non-athletic, the difference
between a 20 percent duty and a 9 percent duty,
many shoes worn today solely for fashion purposes
are still classified as athletic, even though they
lack characteristics that would make them suitable
for use in any athletic games or purposes. For
example, CBP classifies the Chuck Taylor All Star
as athletic, even though it has not been worn in a
professional basketball game in nearly 40 years --
Tree Rawlins, 1979, look it up. Many shoes appear
to receive an athletic classification based
primarily on appearance, brand name, or whether
the import specialist believes it would be
possible to run in the shoes. Given these
concerns, FDRA wrote Customs in 2016 urging that
it clarify with what constitutes athletic
footwear, and we have yet to receive a response.
I brought props just to make -- to illustrate my
point. This is a shoe by Converse, canvas upper,
rubber outsole, the typical shoe. It was deemed
athletic. A similar shoe that is a Cole Hahn
shoe, textile upper, pointy toe, rubber outsole,
non-athletic. These two shoes are Cole Hahn
shoes, both of them. This one was deemed
athletic. The same exact shoe with a little bit
of a dormant on the upper is non-athletic. Again,
the difference in the high-duty rate or the more
reasonable 9 percent, which we'll still argue is
not reasonable.

Beyond that, Customs rulings would --
FDRA member companies have suggested creating a
more automated system for Customs rulings so that
companies can file, track, and receive real-time
status updates on rulings requests. In the
Customs Ruling Online Search System, CROSS, CBP
should also include photographs of the items that
have been classified and closeups of the features
of the product relevant to the decision. Such information could be useful tools for companies to strengthen compliance.

And lastly, as we think about informed compliance in footwear definitions, since there are more than 430 ways to classify a shoe at the 10-digit level in Chapter 64, CBP and the footwear industry both benefit from regular guidance and clarity. Many of the detailed Customs footwear classifications are often unwritten or found within a long history of complex Customs rulings, the lack of enumerated definitions and clear guidance on footwear classification issues creates an obvious shortfall if there's ever a staff change at the national imports specialist level, which there has been before, and it also leads to confusion for footwear companies when Customs next updates the Informed Compliance for Footwear, and for that matter, any Informed Compliance. Currently, our Informed Compliance is 85 pages in length. It would also be helpful to notify the footwear trade
company what information within the document is being added, changed, or clarified. The Informed Compliance publication should be updated in 2019 with photos and graphics to illustrate the principles or in some instances, Customs might think about embedding videos in these documents, and it should include information on the following topics that we struggle with when it comes to definitions. Whether or not something is athletic versus non-athletic, which I illustrated here, the definition of a slip-on, which there is more and more slip-on footwear within -- that's being imported, and the definition of what -- what protection against water is. These are unique to the footwear industry, but when we import in 2 and a half billion pairs of shoes every year, that's over 7 pairs of shoes for every man, woman, and child in our country, every single year, we need guidance to ensure that costs are understood in the planning process and that our companies have line-of-sight, no matter if the duty is zero all the way up to our peak at 67-1/2 percent.
So, I appreciate the opportunity to share our frustrations with you, but stand ready and willing to be a partner in this process so that we can really create a 21st Century trading system. Thank you.

MR. BRADLEY HAYES: All right. Matt, thank you so much for those comments. Now, we'll turn to our next speaker, who is Marianne Rowden from the American Association of Exporters and Importers. Go ahead.

MS. MARIANNE ROWDEN: Thank you for the opportunity to discuss this topic today. In our written comments, we provided CBP with a high-level view of our ongoing project of "Mod Act 2."

The centerpiece of the proposal is to streamline and enforce financial accounting procedures to meet a 21st Century business environment. We should stop thinking linearly by splitting the financial accounting from the physical movement of shipments. We also suggested to CBP that the global supply chain becomes complex with more direct shipments from suppliers.
to consumers, and CBP needs to totally rethink a
regulatory regimen based on the input of record
model. Although the buyer may cause the
importation of a product, it is the foreign seller
who is often in the best position to provide
Customs with the information about the product.

We in the trade community should stop
being insular. International trade transactions
are simply a subset of a company's overall
financial transactions. And so, we should move
away from a Customs-centered process.

Additionally, CBP should leverage
data from E-commerce platforms without treating
them as the owner of the goods or regulated entity
responsible for duties, taxes, or fees, except to
the degree that the platform asserts physical
control of the goods, has title, or bears the risk
of loss for the goods. We should stop thinking
about the global supply chain and envision a
global ecosystem to determine who is the person or
entity in the best position to know about the
product or shipment, and who should be liable for
Customs compliance.

We also suggested to CBP that it will need to develop a new risk management strategy for this new environment using other entities in the private and non-private profit sector as intermediaries to these new actors.

We start with the proposition that companies want to comply with the law. Often, companies fail to comply with the law when it is complex and expensive. Simplicity is key and will require CBP to focus on what risk it really wants to mitigate. Will that be revenue loss, value, country of origin, security, product safety, missed description, et cetera?

And finally, last but not least, we highlighted some processes related to drawback, principally the prior notice process is arcane. The drawback waiver of prior notice process has been an alternative to the paper 7553 process described above but is also a paper-based process. With the advent of electronic drawback, certain pieces of the drawback process have been left out
of this modernization effort, specifically the prior notice procedure, accelerated payment, and drawback bonds are still paper-based processes that hold back both the trade and CBP. In order for drawback to truly enter 21st Century, we urge CBP to streamline these processes. Thank you.

MR. BRADLEY HAYES: All right. Thank you, Marianne. So, we'll turn to our final speaker of the panel, Mr. Chris Floersch -- hopefully I got that correct -- from American Honda Motor Company. Chris, go ahead.

MR. CHRIS FLOERSCH: Very good. Thank you very much. Thank you all. Glad to be here today. So, I'm Chris from Honda. American Honda Motor Co., Inc. is the sales, marketing, and distribution arm for Honda, a licensed product here in North America. As Trade Services Manager at our offices in Southern California, we manage both export and import compliance for our company, and we also collaborate with other Honda entities that import and export throughout North America, including our factories, research and development,
racing, and other activities. Thank you for the invite today. Again, it's a daunting task to speak alongside and in front of my compliance-minded colleagues. So, let me ask you to set aside those analytical tools for a moment, and let's be reflective. If anything, it will help me to brace myself for the onslaught of what I might say.

In any case, I believe it was Mr. Skud referring to the changes made in the Mod Act of 1993 being the first revision since inception in the 1800s. I certainly agree. Although, I would extend it one step further to say that while yes, we have automated things, we did not change the process. The Customs process indeed hasn't changed since 1789. Now, to prove this out, I have an entry I'd like to show you from 1790 thanks to a resource from the National Archives down the road. While it's hard to read, it's handwritten, you immediately recognize the central elements of the entry and see these today. We have a shipper, a consignee, description, tariff
rate, and there are five classification categories
-- maybe I'm seeing alignment between footwear and
automotive on classification simplification.
Let's get it down to five. There was a vessel
that arrived on April 21st of 1790 into the Port
of Philadelphia. Again, while we've automated, we
have not changed the process.

To highlight this a little bit further, let me highlight a most exceptional
broker by way of Cindy Allen with FedEx Trade
Networks, my colleague at the end of the table.
Cindy, who is one of our brokers, personally signs
every single one of the entries filed for us, and
I presume on behalf of FedEx Trade Networks, or at
least the ones she does for us, because we can
attest that we receive a copy of it, and we can
attest that she attests to the voracity of the
information that's presented.

I'm recalling when I started in the
business as a Customs broker 30 years ago plus
that we did that, mind you, though in only black
or blue ink and only, of course, upon carefully
reviewing all the attached documents and ensuring that it's complete, et cetera. I'm sure today with the advent of ACE, she's also providing her phone number using the ACE interface, so I expect her lines may be buzzing.

On the financial side, though, it's not so much the duties, but just with the valuation piece, just to give you the mindset just for a moment, it's as though, given the constraints we have, the cargo has arrived, that it made it, the passengers hopefully survived the journey, and it's time to settle the accounts. We're very focused it. It is the transaction after all.

Anyway, not to be outdone by Cindy, my staff informed me last year, "Oh Chris, by the way, we assigned your name and phone number to all of the EPA, NHTSA, DOT, and FDA declarations."
And rest assured, just so you know, all of your Honda CD and DVD players have an appropriate accession number as required by the FDA radiological standards.
Cindy does this though, for guys like us who say hey, even though you tell us that the form 7501 entry summary doesn't exist anymore, we still need to explain to accounting where that money went to and try to explain to auditors who come in at least once a year what those charges are for, that in fact it was legit and explain where it went.

Now, the situation that we're faced with all together here is not at all uncommon. The existing business processes are often overly complex with unnecessary steps that could be eliminated. Look at today in the context of automation. You've heard the term, I'm sure, of robotic process automation, AI, artificial intelligence, and, of course, a lot of discussion today about block chain. I feel myself that we're kind of on the cusp of the wave that's about to come ashore pretty big time.

So, let's consider other processes. Again, this is perhaps dwelling on it a little further, but the mode of power that provided
mobility in those days was where you mounted a horse. Today, you've employed the internal combustion engine to convert a store of energy into a force that propels you through from point A to point B, and you're upset if your harnessed to anything less than 100 horses under the hood a couple of feet in front of you as you feel how slowly you are able to move.

Our last and greatest effort in area of customs process refinement was a highly collaborative, joint effort between CBP and the trade, involved many players, including leadership from Randy Mitchell here himself from CBP. This group effort, led by AAEI Association, included importers, brokers, sureties, Randy himself, a tech team from headquarters at Customs OR&R. We finished the effort back in December of 2016, and, I believe, Marianne submitted copies of those documents with the comments to the recent request from CBP.

So, the Simplified Process Working Group developed recommendations for areas
including monthly summary, national statements, liquidation, reconciliation, and left with certain remaining decision points. Some of these highlight the burden of today's processes. For instance, there are at least 11 significant dates -- the date of export, entry, release, et cetera -- which of these are important to us in the financial process. I've never seen a company that determines its currency exchange rate based on the date of export as required to be captured by Customs.

So, in any case, it's not possible, we concluded, to meet the objectives of streamlining the model without employing -- by employing today's processes. I found that -- and while one might consider to just kind of throw in the towel after that experience -- what kept drawing me to it is that there has to be a better way, and I certainly found one. We're looking over the cubicle wall to my colleagues were work in tax, accounting, and financial reporting. They are accountable to federal agencies such as we are
with Customs, and I have pressed them pretty firmly to say can you tell me you are responsible for every single commercial invoice that comes across the water, and they confirmed absolutely, yes, they are. However, none of them employs the same process that we do, which is to essentially reconcile and declare shipment-by-shipment or entry-by-entry.

MR. BRADLEY HAYES: We're running at about 10 minutes. If you could wrap it up.

MR. CHRIS FLOERSCH: Sorry about that.

MR. BRADLEY HAYES: No problem.

Thank you very much.

MR. CHRIS FLOERSCH: So, we look forward to see, of course, what other countries are doing. Let's share the wealth. Let's go to the TSN. I think between the CBP and the trade, we have a very collaborative opportunity that is unique. It's the American way. Indeed, I just want to say it's American as baseball, apple pie, and the Honda Accord. Thank you for your time.
MR. BRADLEY HAYES: I think the ending was worth the overtime. So, thank you for that. So now, we'll turn it over to our government panel, and Madame Chair, I'll note that our shot clock is down for this round. So, we'll set it for 15, and about halfway through I'll indicate, and then just for your reference, the yellow light comes on with about 2 minutes left, not that we're necessarily strictly abiding by that, but just so I can give you kind of a head's up on time. So, we'll turn it over. Go ahead.

MS. BRENDA SMITH: Okay. Thank you very much. Good afternoon, panel. Thank you. Very thoughtful and provocative comments. I'm -- I'm running through several thoughtful and provocative questions right back at you, but some of those I'll hold for a later day. I guess my first question before we turn to Dr. Tucker down here at the -- at my left and then proceed this way, is really kind of a -- a bit of a softball to the group at large, and I guess it really goes to the -- the level playing field part and how to
accomplish the aim of ensuring that businesses in the United States and the US economy are as efficient and as effective as they can be at ensuring that consumers get what they need and are kept safe.

For you, and maybe Chris, I'll start with you, and ask from your perspective, what would the biggest pain point be for your business? And I appreciate then after Chris, anybody else that has a thought.

MR. CHRIS FLOERSCH: So, I think that's an interesting question, and what I see today with what's coming down the pike is compliance in a very big way. I had the pleasure of joining the House Ways and Means testimony to questioning of Robert Lighthizer talking about China. We are discussing amongst ourselves USMCA, you know, what is the impact of -- of that. And I see, if you're talking about, say, a level playing field between us and other countries, the question, right? I see that there is going to be very much an increasing need to collaborate with
our colleagues in other countries. So, that, in
and of itself, may be a tie there perhaps, because
I see the level of communication that's going to
be required in coordination increasing almost
insurmountably. I'm sure we'll get there, but
there are, indeed, you know, challenges ahead.

So, for us, it is indeed a challenge
that's highlighted there. There's a lot of
specifics to be worked out, a lot of concerns to
work through, but I think the key to that will be
through collaborating perhaps both ways -- us with
our colleagues over at the origin counterparts --
and, I think, interagency collaboration perhaps,
CBP and other governments.

MS. BRENDA SMITH: Thank you.

Anybody else have a pain point that they'd like to
share?

MS. CINDY ALLEN: I would say for us,

you know, it's the multiple filings in every
different country, and also the specific systems
that we have to maintain to do that. So, I have
to have a system that speaks with every Customs
authority, I have to have a system that speaks
with our clients, I have to have a system that
speaks with, you know, our finance people. It
would be great if we could look at the overall
business process itself and understand where the
data lies and how we could get that into the hands
of the people who need that one time. So, I think
that would make everyone more efficient and allow
us to get the goods to the consumer in a more
effective and efficient manner. Thank you.

MR. MATT PRIEST: I think for our
industry, I highlighted a number of our pain
points. We have a 3-billion-dollar duty burden
every single year, and we have almost 100 percent
import penetration. So, ultimately, with such a
low-margin industry that has to pass on those
costs to our consumers, that's a huge pain point
for us. So, that's why there is this kind of
construct of 430-something ways in which you can
classify a shoe because we built kind of this
monstrosity -- we, being the industry in
collaboration with the US government that is --
you know, metastasized into Chapter 64, and so
navigating through that is very difficult.
Simplification of the tariff code would do wonders
for us.

Beyond that, both Cindy and my prior
colleagues this morning did a really eloquent job
talking about third-party platforms, E-commerce,
and unauthorized third-party sellers. The
prevalence of E-commerce has just been so
difficult for our members to get their hands
around when it comes to enforcement, information
sharing, and whatever repercussions are available
to them. And so, the more that our members can be
in contact on a daily basis with Customs to target
those shipments and to target those illegal
actors, that will be a huge burden lifted. It's
not easy. It's only going to get worse. Those
are two really big pain points that we have for
industry.

MS. BRENDA SMITH: All right. Thank
you very much. I think, you know, the
simplification of the tariff code, you'll get no
disagreement from Customs and Border Protection.

I think often the challenge there is how to work through the computing interest. What caused the complex tariff system? And then trying to just kind of sort through how to address the issues that have resulted in the complexity.

MR. MATT PRIEST: And, if I may, I'd like to just say that this isn't personal to the national import specialist. We admire -- we admire the national import specialist. We work with the import specialist. But, the system is not set up for success. It creates the subjective nature for which the import specialist is put. And so, when he or she leaves, then we're stuck trying to figure out what will be precedent and what will not be, and how do we -- how do we kind of collectively educate the -- the Customs and Border Protection import specialist to ensure that -- that the rulings aren't the same two with two different outcomes, which we have pretty often.

MS. BRENDA SMITH: Yeah, yeah. Well, I am struck by -- we started off with Senator
Cassidy this morning -- Dr. Cassidy, actually, who talked about treating the symptom versus treating the disease, and I -- I wonder if this isn't a case of having -- trying to reorient our thinking so we stop trying to manage the systems, rulings, and inconsistent determinations, and try to go after the disease. So, thank you very much.

MR. MATT PRIEST: Sure, thank you.

MS. JENNIFER TUCKER: All right.

Thank you so much for being here. I was hoping to direct this question to Marianne. I appreciate the use of language and how you talked, and you talked about thinking of it as a global ecosystem rather than a supply chain. So, I'm going to actually use that language in my question back to you. What do you think is the most important action that the government could take to strength fair and compliant global ecosystems?

MS. MARIANNE ROWDEN: I'm sorry, last phrase?

MS. JENNIFER TUCKER: So, the last part of the question is, what's the most important
action that the government could take to
strengthen fair and compliant global ecosystems?

MS. MARIANNE ROWDEN: I will answer
your question, and this last question was the same
thing -- it's just complexity is the killer. I
mean, most of our members are Fortune 500
companies, and we've used the rule of thumb for
the last decade or so that the top 1,000 importers
and exporters import 70 percent of the goods by
volume of value. They have developed highly
sophisticated compliance programs both with
personnel -- I mean, half the people here have a
law degree, right -- and also systems, and they
have rolled that out globally to their facilities
around the world. So, the US is a leader in
compliance. The problem is that complexity is
expensive. And it took me a very long time to
realize why E-commerce was so successful, and
that's because -- don't even think of an importer
or an exporter -- you have a buyer and seller
going onto an online marketplace making a
transaction. It's a transaction first and
foremost, and import or export later, that's
handled behind scene -- the complexity behind the
scenes. So, in order to level the playing field,
I think the best thing we can do is simplify the
system to reduce the regulatory cost. And then
you're going to increase the compliance level.
And I think simplification is the key word, and to
go back to the decade or so that we worked on a
simplified work group with Cynthia Whittenburg was
a -- a good exercise.

MS. JENNIFER TUCKER: Thank you.

MR. LEE SMITH: Thanks. We heard
specifically from Ms. Allen and others touched
upon the one-government approach, so my question
is for Ms. Allen, but then for the rest of the
group. Can you elaborate on your vision for how
the US government should collaborate to ensure a
whole government approach to implementing the 21st
Century Framework, and do you envision the need to
establish any new mechanisms to ensure relevant
government agencies are working together to
support the framework?
MS. CINDY ALLEN: Thank you. I would say that the Border Interagency Executive Council is the first step in that that, exists today. I'd like to see that be more robust, quite frankly. I think that that was established under, you know, former Commissioner Bursen's oversight, and I think it was a great idea that has been developed and for a time focused on the single window, which it should have done rightly so to get that completed. And now, we have an opportunity to look at what's next. I think there's a huge opportunity to bring in more stakeholders in that -- in that body, also to have a more enhanced partnership with the private sector. We do have a private sector group. We'd like to see that become much more engaged on an ongoing basis. I think there is a lot of opportunity. We also see from a regulatory perspective many of the agencies that we deal with, the 47 or so, are -- are under different regulatory structures and different statutes, and I think there's an opportunity there to really look at streamlining those. If I am an
importer and I have two or three government agencies that my goods are subject to, I have to become an expert in all three of those areas. So, in my office, I not only have a really tired hand from signing the 7 million or so entries, but I have a whole library of regulatory books because we need to know everything from those agencies, and I think there's an opportunity there not just to streamline information, but also to streamline the regulations that oversee that.

MR. TOM OVERACKER: So, Chris, in your remarks, you mentioned an entry from 1790. One thing I do know for a fact about that entry is it was not a drawback entry because drawback didn't go into effect until 1791. Okay? And you're right, it's ours. What we've been doing for the last 230 years is trying to get better at what we do, refine what we do, and just make it more efficient and more streamlined. But, my question is, is there something that we're doing that we should not be doing at all? Are there processes that we should just simply eliminate,
whether it's eliminating in-bond or eliminating drawback -- not that I'm suggesting we're going to do that. But, I mean, are things that we should just simply say we don't need to do this anymore, let's move on?

MR. CHRIS FLOERSCH: Yeah. So, we'll keep drawback, thank you. But, the -- I would say it's -- if you look at the effort that we went through, and we documented it, you know, a couple years ago, it's a pretty good summation of the challenges that you run into, and we need a new box. What's hard is -- what's very difficult is getting, you know, all those constraints into a rolled-up, summarized kind of model, and it's like, we need a different tool, okay? So, I personally would love to throw out the emphasis around the transactional model that is so irrelevant today, it's ridiculous. Because I meant what I said when I found, you know, comments to the effect that, hey, the ship has arrived, it made it. I mean, that is -- I do believe that is the mentality, and that's crazy. And there is
alignment that does have to happen, let's say, with tax concerns. Here's an example. It's, you know, we're not going to even touch the whole methodology of how that, you know, each has a view of what it needs to be as far as the value is concerned. However, let's just talk about the administrative process. For related companies, which we are, there's a fairly -- relatively lengthy period of time that could go on for years to kind of settle everything out. On the Customs side -- this is just an example -- we have 314 days before it liquidates, and then Customs is being very generous by saying you can do a recon within 21 months. Well, you know, that's nine months after the close of the fiscal year, which, in the end, is so vastly different from the tax piece, and we're left with administrating all this stuff offline to get extensions and things like that.

So, I think our colleagues in tax and accounting and financial reporting who are reportable to, well, all up to the SEC ultimately,
up to treasury, you know, they -- they don't do
the same thing that we do, but they're just as
accountable to it. And there are -- I love what
is the account model, okay? That's what I've come
to realize and there -- we could do it -- it's not
going to work for everybody, because some are one
and done kind of a thing, but for guys like us,
you know, our colleagues in apparel or retail,
it's a much shorter cycle. Ours go on forever,
you know, relatively speaking in terms of the
product life cycle.

So, for guys like us, you know, large
enterprises, you know, the hurdles we have to jump
through, it's just -- it's crazy, you know, it's
just crazy.

MS. BRENDA SMITH: Great. Well,
thank you again for everyone being here today.

MS. CHRISTA BRZOZOWSKI: We heard
from Cindy about the -- the whole web of
government agencies and the scores of agencies
that have different requirements and the
complexity of you having to understand what those
all are. Also, from Marianne then about how reducing that complexity could improve compliance. What would key features of your trade compliance look like in the next 20 years, sort of understanding how you are looking at it from an industry perspective could certainly inform how we, in government, might make some modifications.

MR. BRADLEY HAYES: If I can ask the panel to be concise, that's 15 minutes for the government, just kind of keeping tabs on the clock before we open up the panel. But, just keep it concise the remaining questions for this panel.

Thank you.

MS. MARIANNE ROWDEN: So, I would say the only thing that the government really has to do is set their risk models for financial, you know, revenue loss, security, safety, and those all have different parameters. So, a member of mine taught me that the difference between supply chain security risk versus product safety -- supply chain security is who has touched the box, right? Product safety is about what has happened
to the product in the box, and sometimes you can't
tell unless you test it. So, there are different
risk challenges. So, all you have to do is come
up with your different buckets of risk for these
different agencies. By and large, they are
product safety-oriented, and protecting the public
health, and that's why several years ago, we
started our plan to blueprint the trust, and we
have tried to promote that as a way to extend the
AEO concept to PGAs, taking into account all these
other agencies do have different risk challenges
and what they're licensing and what they're
looking for.

There is a way to do it that I think
does not necessarily increase the complexity for
the importer, and it's to use their own self-
assessment abilities of looking at what they know
about their own product and their supply chain.
And we would be happy to discuss that with you
more.

MS. CINDY ALLEN: And, if I could
add, it's really risk management by benchmarking
the data that you do have and then looking at what's important. You know, from a consumer perspective, I want to know that, you know, heart valves that are imported are compliant. I want to know that they meet every specification there is. I don't necessarily -- I'm not concerned about the ink in this ballpoint pen, although we know that it's governed by another regulatory agency, and we have to file additional data on the ink in this ballpoint pen.

So, I think understanding a risk management approach across the government would help. This something that CBP is really good at. It's also something that we use at my company for internal controls is understanding what all of the data is, what questions we have, what findings we have. We benchmark our data and then we work with those who fall below what we consider a level that we're accepting.

MR. TIMOTHY SKUD: Ms. Allen, the -- in your -- I'm not sure you said this in your oral remarks, but in your written remarks, you said CBP
could engage new stakeholders in the Customs clearance process. So, who are those stakeholders, and who -- how should they be engaged?

MS. CINDY ALLEN: I think it's important to really look at the -- the -- the life of a shipment. When Mr. Mullen referenced tabletop exercises and some of the government exercises that are going on in this area, it's really important to understand that there are so many stakeholders in a shipment. You have a manufacturer, you have maybe a further manufacturer, you have a seller, you have a reseller, you have a consolidator, you have, you know, the shipping companies, you have a buyer, you have a consignee. Now, sometimes it's very simple. You have someone who makes something and somebody who buys something, and it's that simple. But, other times, it's a little more complex. Also, what CBP doesn't have and what many governments around the world don't have is a view into who is buying and selling those goods and how
that is happening. An online marketplace is one of those entities, but there are other entities out there that are not yet that visible to CBP. So, I think it's important that we look at not just first blush, but also the layers behind that who have additional data who can and should be providing that data to the government to have a better understanding of doing that risk management, not just for CBP, but all of the government agencies that have that authority.

[Inaudible - audio difficulty 48:37-49:13]

MR. MATT PRIEST: Yeah, absolutely. That's a great question. I mean, the number one way to simplify the tariff code in Chapter 64 is to eliminate all footwear duties, which we highly recommend and are in support of. Beyond that -- beyond that, we have gone down the road as an exercise internally of trying to balance out and create instead of 436 lines down in the several dozen -- multiple dozens -- and what often happens as you balance that out is that you create winners
and losers in the process, and you -- you go down the road where we can't do this, and you raise duty rates on some, and some companies have 13 different brands, and they import in a lot of different types of shoes. And so, when they balance it out, they say, you know what, this is -- we'll save a little money or it's equal, but it's more simple. And then others who may only import in a certain type of shoe may see their duty rates go up, which we cannot do and don't advocate for. So, it is the most interesting game of squeezing the balloon from one end to the other and -- and we've hit a number of road blocks to figure that out, and so we're all about simplification. But, it's -- it's -- the rebalancing of the tariff code is going to be quite difficult for Chapter 64 in particular.

MS. BRENDA SMITH: But, could I ask a followup? The tariff, though it doesn't appear on the face of it, is essentially a policy document. So, if you were outlining the policy goal for -- for the footwear chapter, what would your goal be?
MR. MATT PRIEST: The policy goal for the footwear chapter would be not to have a footwear chapter. I mean, I'm not trying to be too cute with that, I just -- when you have almost 100 percent import penetration -- when the vast majority of the domestic manufacturers also import even though they may oppose eliminating duties, we just don't see in the 21st Century the United States of America, the largest consumer of footwear and importer of footwear in the world, to need to have duty rates because they're doubly regressive. One, they tax an item you have to buy -- these aren't cigars or flat screen TVs or liquor. And the way the footwear tariff is structured and based on the history since 1930, the higher the value of the shoe, more often it's a lower duty rate. So, a man's leather loafer from Italy is an 8-1/2 percent duty rate. A plastic shoe sold to a working mom has a duty rate pushing 70 percent. And so it's doubly regressive. And so, our policy would be not to have a doubly regressive duty rate.
MS. BRENDA SMITH: So, I challenge you to have that conversation.

MR. MATT PRIEST: Absolutely. We have it every day.

MR. BRADLEY HAYES: All right. Do you have some -- we need to get to public comments. But, Mr. Skud, if you've got another comment you'd like to make.

MR. TIMOTHY SKUD: I think the problem you identified, you know, we all feel your pain. It's not just plantar fasciitis.

[Laughter.]

But, you know, a few years ago, we sort of solved the problem and we were able to do it administratively. You know the fuzzy bottoms --

MR. MATT PRIEST: Yeah, I know them well.

MR. TIMOTHY SKUD: Well, we alleviated some of the duty problems with that.

But, that was a complicated dance with -- there are still remaining domestic manufacturer
interests and, you know, we'd love to simplify it. But, it -- this being the kind of democratic country it is with regional interest and so forth, it'll take engagement to --

MR. MATT PRIEST: Absolutely. And I know that doesn't rest with Customs. I know that rests in other places in the city with policy-makers on the Hill in particular. But, absolutely -- I absolutely agree with that.

MS. BRENDA SMITH: But, I think you raise a credible issue, because we all sort of take the HTS for granted. But, in fact, if this is a major underpinning that would keep us -- bar us from the Customs framework that we're looking for, then it's something we have to take on.

Thank you.

MR. MATT PRIEST: Thank you.

MR. BRADLEY HAYES: With that, obviously, there's, you know, work to be done in this space, and I think it's a good time to remind everyone that we're going to have an additional solicitation for feedback after this hearing once
we publish the FRN. So, let's turn it over --
let's open it up for a few minutes of public
comment. Again, we've got the microphones on
either side of the room, and if you'll, again, in
the interest of time, we ran a little long, keep
the comments concise and focused on the panel, and
then make sure you introduce yourself before you
start your comment. Go ahead.

PUBLIC SPEAKER: Janet Labuda with Vandegrift. Bradley, I know you said we were
supposed to watch our language up here, but I
heard this word used a couple of times --
drawback. But, anyway, I want to reiterate what
Marianne said, because a number of my clients that
are heavily engaged in E-commerce are also now
much more engaged in the drawback area and don't
forget that fairly arcane program when you're
looking at modernization, even though you just
simplified. And one of the things I'd also
recommend is when you are removing someone from
accelerated drawback, there needs to be some
objectivity in the process. Thank you.
PUBLIC SPEAKER: Hi. Good afternoon, Colleen Clarke with Roanoke Insurance Group, and I'm also the President of our surety association that Lisa mentioned. I've always said communication is key to success. So, carrying on with some of the comments previously made, communication with the trade, and I echoed the fact that the TSN was part of the group that made ACE successful. So, the TSN is very important today as it was in the past. But, its collaboration is also important, if not more important, within the government. So, as the framework continues to evolve, the Office of Finance Revenue Division and the [inaudible 55:06] must also be involved. The Office of Finance Revenue Division, I learned today, at this point, of fiscal year '19, they averaged 17 billion in collections per month. So, certainly they need to be involved with this framework going forward. So, it's important to work with all trade, with TSN, and government within each other, all the parties before and during the design and
followup after. Thank you.

PUBLIC SPEAKER: Hi, Tom Gould [phonetic] with Sandler, Travis & Rosenberg and also on the Executive Committee of the Trade Support Network. A quick shout out to those of you that would like to get involved in the Trade Support Network, go to cbp.gov, there's an application there.

I wanted to go back onto the discussion of the footwear and make sure that Customs understands that the -- the examples that were brought up by Matt are throughout the tariff. They're not just in Chapter 64. And one of the underlying principles -- the underlying issues in the areas where there is this disconnect is when Customs has an interpretation of a term within the tariff that's different from the industry's interpretation of the tariff. And considering the footwear chapter, think of the idea of covering the ankle or above -- above the ankle. So, there are classifications for footwear that are above the ankle, and that shoe can cover your knee and
not be classified as above the ankle because
that's the way that Customs interprets a term
that's in the tariff that's very different from
the way that the trade interprets that same term.

MR. BRADLEY HAYES: Thank you, Tom.

Any further comments from the public in
attendance? Okay. All right. With that, unless
there's something else you'd like to say, we'll
make the transition to our next panel.

MS. BRENDA SMITH: Next panel is
great.

MR. BRADLEY HAYES: Great. Thank you
so much to this panel, and we'll have our next
panel come down. All right. So, we're going to
go ahead and start with our Intelligent
Enforcement Panel. It looks like we've got all of
our panelists here, and obviously we'll have our
government panel filter back in the room here. I
wanted to welcome Deputy Executive Assistant
Commissioner, Cynthia Whittenburg, who Executive
Assistant Commissioner Smith mentioned would be
taking over for the last two panels.
So, at this time, we'll begin our commentary on the fourth theme of the day, which is Intelligent Enforcement. CBP seeks to enforce US trade laws and protect America's economic security. We anchor our Intelligent Enforcement efforts on further improving risk management, detecting high-risk activity, deterring noncompliance, and disrupting fraudulent behavior. These intelligent enforcement efforts include exploring how to better utilize technology, big data, and predictive analytics to draw decision-making. So, with that, Madame Chair, we'll kick off our panel. Our first witness is Nate Herman, from the American Apparel and Footwear Association. Go ahead, Mr. Herman.

Mr. Nate Herman: My name is Nate Herman. I'm the Senior Vice President for Supply Chain at the American Apparel and Footwear Association. AAFA is the national association of apparel and footwear industry. We represent over 1,000 name brands and retailers of shoes, clothes,
and travel goods, which are luggage, backpacks, handbags, and related items. Before I get into my remarks, I just wanted to give you two sets of numbers that best describe our industry.

The first set is 98, 4, and 400. Ninety-eight percent of all shoes, clothes, and travel goods sold in the United States today are imported. Yet, we still directly employ 4 million Americans in the apparel and footwear industry today. And finally, we represent a 400-billion-dollar industry at retail.

The second set of numbers, and one of the reasons -- the main reasons that we're here is that apparel, footwear, textiles, and travel goods represent 6 percent of total US imports. Yet, in 2017, our members, American apparel, footwear, and travel goods firms paid 51 percent of the duties collected by the US government. So, obviously, decisions made by Customs as part of this 21st Century Framework directly impact our industry.

So, I would like to briefly highlight four issues related to intelligent enforcement
that are important for our industry. The first is the issue of E-commerce and de minimis. E-commerce for our industry is representing one of the greatest opportunities for industry. It's the fastest growing segment by far for our industry and has given new life to many of our brands and retailers. At the same time, E-commerce has represented one of the biggest challenges for CBP. They are dealing with -- especially with de minimis -- the lack of visibility into the products that are coming in and worried about illicit shipments, counterfeits, unsafe products.

We believe there is an easy solution to much of this concern -- much of this challenge. It is to make US imports through foreign trade zones that are used to fulfill -- used for E-commerce fulfillment to enter duty-free under de minimis. Why? Because FTZs and the companies operating FTZs are highly compliant. Further, CBP has full access to and regularly inspects all operators in FTZs. Therefore, you have much better visibility into what's going on, and if you
allow E-commerce shipments duty-free under de
minimis through foreign trade zones, a lot more
companies will start operations in foreign trade
zones, and it will make your lives a lot easier.

Second, I would like to talk about
CTPAT and Trusted Trader. We fully support CBP's
efforts to reform and expand the Trusted Trader
Program. Trusted trader is the personification of
intelligent enforcement. Through Trusted Trader,
if it works correctly, CBP receives the
information and the insurances it needs to make
sure the bulk of the trade is compliant while
focusing your limited resources on the highest-
risk products and the highest-risk shipments.
Trusted Trader is a true partnership, and in order
for it to work, there has to be a true quid pro
quo.

So, as I mentioned earlier, apparel,
footwear, and travel goods are the highest-duty
products that are coming into the United States.
Further, apparel and textiles are a CBP target
industry. Therefore, our industry has fully
embraced CTPAT. Many of our members are CTPAT certified, and many are certified at the Tier 3 level. So, we're big supporters of it. The issue for our industry is that we haven't seen many discernible benefits from the program. The key indicator of that is that many of our members are telling me that they're still receiving almost the same number of CF28s and CF29s that they received before they joined CTPAT.

Now, you have the new minimum-security criteria that you're proposing that will require additional requirements from our members. In order for Trusted Trader to work, we need to see real benefits of the program. We're willing to do our part, but we need to see real benefits.

Third, the Centers of Excellence and Expertise. For our industry, the Centers of Excellence and Expertise has been a great investment and a great creation by CBP. The apparel, footwear, and textile CEE has done a great job facilitating the Customs process for our industry while ensuring the security of the
shipments coming in. The concern that we have is that sometimes even with the CEE, there's still different enforcement at the ports. So, we encourage CBP to continue and expand training for the port specialists that work with the CEE to ensure a single approach to apparel, footwear, and textiles.

And finally, I just want to mention there's an issue with outmoded and outdated documentation. We have a number of concerns with something called the interim footwear invoice. It's something that used to be required by US Customs and Border Protection and has not been required in a number of years. But, a number of ports have been asking for the information that's usually on an IFI from many of our members for their import shipments, and they're asking for every single type of footwear that's in the shipment, specifically -- specific percentages on external -- what the materials on the external surface area are. That's a very resource-intensive process both for our members as well as
for CBP to go through that information, and it's not really worthwhile information. Those resources would be better spent on intelligent enforcement. So, we ask you to get rid of outdated documentation like the IFI and remove those from the regulations. Thank you. Happy to take any questions.

MR. BRADLEY HAYES: All right. Thank you, Nate. Appreciate those comments. We'll next turn to Dr. Eugene Laney from DHL Express America. Dr. Laney, you've got five minutes.

DR. EUGENE LANEY: Good afternoon. Thank you for allowing me to speak today. My name is Eugene Laney. I'm the Head of International Government Affairs for DHL Express. This year, DHL celebrated its 50th anniversary. The company was founded 50 years ago by three Americans interested in solving how to improve the transmission of the who, what, and where for international shipments traveling from the US to Asia. The goal was to provide foreign Customs authorities with Customs declarations before the
shipment arrived at its destination. As we sit here today, we are still trying to fine tune how we might improve the transmission of the who, what, and where in order to meet national commerce, health, safety, and security mandates. In brief, today I wanted to provide four recommendations that we feel would improve knowing more about the who, what, and where.

The first deals with the US government's data threat elements. US government should identify which data elements are needed to improve the targeting of shipments that may be national commercial -- when I say national commercial, health and safety and security risks, including identifying when the shipment arrives. This information will be most valuable to USG. In other words, when would it be most important for the US government to have this information? This data list should be confidentially shared with the trade in order to determine if and when the trade has access to this information and whether the trade has the
capabilities to make any referral information requests actionable. In other words, could we provide voluntary screening, could we provide field alerts, what additional activities could we engage in as a result of this information?

The second recommendation deals with improving the IPR seizure information. While our ACE air manifest includes responses to the trade that indicates that a shipment has been seized, CBP needs to automate the seizure notice process so that the trade and others can actually conduct trend analysis or trader location of product risk. The seize and notification process is currently a paper-based process. It's designed to fail, as it is difficult to maintain a national paper auditing process. So, it's very difficult for us to see over five years, three years, what exactly is going on with the IPR seizures.

More importantly, since fines and penalties deal directly with the importer, it is very difficult for carriers to track and maintain accurate seizure detention information, and we
need to know more about what are the results and
statuses of ongoing investigations or even
investigations that have concluded.

The third recommendation --
leveraging existing systems and pre-clearance
pallets. CBP should work with the express
industry to identify ways to use existing systems
and proposed pre-clearance policy at origin to
test how these programs might be used to rapidly
provide the industry with health and safety
threats and refer information requests, voluntary
additional screening requests, field alerts, and
additional intelligence gathering. Additional
threat information could be linked with the seized
assets case tracking system, which would enable
alerts or flags on shipments with common data
points from past seizures and detentions.

As it relates to the pre-clearance
pallets, at origin, these pallets would provide
CBP with the data in advance, allow for seizures
at origin, and could improve the identification
and prosecution of shippers as consignees.
All of this could be done within the tabletop or pallet approach. And there was a question earlier from Mr. Owen what would be the result of these pallets. And I just sort of jotted down a few questions that will provide answers. How do we provide and improve the data that we're receiving from these threats? How do we get information early on in the process so we can do reviews and expedite anything that we need to do to address that participate threat? The third issue, the question could be answered, how do we create fairness amongst all of the carriers and other parties that are part of the life cycle of the shipment? And fourth, it could create consistently. In other words, it wouldn't be the use of port shopping or people going to other carriers to try to get a better deal. There could be consistency. So, we would be able to answer those four questions.

And then, the final recommendation deals with identifying sanctioned shippers and consignees. CBP and ICE should identify whether
they have the authority to develop a health and
safety denied party list -- I mean, I know denied
party list makes everyone a little nervous, but
for lack of a better term, denied party list --
that parties could use to identify potential risk
actors. Company could -- express companies
automated denied parties list of shippers and
importers who have been denied as dealers in
counterfeit goods, and we have in the past shut
down these parties. A US government certified
list of dealers in counterfeit goods would clearly
identify individuals who have been sanctioned by
the US government for dealing in these goods.

Thank you again for the opportunity
to speak with you today, and I'm prepared to
answer any questions that you might have.

MR. BRADLEY HAYES: Thank you, Dr. Laney. Next, we'll turn to Rebecca Mond from The
Toy Association.

MS. REBECCA MOND: Good afternoon and
thank you for the invitation to speak today.

Before I start with my remarks, I wanted to -- I
brought props -- and so, I have here just to
highlight the importance of this discussion and
the work that CBP and your partner government
agencies are doing. So, I have here a popular
children's magnetic toy, Magformers, and I have
here a knockoff Magformers product. Over the
holiday season, a 4-year-old boy was given -- was
purchased a -- the parents purchased a knockoff
product, and a 4-year-old boy was given this
product. The boy was able to break into the
magnetic toy very easily and swallowed 13 magnets.
He had to have part of his intestines and colon
removed. So, this is just to highlight how
important this is for our industry.

I'm here on behalf of The Toy
Association. The Toy Association, representing
all businesses that design, produce, license, and
deliver toys and youth entertainment products for
kids of all ages. I represent the toy industry on
a diverse portfolio of federal issues. In this
role, I have had the privilege to participate in
CBP and COAC working groups, and stakeholder
engagement opportunities, and I would like to thank Customs for these opportunities to represent our members, the vast majority of which are small businesses on critical Customs issues like import surveillance and IP enforcement.

As brief background, The Toy Association is made up of more than 1,000 members, driving a 28-billion-dollar annual domestic toy market. Our organization has a long history of propelling the health and growth of the toy industry, which has an annual US economic impact of 110.9 billion dollars. We also support just shy of 700,000 US jobs.

Toy safety is the toy industry's number one priority. By law, all toys sold in the United States must be third-party tested and certified compliant, and The Toy Association is supportive of Customs' and CPSC's enforcement efforts to ensure that safe and compliant goods are sold in the United States. As a highly regulated industry that sells to our nation's most vulnerable population that is almost entirely
imported all under a single tariff line, we understand that important surveillance is a necessary part of the business.

Two or three years ago, if I were asked to participate in this panel, my remarks would have been very different, as we would have been concerned about routine delays our members were facing due to import surveillance. We would hear regularly from small businesses that they were experiencing an inordinate number of inspections with little information about why products were stopped. Members appreciate the changes Customs has implemented resulting in significant improvements to these concerns.

Through centralizing information on [inaudible] and providing more information about why products have been targeted, the costs and aggravation around import surveillance have gone down dramatically. We hope to continue to work with Customs and CPSC to further improve targeting and lower the risk profile for importers that may not be CTPAT certified but who are willing to do
more than what is legally mandated to demonstrate continued compliance.

But today, we are faced with new challenges. The changing retail landscape has had a profound impact on the toy industry. Last year, you may have heard, with the bankruptcy of Toys"R"Us representing about 20 percent of the US toy market, was a significant disruption to the industry and expedited the ongoing shift toward online retail. E-commerce represents a big opportunity for the toy industry, but a lot of challenges as well, as marketplaces give foreign companies selling IP-infringing and unsafe toys, near unfettered access to US consumes. These illicit companies have made a business exploiting demand for the hottest new products like Hover boards or fidget spinners. These foreign companies bypassing US safety and testing regulations is a competitive advantage to provide toys cheaper and more quickly.

To better educate stakeholders on the issues, The Toy Association has recently issued a
report, The Real Threat of Fake Toys, which identifies three main factors contributing to the upsurge of the knockoff, counterfeit, and otherwise illicit toys being sold via online marketplaces and explores potential solutions. The biggest concerns we highlight include insufficient vetting by marketplaces of sellers and products sold online, a burden of enforcement that is disproportionately placed on the brand owners, and consumers who are largely unaware of the scope of the problem and unknowingly purchase these products thinking they are compliant with the same standards as toys sold by legitimate companies.

In the context of our discussion today, toy brands and Customs and CPSC are in the same boat trying to address this issue. It's like playing some twisted game of find the needle in the haystack and Whack-A-Mole all at the same time. So we can appreciate the challenge, Customs and CPSC are trying to tackle to enforce against IP-infringing and unsafe toys that are often
coming into the country as individual parcels. We were therefore supportive of initiatives underway by Customs and CPSC to better improve targeting of low-value shipments. Exemption from duties is not an exemption from the duty to sell safe toys, and we strongly opposed any efforts that would broadly reduce safety compliance obligations for de minimis importers.

To bolster CBP initiatives to improve targeting E-commerce shipments, we are supportive of Customs working with authorities around the world to share and exchange best practices and improve enforcement initiatives. We are also appreciative of Customs consumer-facing and small business education efforts, and we'd like to continue to work with Customs to educate toy companies on how to protect their brands.

And finally, I would like to note that those members -- those Toy Association members that have engaged with Customs to help enforce against IP-infringing goods have reported very successful results and are often encouraging
other toy companies to do the same. That said, as a whole, enforcement efforts have thus far been insufficient to slow down the flow of IP-infringing goods. In fact, the problem has gotten worse. So, while Customs enforcement is a part of the solution, we believe that it cannot be the only solution. We encourage a wholistic approach.

Consumers have come to rely on E-commerce platforms to provide discounting prices and a wide selection of name-brand quality toys also found in brick and mortar retailers. However, under the current marketplace system, illicit sellers with little or no accountability take advantage of this consumer faith by offering inferior and unsafe counterfeit toys that put our children at risk. Anyone selling toys in the United States must be held to the same high US safety standards that apply to toy brands consumers have come to know and trust. Thank you.

MR. BRADLEY HAYES: Thank you, Rebecca. And with that, we'll turn to our final industry panelist, who is Cornelia Steinert from
Canon Virginia, Incorporated.

MS. CORNELIA STEINERT: Hi. Thank you very much for giving me the opportunity to participate on this panel and to have the opportunity to share with you all our -- our vision and our thoughts on the 21st Century Customs Framework.

I am the Senior Manager of Canon Virginia, Inc. At Canon Virginia, we are part of the larger Canon family of families. We are the US manufacturing arm of Canon. We employ 1,800 individuals, and we are on trades and manufacturer. We manufacture 12 million cartridges a year. In addition, we provide extensive camera repairs, refurbishing, and repairs of printers and copiers. We export 20 percent of what we manufacture. We are members of the Customs Center for Excellent and Expertise in Machinery 1. We are members of CTPAT. We are also a member of the Importer Self-Assessment Program. Customs takes customs compliance and accountability very seriously. We are very
diligent on our compliance and support enforcement of Customs.

As a foreign trade zone, we work very closely with our local Customs office. They were very heavily involved when we became activated. They became very intimately acquainted with what we do at our facility, what's the scope of our imports, what's the scope of our manufacturing opportunities.

So, some of our concerns and some of the areas where we'd like to see intelligent enforcement -- one of big challenges as an importer is the E-commerce small-package shipments. Last year, we filed a total of 916 entries. Granted, a lot of those were consolidated entries because we're a foreign trade zone. We managed to have 152 courier shipments. We have given our couriers very strong instructions that they are not allowed to make any entry using our IOR or any section entries, any section manifest filings, because there's simply no visibility. We don't know what's coming in.
As a CTPAT member, we don't want packages just magically showing up that somebody ordered. Technically all orders -- international orders should be approved by us. But, you know, with so much, you know, E-commerce brings about a lot of good things to the consumer, but for the importer, we have people ordering things, how do they know what they're ordering? A lot of times you can't tell where the products are being shipped. You know, I've got a procurement department periodically if they're trying to buy some spare -- spare store room items that maybe are obsolete, well, you can find them on eBay, which is great, you know, as long as an importer, I have visibility, I know what's coming, and I have the opportunity to provide the correct harmonized tariff classification. I can confirm that the value is correct. I can confirm that the country of origin is correct. We get a lot of camera returns. The camera return shows up at my doorstep, and I find out it was a -- a section filing, how do I know the country of origin was
correct? How do I know the value was correct? A lot of times, we intercept these crazy shipments where people are sending us camera -- Canon cameras -- and I've seen a lot of nice ones here today -- they're saying, oh yeah, they're valued at a hundred dollars, and the country of origin is Barbados. I'm thinking probably not.

So, one of the areas that we really would like to see stronger enforcement is on the area of the manifests. That manifest information needs to be provided on ocean and air freight shipments. Why can't, you know, there are manifests that are -- are filed for courier shipments. Those manifests should also include country of origin, at least 6-digit harmonized tariff classification that's globally recognized. We have artificial intelligence. Those items can be very simply walked through when somebody is making that shipment in whatever country they are. We have a lot of, you know, these couriers for all global companies. There is already a global system in place, so the manifest data needs to be
collected and shared, and we believe there should be some enforcement done on that.

Again, we've been talking about data sharing. You have the information. If there are several shipments from one shipper going to the same location -- we've had this happen before. You know, you have three shipments arrive on the same day from the same shipper, and one shipment is $300, one shipment is $400, and one shipment is $200. Well, there you go. You've just completely bypassed the de minimis rule. So, we really would like to see that closer enforcement with those data items on the manifest. We've got manifest reporting for ocean shipments. We've got manifest reporting for air freight shipments. We should have extended -- more manifest reporting on the courier small-package side.

Under the foreign trade zones, I appreciate what Mr. Herman had said earlier regarding the security of foreign trade zones, and he's right. Foreign trade zones, we carry an extra bond -- an extra Customs bond. We are very
-- we've very -- we work very closely with Customs on the front side to become activated. One of the challenges we have in ACE, again moving to the single window, is the incorporation of PGAs. When products come into the foreign trade zone, they're not considered -- they're considered to be outside of the commerce of the United States. So, a big question is, you know, at what point should the PGAs be notified? Different PGAs have different requirements. When we make a Customs entry to remove a product from the foreign trade zone, it could be the same product we brought in a month ago, or if you're a manufacturing zone, you could be manufacturing a different item, and there may be different PGA requirements.

So, we would really like to, as a foreign trade zone community, you know, continue to be involved with making those determinations and really being able to work more closely and streamline and strengthen those -- those filings. I apologize if I'm over time already.

So, finally, just a quite note on
ACE. We love ACE. We really thank you all for how much work you've done on ACE. Being able to have our data, to be able to look at our data, to be able to look at the countries of origin. It's a very helpful tool for us on the compliance side.

One of the areas I would like to see increased and beefed up further is the anti-dumping countervailing duty side. There is a lot there, but a lot of it is really cumbersome -- cumbersome to manage and cumbersome to use. We recognize enforcement is cumbersome, and there are challenges. A lot of what we've heard today, there are a lot of challenges and, you know, I commend you all for having this hearing and for including our thoughts on it.

MR. BRADLEY HAYES: All right. Thank you for those comments. We appreciate that. And with that, Madame Chair, I'll turn it over to you for questions from the government panel.

MS. CYNTHIA WHITTENBURG: Thank you, Bradley. Good afternoon to everyone. I would venture to say that most of you are here because
you strive to be compliant, and you have a desire
to inform our way forward. So, my question for
the panel is, what US government trade compliance
rules are the most difficult to adhere to and why?
Are there so many?

DR. EUGENE LANEY: I think -- I think
-- I think answering that is a little -- one of
the things about this panel, it's a struggle to
say a lot because a lot of what we could say, we
may not want to say in the public domain. So, is
it possible that we could get a list back -- could
we get a list back to you and we could talk
offline?

MS. CYNTHIA WHITTENBURG: We'll be
opening up the comment period.

MS. REBECCA MOND: So, I can answer
for the toy industry. I mean, there's a lot of
responsibility that comes with selling toys in the
United States. You have to third-party test and
certify your toy is compliant with a list of --
there's AST and F963 has over a hundred test
standards and requirements within one standard.
So, just kind of navigating through that within itself is certainly a challenge. So -- but, that is part of the business -- the toy business, as you do have to ensure that compliance. And it's perhaps not necessarily a regulation, but I will highlight that, again, just import surveillance -- when there is a breakdown in communication, that can be very challenging for our members when its particularly during the fourth quarter holiday season when 60 percent of toys are sold during that season and getting products in on time is critical importance. So, for our members, it's keeping that communication regular and being able to quickly process anything that is -- that needs to go through inspection, that's, you know, something that we just highlight as important for us.

MR. NATE HERMAN: For the apparel and footwear industry, we're -- according to the CBP's own data -- we're one of the most compliant industries out there yet because of the high duties we pay and the dramatic difference in the
classification that creates huge discrepancies in the duties paid from 8-1/2 percent up to 67-1/2 percent for our products. We are under a high amount of scrutiny. And so, that -- that applies for apparel and textiles with trade agreements and trade preference programs where we feel we've done a lot to be compliant. Again, you may remember us as CTPAT, Tier 3, and yet we still feel like we're always under the gun with CF28s and CF29s, and it -- it just feels like we can never do enough, even though CBP's own data shows that we're an extremely compliant -- one of the most compliant industries. That's a big concern for us.

MS. CORNELIA STEINERT: So, looking at manufacturing and foreign trade zones, one of the challenges I alluded to was the other government agencies. In a manufacturing environment, you file an estimate, you finish your manufacturing, and then you file a followup report with Customs on your entries -- your entry -- your cargo -- your entry summary -- your 7501, I'm trying not to use form numbers -- which documents
what actually manufactured. So, there's a challenge in some ports more than others regarding what to report on your Customs estimate with respect to other government agencies. And again, what you're reporting might not be what you actually manufactured. So, that's definitely an area that the foreign trade zone -- trade community is wrestling with and we would like to continue dialogue on that.

The other challenge, you know, again on the foreign trade zone side is sometimes there's inconsistencies between ports. You know, the CEE’s have done a tremendous job with respect to being the central source for questions, classifications, prior disclosures. So, on a national level, filtering that information, and being a clearinghouse. But, there are instances in the foreign trade zone community, again, because each foreign trade zones falls under the jurisdiction of their individual Customs port, and a lot of the privileges and a lot of the expectations are at the -- at the -- at the port
director's discretion. There can be inconsistencies between ports.

MS. CYNTHIA WHITTENBURG: Thank you. I have one followup question, and then I'll turn it over to my colleagues. Earlier on this morning, someone commented from the audience about the challenge in getting access to information. So, my question is, how do you stay abreast of the rules, the requirement across the government with respect to cross-border trade, and what level of effort is that?

DR. EUGENE LANEY: I can speak for DHL. I mean, our folks in the -- in the field as well as our -- when I say the field, our folks at our gateways as well as our folks in operations -- they go through a number of certification programs, whether it's through Customs Brokers Association or it's with AEI. There's also private external education that they go through. We also go through a global sort of Customs training that's through Canterbury in Australia, where each person who touches the Customs process
has to go through that education. So, we receive global as well as domestic education, whether it's outside through a trade association or whether it's through a university.

But, more importantly, we have -- we ensure that all of our folks are engaged in all of the Customs activities like COAC or the TSN or any sort of government-sponsored where they can receive additional updates on what are the new regulatory actions that are coming down or what -- what might be proposed and how they can be engaged and bring that back to the people in headquarters that weren't in the field.

MR. NATE HERMAN: I'll give you an example of a concern -- I'll just give you an example, and that's -- that in some cases, we believe is emblematic of some of the new policies being put out by CBP are being considered by CBP. And that's with the new minimum-security criteria for CTPAT.

We learned about the new minimum-security criteria through a number of sources, but
not from a Federal Register Notice, there was no public hearing, there was no CSMS message announcing that you were proposing new minimum-security criteria and wanting comments back from the trade.

So, yes, if you're involved in the COAC or TSN, you may have heard about it. But, the normal way that -- that government agencies communicate with the trade or anybody that they're regulating is through either a regular service like CSMS or through the Federal Register, and it's a major change, yet those were not used.

MS. REBECCA MOND: I'm just writing a note to self that Customs is proposing new minimum-security requirements for CTPAT. So, yeah. I think that's kind of -- we do get sources around DC and, you know, or we have sources around DC and that's just part of our job is to kind of have the information to give to companies. So, we, you know, we keep track of the Federal Register Notice and Customs websites and announcements and CSMS notifications.
MS. CORNELIA STEINERT: We do as well. Federal Register Notices, CSMS messages are always very helpful. We are very fortunate. Our service providers are also a huge asset and a huge resource in knowing our business, knowing what we're importing, and knowing what the countries of origin are that we're working with, and they help us as well as the facility associations that we're members of.

MS. CYNTHIA WHITTENBURG: Thank you.

I'll turn it over to you, Tom.

MR. THOMAS OVERACKER: Oh, thank you. All right. So, Nate, you mentioned benefits with respect to Trusted Traders or foreign partners. For me, we talk about improving our processes, and all the improvements that we're trying to do. The more efficient we become at releasing cargo or just doing trade enforcement, it's harder and harder for us to differentiate between the actual partners -- just a mass of importers -- who were normally compliant. So, the delta between our ability to give tangible benefits to one and just
the naturally occurring benefits based on our new efficiencies to the other have become harder and harder. So, my challenge to you is, aside from you mention the CF28s and 29s, are there other types of benefits that you would like to see for our CTPAT members, for our Trusted Traders, that are not currently there that would really differentiate that group from the otherwise compliant group that are -- have not come to the table to be partners?

MR. NATE HERMAN: It's -- it's a hard question because that obviously CF28s and 29s are extremely important for our industry because they deal with classification issues, which means money in the high duties. But -- and -- but, there's been a lot of interest -- there's been a lot of talk about CBP rolling out a new portal with the new Trusted Trader, and -- and, I'm hearing from my members that there's a lot of interest in that portal that could be a huge benefit if the portal really does what CBP said it did at the last trade symposium or last CTPAT
event, I think there's a lot of interest in that, and that would be seen as a key benefit. The current portal, there have been a lot of questions about and concerns about, but the proposed portal, I think, would be -- if it becomes a reality -- will be a big benefit.

MR. THOMAS OVERACKER: Thank you.

MS. CYNTHIA WHITTENBURG: Lee.

MR. LEE SMITH: Sure, thanks. With regard to enforcement, this is a question for, I believe, Dr. Laney, but the whole group. What tools could CBP use to facilitate trade for legitimate shippers that would enable them to increase time spent on those who seek to evade duties or engage in other illegal activities, perhaps more use of the Trusted Trader Program or other type of programs?

DR. EUGENE LANEY: Well, it gets back to, you know, we're trying to get to the finish line without getting to the beginning, and so that's why the first thing I put as my first recommendation is to sort of determine what
exactly we need to -- out there as far as data --
a US policy around the data threat, I mean, not
the data threat but the day-to-day need to
identify a threat and providing a picture of where
everyone is as far as providing that data in the
shipment life cycle. So then, once you figure
that out, then you can begin to provide certain
benefits for those individuals who could expedite
giving you that data early on or maybe if they
don't have that data, they can't action, you know,
on what you want. And so, placing that at the
beginning, giving us a picture of what is -- what
is everything that you need? And I can't talk,
you know, in a public forum of some of the acts
that you put on the table, but there are some
things that we could say no, but maybe this party
has it, some things that we could say yes, but
this party has it before we have it. And so,
getting a picture of all that is the first start,
and then you can start getting to the second step,
which is what benefits can we provide those
individuals to give us that information early on
so we could move the process quickly. Again, with moving the border out so we're doing more things in origin versus waiting for that stuff to land here.

MR. NATE HERMAN: I just want to add for E-commerce, again, I want to go back to the point that if you allow companies to fulfill E-commerce orders out of foreign trade zones that are de minimis, I think you've dramatically increased the compliance for E-commerce shipments because of the requirements for foreign trade zones and companies that operate in them.

MS. CYNTHIA WHITTENBURG: Thank you. Jennifer, did you have something?

MS. JENNIFER TUCKER: Yeah. I have a question for Rebecca. You used two terms that I appreciate that you're always trying to find the needle in the haystack and playing a game of Whack A Mole. What are the most effective tools you have for finding the needle in the haystack?

MS. REBECCA MOND: Effective, that's a strong word.
MS. JENNIFER TUCKER: Okay.

MS. REBECCA MOND: So, our member companies often are engaging with the platforms individually, and platforms have a variety of programs in place that have varying degrees of success on removing infringing products from online listings. And so, they have to engage with each individual platform and take down often the same seller from these individual platforms, and then on top of that, then they go to Customs and let Customs know that they are seeing this, you know, happen. So, it's a very time-consuming process, which I feel when you have a small company and that person who's doing brand protection is also doing consumer outreach, and they're doing quality control or supply chain management, so it's one of multiple hats that they're wearing, and a lot of our companies are finding that they need to have a full-time person in place.

I do want to again stress how effective it has been for our members that do have
the opportunity to work with Customs and really
that has amplified their enforcement efforts and
they've seen very, you know, successful removal
from commerce infringing products and unsafe
products.

MS. CYNTHIA WHITTENBURG: Thank you.
Christa.

MS. CHRISTA BRZOZOWSKI: Thanks. And
thank you for the panel. You've all touched to
some degree on some of the challenges enforcing
these small packages that we're seeing coming
through E-commerce. I think there was some
discussion of the data requirements are clearly
something of interest to this group and to CBP and
the interagency right now, sort of what should the
requirements be on these types of shipments for
data. But, maybe looking at it another way as
well, I'd like your thoughts -- whoever may have
some -- on is there a different way to administer
the de minimis requirements, you know, the -- the
Congressional action is obviously needed to change
the dollar threshold, so I'm certainly not
touching that with a ten-foot pole, but through regulation, if we could certainly restrict by commodity or even country of origin, if there is a revenue or a security or a safety concern. So, putting that on the table for your immediate reactions.

DR. EUGENE LANEY: Well, we would be -- well, to start off, we are completely concerned and opposed to any efforts to lower the US de minimis.

MS. CHRISTA BRZOZOWSKI: I didn't touch that one.

DR. EUGENE LANEY: And so, yeah. But, I'm going to use that opening to -- to -- to drop in. We would be really, really concerned if we had to deal with 220 different importing de minimis procedures. In other words, if we had one for China, if we had one for Canada, if we had one for Mexico, if we had one -- it would just be an administrative -- it would just be a nightmare. And I don't think it would solve the problem, and it would probably make your job harder, because
then you would have to start a whole new
reeducation process of trying to figure out how to
teach someone that they -- what they import from
China might be different, you know, different de
minimis from what you import from India or
whatever. It just -- and then how long do you
keep that in place? Do you keep that in place
until you decide to have an FTA with India, or do
you keep it in place until you -- you have a
better relationship with Argentina? I mean, the
way the system works now, I think we're in good
place. We just need to work harder and smarter at
figuring out a way to address some of the concerns
that we have with the de minimis, and part of that
is a lot of what we're doing here today in
creating taskforce -- forces around the threat
issue -- the intelligence issue, the data issue --
including more parties that aren't here today --
there are a lot of parties that aren't here today
that we need to bring into this discussion. I
think if we go down that pathway, we can solve the
issue without having to create 220 different de
minimis levels.

MR. NATE HERMAN: Again, we're -- the American Apparel and Footwear Association and our members are very strong supporters of de minimis. We supported the Trade Facilitation and Trade Enforcement Act in large part because the de minimis was increased from $200 to $800. And why? Because E-commerce is, by far, the fastest growing business. And so, we -- we understand the concerns, and I believe that by allowing -- again, allowing E-commerce fulfillment out foreign trade zones would help address some of those concerns -- many of those concerns, because we want to be compliant. Our members want to be compliant. Again, we're all involved in CTPAT -- CTPAT Tier 3. We want to be compliant. And so, we -- we want -- and then we also want to have our distribution centers here in the United States. We don't want them in Mexico in Canada or in Hong Kong or somewhere else. We want to be able to control our trade. And so, if you encourage us to do that, and that is something within your
purview, you made an interpretation of the statute. You issued a ruling interpreting the statute one way, while we suggested another way. So, there is -- that is well within CBP's power to change their interpretation.

MS. CYNTHIA WHITTENBURG: Thank you.

Tim.

MR. TIMOTHY SKUD: Well, I was going to pass.

MS. CYNTHIA WHITTENBURG: That's fine.

MR. TIMOTHY SKUD: But, maybe I won't.

MS. CYNTHIA WHITTENBURG: We talked him into it.

MR. TIMOTHY SKUD: Mr. Herman, I'm not so sure CBP has legislative power to interpret. So, do you represent brick and mortar retailers too?

MR. NATE HERMAN: Yes.

MR. TIMOTHY SKUD: So, I have to imagine there's some kind of tension within your
organization between the brick and mortar
retailers and -- and the -- and the others on this
de minimis issue.

MR. NATE HERMAN: No, because they --
they're benefiting from E-commerce as well.
Target, their fastest growing part of their
business is E-commerce, but they have brick and
mortar stores. Carter's major retailer of baby
clothes, they -- their fastest growing part of
their business is E-commerce. And so, I can give
you many more examples than that.

MR. TIMOTHY SKUD: Well, I'm sure you
can, but I think we have to recognize that there's
some people who are not in the fastest growing
sector who are -- who are at a disadvantage from
the current situation we have where de minimis
shipments can come in duty free, but shipments
that come in in the more traditional chains, in
big bulk shipments, have to pay duty, and I think
it's certainly a problem we have to resolve, like
Eugene said, and it's going to take a lot of work,
but if we don't get those people involved in the
process, that I don't know how we're going to come to a conclusion.

MR. NATE HERMAN: Even the smallest retailer -- the Mom and Pop single-store retailer -- most likely has a web page, most likely where they are selling product. So, they're -- they're -- they're even the smallest retailers are very tech savvy nowadays, and there are lots of ways for them to be able to do that to set up those E-commerce websites. Yes, there are concerns about E-commerce. We have big concerns with counterfeiting and -- and particularly with many E-commerce platforms and the third-party marketplaces on E-commerce platforms, and we're working with those E-commerce platforms to try and address those issues. But, there -- but, at the same time, you don't want to throw the baby out with the bath water, and that's -- if you just shut it down, then you're hurting all these companies at the same time you're supposedly trying to help them.

DR. EUGENE LANEY: And I think
another part of that -- and this is where the Department of Commerce comes in -- the brick and mortar retailers that aren't on the web, they're missing out on going global. So, the Department of Commerce is working really hard to help these companies go global. So, this is a way to expand new jobs by teaching them how to go online and sell in 220 different countries versus just selling down the street on 7th Street. So, it's a way for -- the Department of Commerce is moving in this direction, so maybe we need to link the Department of Commerce with what we're doing now in China for those SMEs, those brick and mortar companies in here to really show them this is the advantage, and this is how you can become compliant by going global.

MS. CYNTHIA WHITTENBURG: Okay.

Thank you. We went a little bit over. But, do you have anything, James?

MR. JAMES HOLBEIN: Well, I was just going to say it's interesting the relationship between all these panels. So, we're talking about
we've got to add technology, we've got to improve our data sharing, we've got to improve the processes and enforcement. It seems to me your advice to CBP on what are the factors that are going to help the private sector to best bear the cost as we move forward and we -- okay, let's assume we have a new Customs Framework, it's in place. What's going to make it the best way of looking at this or the best factors for CBP to consider for the private sector to bear the costs of actually changing and going through all this? What should CBP be looking for from you, or what should they be doing? Because this is going to cost money to make all the changes to get to the new -- the 21st Century Customs Framework. It's going to cost the private sector, it's going to cost the government. How do we -- well, how should we be looking it at? Lens -- it's a little different lens when you brought on -- but, I suggest to you that -- that your comment on the FTZs is the very kind of thing I'm looking for. What is it that we should be looking for to help
MR. NATE HERMAN: I mean, I’m playing on some of Eugene’s comments here, but we need to bring a lot of stakeholders in, but we also need to look at what existing enforcement or compliance mechanisms are already in place. And so, why not look at foreign trade zones and ways to improve the use of foreign trade zones? Why -- why not look at existing mechanisms while we look at new technology and new mechanisms to -- to address the issue? But, getting back to -- to addressing your point but getting back to something that Thomas mentioned earlier about as CBP becomes more efficient, it gets harder to differentiate. Our companies are spending a lot of money on CTPAT compliance, and we’ll have to spend even more time and resources to comply with the new minimum-security criteria as they are currently proposed. How do we -- how do we justify that to our senior management and our member companies when we can't show any discernible benefits? And so, it's money on both sides. And so, maybe that money is better
spent doing something else, and that's where we need to bring in all the stakeholders to figure that out.

MR. BRADLEY HAYES: So, with that, Madame Chair, we're pushing time. We'll open up the floor to public comments. Obviously again, the microphones are on either side of the room, and if you'll keep it concise and directed toward the topic, we would appreciate it.

PUBLIC SPEAKER: Hi. My name is Elizabeth Farrell. I'm a patent attorney. I work at law firm Finnegan, but I'm here because I am the Vice Chair of the Industrial Designs Committee for the Intellectual Property Owners Association. The Intellectual Property Owners Association advocates for effective and affordable IP ownership rights, and we're here today to suggest that CBP should extend full border protection to design rights as they do to copy rights and trademarks. The ITC is currently the venue by which design patent holders are expected to enforce rights at the border, and that is neither
an efficient or timely solution in most cases. For those of you who don't know, a design patent protects the ornamental appearance of an article of manufacture, such as the Coca Cola bottle, the Volkswagen Beetle, the i-Phone, many types of shoes, and toys.

We think that there's an opportunity to reduce the number of counterfeit goods that come into the country, and what we have -- our members of our committee have experience with situations in which trademarks are either not attached or obscured from goods when they come through customs so that they can't be stopped under the counterfeiting trademark provisions. Instead, those trademarks are added later, once the good is in the country. If we had a way of stopping the goods that are infringing design rights at the border, this would benefit a lot of countries -- or a lot of stakeholders.

Most importantly, we think that the US -- many of US trading partners do enforce design rights at the border, including the EU,
Japan, South Korea, India, South Africa, Mexico, Turkey, Argentina, Switzerland, and China. Most importantly and most notably, China actually enforces design rights on outbound shipments. That means they keep goods that infringe Chinese design rights from leaving China in the first place. Again, this is very helpful to our clients, but the problem is, is that you still have to deal the Chinese administrative system, which many of you can imagine is quite a challenge.

IPO encourages you to consider adding the United States to this list of countries that enforce designs at the border. Thank you.

MR. BRADLEY HAYES: Thank you for those comments. Go ahead.

PUBLIC SPEAKER: Yes, thank you very much. My name is Gregory Byrd. I'm the Deputy Secretary General of GCEL, which is the Global Coalition for Efficient Logistics. We are a Swiss-based organization whose members and supporters include nearly 150 countries, 26 IGOs
and NGOs, and the world's top technology firms.

I'm a little tired right now. I just got in last night from Indonesia, Singapore, and Saudi Arabia, so bear with me as I go through my comments.

MR. BRADLEY HAYES: Yeah, just make sure if we can keep them short in the interest of time. Thank you.

MR. GREGORY BYRD: All right. Okay.

So, we have conducted nearly 15 years' worth of R&D as it relates to trade efficiency and cargo security and some of my comments were included in our Chairman's expert testimony, Captain Samuel Salloum, that he provided to the US House of Representatives, best practices to secure US borders. Certainly, we all recognize that trade efficiency and security must go hand in hand. This is one of the independent challenges. But, we also must avoid a point of single failure by providing multi layers of defense mechanism including, number one, an intelligence layer at the port of loading to dynamically flag suspicious shipments, promoting further inspection. Second,
having a virtual fencing layer at the Coast Guard and dynamically flagging suspicious carriers, prompting further security measures. Third, having a border crossing layer at CBP to dynamically flag that suspicious shipment or enterprise, and the national visibility of that layer following the shipment all the way to its final destination.

Now, this -- these multi layers of cargo security requires data. It requires big data. And this data has to be validated data by multiple parties within the supply chain. This could be achieved by putting together a global digital economy platform including all players that are involved in the movement of the shipment from shelf to shelf. And I'm pleased to announce and would like to present to you what many countries around the world are now embracing is a global digital economy platform of E-commerce, E-finance, E-insurance, E-logistics, and E-commerce owned and governed by not one organization, not by one company, but by multiple organizations and
countries from around the world. This is necessary in order to offset monopolistic, geopolitical, and data privacy concerns, and to be deployed by the world's top 13 technology firms in the world that have built the world's government, manufacturing, banking, and carrier systems around the world. In this way, we can then grab and get ahold of the big data necessary to grow our trade and to prevent third borders. Thank you very much for the time.

MR. BRADLEY HAYES: Appreciate your comments. Thank you. And, go ahead.

PUBLIC SPEAKER: Stuart Smith [phonetic] with UPS. What he said.

MR. BRADLEY HAYES: Thank you for your comments. [Laughter.]

PUBLIC SPEAKER: I just, you know, as we think through intelligent enforcement and certainly, you know, big data is a part of that. But, also resources is a part of that. Any time we talk about enforcement, that's any exception in the supply chain is the most important part of any
process, whether it's for the government or for the trade, you know, utilizing those resources, maximizing those resources is -- is key. So, I think that any intelligent enforcement strategy should be -- enable to take that big data and recognize what resources are available to address that -- prioritize that risk. Maybe this isn't the right time for that one because we just don't have the resources in place to -- to do that today. We've also talked a lot about E-commerce, but there is, you know, still this mass of ocean shipments that are out there, so any intelligent enforcement, you know, should also recognize, you know, that maybe you only want to see one little toy that's inside of one of those 40 containers that's in that shipment, you know. Why can't we let the rest of this go, you know, to keep that -- to keep that part moving, but utilize, again, that -- that information needed to identify what we really need to look at and make sure that we are looking, you know, at exactly what we need to and, you know, what is in that risk management
strategy.

MR. BRADLEY HAYES: Thank you, Stuart. All right. With that, I want to thank our panelists for sticking around today, and we'll go ahead and dismiss you and welcome our panelists for the Global Supply Chain, final panel, to come on down, and we'll get the room set up for them as well. Thank you all for testifying.

Let's go ahead and start taking our seats so we can start with our final panel, who have been patiently waiting for us this afternoon. All right. If everyone could go ahead and take their seats, please. All right. Well, as I said, we are at our last panel of the day. I know they've been patiently waiting to talk about Emerging Roles in the Global Supply Chain. But, before we start, a couple of announcements. I think there have been a couple of people who have switched to jackets. If you picked up the wrong coats, I've been asked to make sure you've got your jacket. I know there's a lot of the same color out there. And also, you know, we've talked
about a lot of collaborative approaches that we take a CBP to push information out. Obviously, we had our COAC meeting earlier this week, and we've got this going on today. But, maybe this would have been better mentioned during the cutting-edge tech panel, but the Office of Trade has a Twitter account, at cbptrade dot -- excuse me, not dot -- at cbptradegov, one word, where we're pushing all that information out. So, go ahead and follow them on Twitter. We're trying to make them an influencer, as the kids are saying these days. So, CBP at cbptradegov is the Twitter account here. So, with that, I'll welcome our next and fifth and final panel of the day.

The modern international trade environment is marked by emerging actors and dynamic supply chains, all driven by technological advances and new methods of conducting business. CBP's traditional legal frameworks were developed to primarily reflect a market dominated by containerized shipments and the supply chains that once and still support them, as opposed to small
packages and business models built around E-commerce. CBP is seeking to ensure that all parties in the modern supply chain are aware of their responsibilities to promote safety and compliance, while still enabling legitimate trade and economic prosperities. We look forward to this panel, and with that, Madame Chair, our first speaker on this Emerging Roles in the Globally Supply Chain Panel is Jon Gold from the National Retail Federation. So, Jon, we'll turn it over to you for five minutes.

EMERGING ROLES IN THE GLOBAL SUPPLY CHAIN

MR. JON GOLD: Thank you very much. My name is Jonathan Gold. I'm the Vice President for Supply Chain and Customs Policy for the National Retail Federation. I would like to thank CBP for the opportunity to participate in today's meeting to discuss the 21st Century Customs Framework.

NRF is the world's largest retail trade association, representing discount and department stores, home goods and specialty
stores, main street merchants, grocers, wholesalers, chain restaurants, and internet retailers for the United States and more than 45 countries. Retail is the nation's largest private sector employers, reporting 1 in 4 US jobs. That's 42 million working Americans. Contributing 2.6 trillion dollars to annual GDP, retail is a daily barometer for the nation's economy.

We would like to applaud CBP for taking the initiative to develop the framework and see input from the trade community. As global supply chains continue to grow and become more complex, especially with the continued growth of E-commerce, CBP as well as other government agencies must recognize the new business models more collaboratively to ensure the right balance between facilitation and enforcement. These new business models are reshaping the retail industry both here and abroad. As a result, American businesses are increasing their investments in US infrastructure, technology, and supply chain are hiring hundreds of thousands of US workers to
support new and growing consumer demands. CBP's 21st Century Customs Framework initiative should recognize the vast opportunities created through these new business models by focusing on ways to facilitate trade for small and medium-sized enterprises. The framework should focus on helping companies, both large and small, to continue to grow and develop these new business models as well as those that haven't been developed yet. CBP needs to ensure that whatever comes out of this exercise will not stifle innovation for an ever-growing business model.

Before I get into the specifics regarding the emerging roles, I'd like to provide a few high-level comments for the framework initiative as a whole. Specifically, we think there are a few areas where CBP and other government agencies need to focus.

Clarity of rules. This is extremely important in the new E-commerce environment. One issue in particular that's already been discussed is the lack of clarity surrounding Section 321
entries and FTZs and completely supports what Nate Herman said earlier. So, that's one area we think needs to have better use and better clarity on the rules going forward.

Partnerships and pilot programs. CBP has been extremely successful in identifying new issues and partnering with the trade community to find solutions that work for both industry and the government. CTPAT, the Cs, ISF, all provide examples of how CBP has partnered with the trade community to develop programs with bi-directional training. The 21st Century Framework Initiative is the prime opportunity for CBP to continue to partner with the trade community and develop pilot programs with key stakeholders to address new and emerging issues. These pilot programs are essential to make sure that any new rules, regulations, or programs do not overly burden industry and stifle innovation. In addition, CBP must make sure that it provides accurate liability protection for those companies who decide to participate in any new pilot program and showing
real tangible benefits to the trade partner is
critical as well. Both actions will help ensure
that CBP has the best representation for industry
across the board.

Information sharing. I know earlier
panels discussed this, but this is critical for
both CBP and industry to be able to identify bad
actors in the supply chain. We constantly hear
from CBP about the need for information from the
trade community for targeting and identifying
risk. It is just as important for companies,
especially those who are CTPAT, Trusted Traders,
et cetera to receive key information, trends, or
other intelligence so the companies can ensure the
 validity of their supply chain partners.

Now, let me address some of the
questions that CBP posed in the framework
regarding Emerging Roles in the Global Supply
Chain. What new roles in the global supply chain
are unaccounted for in CBP's current legal
framework, and how should the agency account for
these roles? With the significant growth in E-
commerce and continued advancements in technology, it's incredibly important for CBP to work with the trade community to fully understand the roles and responsibilities of new entities in the global supply chain. There are more and more requirements upon importers to assure that the products are produced safely, securely, without forced labor, in any other initiative going forward. The majority of these companies are good actors and continue to try to do the right thing every day to assure that the products consumers buy either in-store or online meet all these requirements. However, CBP must continue to work in a collaborative manner with industry to identify any gaps that may exist. Continuing to develop mutually beneficial partnerships that provide real two-way benefits is critical to this process.

How can CBP work with E-commerce platforms and carriers to identify and determine what the solution is? We agree with comments submitted to CBP that call for the promulgation of
regulations authorizing the collection and
disclosure of markings, alphanumeric symbols,
coding of products or their retail packaging to
mark owners and other interested parties for the
limited purpose of investigating importers supply
chain where a seizure is made. This is also where
partnerships are critically important for CBP to
fully understand how these platforms and
marketplaces work to see what kinds of programs
can be put in place to identify and deter these
illicit shipments.

Finally, how can new actors in the
supply chain work with CBP to improve trade
security? Education will be critical for CBP to
ensure that new actors in the global supply chain
can work with CBP to improve trade security.
Webinars, listening sessions, compliance manuals,
additional utilization to seize, all are important
elements to make sure that all actors know the
rules of the road and what is expected for trade
security. Providing opportunities for new actors
who participate in pilot programs or partnership
programs to gain better understanding of what may
or may not be required will be important as well.
Again, providing real, tangible benefits to the
trade community to encourage their participation,
creation, and implementation of best security
practices in the global supply chains is also a
key.

In conclusion, as technology,
commerce, and supply chains continue to evolve,
CBP and industry must work closely together to
ensure that rules and regulations, either current
or future, do not inhibit this evolution. Bi-
directional education and partnership programs and
ongoing dialogue of all parties will be critical
to ensure the 21st Century Framework will be
successful for both the government and industry.
Thanks, and I'd be happy to take any questions.

MR. BRADLEY HAYES: All right. Thank
you, John. With that, we'll turn to Mr. Tim Perry
from American President Lines.

MR. TIM PERRY: Thank you very much
for the invitation to speak. I'm Tim Perry with
American President Lines. We're at 17th and K here downtown. I appreciate joining the panel on Emerging Roles in Global Supply Chain. Let me first begin by saying APL is the world's leading ocean carrier. Among them, we have more than 170 years of experiences, and there are many carriers in the world -- big ones and small ones. We offer more than 120 weekly services and ports in over 70 countries. We provide container transportation through our international shipping network, which combines intermodal operations with advanced technology equipment and E-commerce.

Our global container shipping business is supported by shared customer service centers that operate out of four different global locations -- Costa Rica, Estonia, China, and Kuala Lumpur. Many of the head count we have in the United States not only help cargo moving internationally but focus on complying with United States laws and regulations. Our service centers in the states are in Newport Beach, Scottsdale, Nashville, and Atlanta, and they help maintain
those -- that compliance.

APL has cooperated -- participated with Customs, and I can personally cite when I got on with APL back in Dutch Harbor, Alaska, in 1987, the Customs inspector who visited our ships who called weekly out in Dutch Harbor had to fly out from Anchorage, and that was a three-hour flight out, and if they landed, it was fine. Otherwise, they had a three-hour flight back in to Anchorage. Customs officers had to manually review every piece of paper and were multiplied by the number of ocean carriers calling a particular port, I would observe that's a lot of paperwork and a lot of responsibility on the shoulders of one Customs officer. I believe that officers reviewed the manifest on behalf of a bunch of other government agencies, up to 48 or so other government agencies, fast forward to the current times with the data being shared electronically with the gradual inclusion of other federal agencies, each with their own jurisdiction, one could be concerned that everything is not only observed but
targeted, albeit legally and logically.

As an example of emerging roles, the term ocean transportation pretty much spoke to port-to-port transportation, but as we focused on transportation by vessel. Fast forward to contemporary times where we see that much has changed in that industry. The term emerging role involves the fact that ocean transportation no longer is known as only port-to-port transport. Ocean transportation now moves point-to-point transportation around the globe. Point-to-point moves constitute a much larger portion or cargo volume than it once did. Using an actual export scenario out of the United States, cargo is booked to move to an inland point -- from an inland point in the United States to an inland point in a foreign country, and the foreign port where the cargo was scheduled to discharge was suddenly shut down. The cargo was stranded unless another transportation scenario could be set up. So, the carriers, using the global network and alliances, moved the cargo to yet another foreign country.
where the cargo was discharged. Intermodal networks were set up in order to transit the cargo to the ultimate foreign destination. But, information originally transmitted by the carrier when it exported the United States changed a lot.

The point-to-point nature of contemporary cargo movement and the inevitable operational changes contribute to make the ocean transportation industry much -- very complex.

Another observation I would make is our industry's terminology. In fact, the term supply chain is little known back years ago. It wasn't that a supply chain didn't exist, but it was of little or no interest. Each party, as a role dictated, was simply pass along a commodity to the next party. So, as you know, the terminology is critical to communicate up and down the supply chain.

Other changing roles are the carrier alliances. They are sure to evolve. Alliances didn't exist at one point, and they're sure to evolve. They're now an established part of the
industry, and they're dynamic. Formation of
alliances are important, as they allow greater
coverage and availability. Among other things,
they allow [inaudible]to have weekly port
services.

My next thing is a greatly involved
impact and roles that have been contained within
the container registry, and they involve volume
and size of the ocean-going vessels. When I first
started in Dutch Harbor, the size of a ship coming
into Dutch Harbor was about 5,000 containers, and
now in the global transportation industry, you
have about -- you can have a 20,000-TEU ship. The
continued evolution of the ocean industry relating
to the roles and alliances, changes in cargo
origin and destination, size of vessels, the
differences in electronic communication,
terminology, and maintaining cargo momentum will
have significant impact on carrier's business in
maintaining cargo flow.

I look forward to answering and
discussing any of these topics with you, and I
want to thank you very much for listening to my comments.

MR. BRADLEY HAYES: Thank you very much, Tim. Next, we'll turn to Amy Magnus from the National Customs Brokers and Forwarders Association of America.

MS. AMY MAGNUS: Good afternoon. My name is Amy Magnus, and I'm really pleased to be here as President of the National Customs Brokers and Freight Forwarders Association of America.

Global supply chains are undergoing profound change. We all know this. We've heard about it all day. We are all grappling with the challenges and opportunities created by this phenomenon really. The exploding numbers of importers and new emerging parties tests CBP in unprecedented ways as it seeks to ensure that all players understand the compliance responsibilities. My smart refrigerator right now could be causing an importation.

Amid the turmoil of all the shifting trade landscape, however, one constant remains for
CBP -- the licensed Customs broker. Brokers have always played a unique role in the supply chain. Licensed and regulated by CBP, brokers serve as a skilled and trusted partner delivering the agency from the chaos of dealing with tens of thousands of importers. Brokers significantly reduce the points of interaction between CBP and the trade, thereby making the job of processing the thousands of entries every day manageable. Brokers still file more than 90 percent of all the filings that are done.

Today, and even more so tomorrow, the Customs broker becomes more valuable to CBP. Not only do we understand what CBP is trying to accomplish, we provide a multiplier effect, extending the agency's reach by educating our importers. We know how to classify, even though the HDS is admittedly quite complex. We ensure the integrity of the data submitted through ACE. The role -- this role extends beyond CBP to the increasing complex data requirements for the PGAs.

Many importers, not the ones here
today, but many importers out there really don't
understand what their responsibilities and
obligations are in terms of what they can legally
bring into the United States. Brokers fill that
gap. I emphasize this point, not to give brokers
a self-congratulatory pat on the back, but I can
do that too. Never have the requirements of
Customs business been so important. The concept
of Customs business means that an entry and
admissibility of merchandise or its classification
and valuation where they are not performed by the
importer themselves must be performed by an
accountable party with specialized knowledge and
expertise. The fast and furious world of 21st
Century trade, while it may be expedient to narrow
the scope of Customs business, but to open the
gates to an array of non-licensed parties would
not really serve any of our needs. But, because
trade is undergoing such a drastic change, it's
all the more important for CBP to respect the
legal parameters of Customs business. Eroding
Customs business broadens CBP's exposure,
weakening and often exceeding CBP's ability to
manage commercial operations and enforce US law.

In an era of big data and artificial
intelligence, good data from reliable sources
matters. ACE, itself, requires sufficient data-gathering and, if entered by a reliable party.

This is not only true for CBP in its own
targeting, but also for the PGAs. Yet, how can
CBP accurately know to push data to PGAs or manage
it themselves with abbreviated or reduced data? A
manifest doesn't tell you who the buyer is or who
the seller is. There is certainly to HDS to
identify the product. Every single importation,
no matter its size or value, can pose a threat to
the health and safety or play a part in eroding
the economic well-being of our nation. Whether
it's a 40-foot container or a 40-inch box, CBP
needs to know what's entering the United States.

On a parallel note, we're all about
advancing technology, giving you more data, using
artificial intelligence, anything at all that can
make this enormous task easier for all of us. I
also want to add and ask that CBP remembers that
ACE is our core technology today, and we haven't
finished it yet. So, I would ask that we focus on
that as well. Don't lose sight of all these great
things that could be around the corner. But, also
we need to make sure that ACE is giving us the
functionality that we need now. So, finish ACE.
Brokers were integral in getting ACE off the
ground, and we will continue to assist you in that
department. Thank you for your indulgence.

MR. BRADLEY HAYES: Thank you, Amy,
for those comments. Next, we'll turn to Barry
Baxter from Walmart.

MR. BARRY BAXTER: Good afternoon.
My name is Barry Baxter. I'm the Senior Director
at Customs Compliance with Walmart. For
background, Walmart serves customers globally in
stores and online. Each week, over 275 million
customers and members visit our more than 11,000
stores under 58 banners in 27 countries and E-
commerce websites. Thank you to CBP for
organizing this public forum for us to express our
A primary objective of our CEO, Doug McMillan, is to be the most trusted retailer, and a major part of that objective is maintaining consumer trust in the products we bring to them every day. We have a long history of working with CBP. This year, this meant processing over one million entry lines from nearly 50 countries across 43 ports of entry. We are a Tier 3 CTPAT member in compliance and supply chain security that we take very seriously.

Global supply chains have never been linear, but now they are more complex than ever before with a variety of fulfillment models, faster transactions, new marketplaces, and smaller basket sizes, adding new sellers, shippers, and importers. It will no longer be sufficient to design solutions based on past models. We believe that we all need to engage more to address in good faith legitimate regularly concerns about RRC, mis-valuation, and other enforcement issues.

Together, we need to think about all elements of
regulatory accountability and how to make compliance successful for companies, no matter how large or small.

A Century -- a 21st Century Framework should bring clarity, focus on prevention, and be flexible. There is a need for clear and consistent rules on how CBP and PGAs approach new supply chain models. This also ensures a level playing field, reducing the risk of differentiated treatment depending on the model used. Quick clarification from regulatory agents can -- agencies can ensure that all of the best models are pursued. Prevention -- a new framework focused on prevention. Enforcement is, of course, necessary to detect and deter specific activity, but prevention will help build a system that stops problems before they occur. We believe that enhanced information-sharing is a key component to identify risk in the supply chain. This should be two-way communication between the government and private sector to share intelligence on specific concerns. That will also be critical, but too
much of the wrong data can slow down processes and actually obscure risk identification. A new framework should narrow information requests down to what is absolutely essential.

New actors in trade increase consumer's choice and economic participation. To build trust, we recommend the design of a Trusted Seller Program that would fast-track the entry of pre-approved, low-risk shippers. Marketplaces are more likely to matter more over the next few years, so now is the right time to figure out what information is and isn't relevant to actually reduce risk.

Finally, flexibility of a modern framework should be designed to encourage participation and with flexibility. A new framework should be sure to not discriminate against business models, ensuring that there is differentiation in treatment. Small pilots and experimentation are necessary. We have seen success, for example, using block chain pilots for food safety. As recently as this past fall,
Walmart has announced their food traceability initiative. After years -- two years of testing and learning we are launching a food traceability initiative that will require our leafy -- our fresh leafy green suppliers to be on our block chain starting this past January, and by this fall of this year, our leafy green suppliers will enable traceability back to the farms.

We are pleased to see that CBP has taken a similar approach with their NAFTA and CAFTA block chain proof of concepts and look forward to an IPR proof of concept at least starting in the near future.

We must also think about real incentives that will encourage participation in new programs. Fees, costs, and simplicity are key objectives for any stakeholder. Designing smart liability protections will also encourage new ways of working with collaboration.

Thank you, again, for your time, and we commit to continue working with Customs and other partners on developing these new solutions.
MR. BRADLEY HAYES: Thank you very much, Barry. And now, we will turn to our final speaker on the panel and of the day. We appreciate your patience. Candace Sider from Livingston International. So, Candace, we'll turn it over to you for five minutes.

MS. CANDACE SIDER: Thank you. Good afternoon, everyone, and thank you for the opportunity today to present with the rest of my esteemed colleagues. I'm Candace Sider, Vice President of Government and Regulatory Affairs, North America, for Livingston International.

I wanted to share some of our perspective on global E-commerce and its emerging role within the supply chain. Sales are expected to reach 4.8 trillion dollars by the year 2021. In 2018, US online sales of physical goods amounted to 504.6 billion dollars and are projected to surpass 735 billion by the year 2023. These figures are staggering and illustrate significant growth in this stream and the need to implement broader, targetting parameters. As
well, 77 percent of the entire US population purchases goods online.

Global supply chains are complex and will require transformation to manage and identify where the data is being sourced. We are seeing traditional roles changing with multiple characters and unknown parties entering the supply chain, posing health, safety, and security risks. There has been an influx of narcotics, counterfeit and illicit goods into the supply chain, which also poses a serious health and security threat.

Customs brokers will continue to play a pivotal role in the supply chain, acting as Trusted Traders, advisors, partners, and facilitators of compliance. To Amy's point -- and I really want to reiterate that -- trade is really complex. It certainly has not gotten easier. If anything, it's gotten much more regulatory and much more robust regulatory environment and very, very complex.

Opportunities to certify Trusted Traders in the E-commerce string should be
explored in an effort to mitigate risk, enhance security, and provide benefits to those traders who have demonstrated regulatory compliance.

While industry adapts to navigate end-to-end transformation and introduce digital supply chain processes, Customs administrations will also need to find better ways to target and mitigate risks and provide streamlined options as well for a robust refund system. Understanding the impact of block chain technology into the supply chain and helping this technology could offer better access to data integrity earlier, therefore providing Customs administrations with greater insight as to risk assessing cargo prior to arrival into the commerce of the US. While block chain has been referred to as a disruptive technology, it also provides a platform for integration of data. Customs administrations will be tasked with IT architect to support such a move.

Some key points I wanted to leave with you today for consideration. Does data
quality and integrity improve through block chain as compared to traditional information received through receipt of advanced cargo information? And would the information become available earlier in the supply chain as an alternative to ACI? Would time to market for new trade documents, container status messages, as an example, improve versus Customs traditional approach where we actually are testing and building connections? Is there an opportunity to integrate multiple block chain into the ecosystem itself? A fundamental unanswered question that Customs administrations are asked is how government will interact with multiple block chain nodes.

Exploring opportunities to enhance data through GS1 technology is another avenue; however, I would caution that innovation comes at a price, which often derives additional costs but are borne by the private sector and competing priorities continue always to be a challenge.

As key partners in the supply chain, we encourage greater collaboration and dialogue as
to the potential opportunity for engaging
technology as an innovator to streamline processes
and procedures, which would enhance data analytics
used to forecast and measure tangible security
threats and enforcement.

We also encourage engagement by
government on pilots and proof of concept,
partnering with the private sector to obtain
greater clarity and understanding of what is
possible.

Thank you for the opportunity to
provide comment today.

MR. BRADLEY HAYES: All right. Thank
you, Candace, and the rest of the panelists. And
with that, Madame Chair, I'll turn it to you for
questions from our government panel.

MS. CYNTHIA WHITTENBURG: Thank you,
Bradley, and thank you, panelists, for your
commitment to, I think, the future and the
sacrifice of time of being here. I have a
question for Ms. Magnus as the principle
representative of the NCBFAA. Do you see freight
forwarders as acting in different manners than they may have some 25 years ago?

MS. AMY MAGNUS: Yes.

[Laughter.]

MS. CYNTHIA WHITTENBURG: In the Customs space -- could you elaborate, maybe?

[Laughter.]

MS. AMY MAGNUS: Yes. We represent freight forwarders as well, and, of course, the US freight forwarders that are members of our association are licensed by the FMC and governed by them, and they are more involved in the supply chain than ever before. Some of their responsibilities with the transmission of data, particularly the manifest information and in-bond information, ISF information, is -- is done by our forwarders. And so, they have an active role in the supply chain, and we work very closely with them in the US.

Foreign trade forwarders, I -- I have a little bit more difficulty with because I don't know who they -- who is controlling them -- who
are they licensed by and who are they being
controlled by.

MS. CYNTHIA WHITTENBURG: Thank you. Thank you. I'll turn it over to my colleagues quickly, and then maybe circle around. James.

MR. JAMES HOLBEIN: Given the new US/Mexico/Canada agreement, do you, Ms. Sider and Ms. Magnus particularly, do you see there are ways to continue or improve the import and export processes at the border under the new agreement? Can we go beyond where we are now?

MS. CYNTHIA WHITTENBURG: I'm sorry, who did you address that question to?

MR. JAMES HOLBEIN: Say again?

MS. CYNTHIA WHITTENBURG: Who did you address that question to?

MR. JAMES HOLBEIN: Oh, under the US/Mexico/Canada agreement -- looking that we're trying to, you know, move forward under that agreement -- do you see room for improvement with the US, Canada, and Mexico in the import and export processing? Do you see that as something
that's doable still?

MS. AMY MAGNUS: That's a tough one for me, I can tell you that I am very much on the Northern border, so I deal with the Canadian in particular more than Mexico, and I think we've had a very good relationship for lo these 20-some-odd years under NAFTA. I do think that we have created some difficulties for ourselves, none of which anybody in this room had any responsibility for, but contentious relationships with our very closest trading partners have not done us much good, in my opinion. I think about the steel and aluminum duties, for example, that we've levied against Canada and Mexico. But, that's nothing that any of us can do. We have increased the complexity, however, of dealing with some of our most traded partners -- our most trusted trading partners, the Canadians and the Mexicans, with the 232 duties, I think. That's created some problems.

How can we do a better job? I think we've done some good things. We have shared with
manifest information for many years also. When goods are going to Canada, we're not filing an AES or an export filing, because the data is shared with -- unless it's licensed goods -- the US obtains some of that important data from the Canadians. So, there's a sharing of data between the two nations, because there is a trusted relationship between Canada and the United States. I think that's a very good process, and I think it -- it streamlines, if you will, some of the efforts.

I wish we could do more on the PGA side with Canada and Mexico, where the data could be defined the same way and perhaps the same data. If we can't do it with Canada and Mexico, who can we do it with?

MS. CYNTHIA WHITTENBURG: Okay.

Thank you. Did you have any comments?

MS. CANDACE SIDER: Well, I would definitely agree with what Amy is saying. I think there's a lot of opportunity to really harmonize on some of the regulations that are in place and
that would facilitate trade, you know, and not
create delays in terms of facilitating movement of
cargo back and forth. And we have two different
sets of regulations, but basically the same
commodity.

MS. CYNTHIA WHITTENBURG: Thank you.

Tim.

MR. TIMOTHY SKUD: Thanks, Cynthia.

I guess I'll focus on Amy, you're in the middle.

MS. AMY MAGNUS: Why is it just me?

[Laughter.]

MR. TIMOTHY SKUD: I think it's that
stunning black and white jacket that you have on.

MS. AMY MAGNUS: Thank you, Tim.

[Laughter.]

MR. TIMOTHY SKUD: So, so the topic
of this sector is Emerging Roles in the Global
Supply Chain, and, of course, the elephant in the
room all afternoon has been the increase in these
small direct-to-consumer shipments that don't seem
to fit very well in the current Customs law.

So, under the current Customs law,
who is responsible for telling Customs what's in there -- the importer of record who can be a consignee, can an owner, it can be a Customs broker? Well, if the consignee is my mom, she doesn't even know it's imported, and she orders it on the internet, and if the owner is a small firm who is utilizing a platform, it may be a possibility that they're hard to get hold of, and I'm not sure we have jurisdiction over them. That sort of leads to the Customs broker. So, tell us what you think the role is of the broker in this sort of burgeoning sector and what kind of challenges it presents to brokers.

MS. AMY MAGNUS: I think that a broker adds value to the transaction, and I say that because of the example that you just gave. Someone could be ordering something online and really not understand that there might be rules or regulations around bringing that good in. It might be a sewn garment, but it could be decorated with feathers of birds that are going to extinction, and how would somebody really know any
of that? And the broker may not necessarily know
either, but if the broker is involved in the
transaction, every broker worth his or her salt
will see feathers, and they will immediately say
oop, oop, wait -- that could be a Fish and
Wildlife issue, or we could see some other
product. Now, you might see on the manifest
description that it's a garment. But, we may have
additional information. So, there is -- I know
CBP is working on the entry type 86, and I'm glad
about that, because it appears -- though I don't
have any insight into exactly what the data fields
are going to be when that is rolled out -- but, if
it has the kind of data that exists currently on
an ACE release, you'll certainly have more
information available to you to do your screening
and targeting, not just for security, but also for
all the other risks like the PGA-type information
or other things. Maybe it's subject to anti-
dumping and countervailing duty, and who's, you
know, do you really think your grandmother is
going to know that if she orders a certain kind of
plastic bag from China, it might be subject to anti-dumping or countervailing duty? I don't know. I think as brokers, we have access to more information available to us because of our training as well. We might be able to recognize that or certainly have a better chance of recognizing that.

And then, I just have to throw in the last thing. We've all admitted here that E-commerce is burgeoning, it's booming, it's a tsunami. Who's counting? How are we calculating the balance of trade? How do we know what's really being brought in?

MS. CYNTHIA WHITTENBURG: Thank you. Anyone else?

MS. CHRISTA BRZOZOWSKI: Todd, I wanted to compliment you on your jacket. It's very nice.

[Laughter.]

MS. CHRISTA BRZOZOWSKI: That gray color. I like that. Maybe -- maybe for actually any one of you. So, I heard several comments --
and I think it's been a theme through as long as
I've been here this afternoon -- the value of a
whole government approach. So, the PGA is, of
course, the jargon, but in making policy and then
certainly implementing whatever -- whatever it
happens to be. So, that's great. It can be hard
to do. There are several bodies, some in -- in
law, some in administrative policy like executive
orders, what's -- what's your recommendation?
What are the most appropriate forms, and how can
we do better? How can DHS -- how could Customs do
better in this regard? What other tools could we
potentially explore for actually making this
happen in reality?

MR. JON GOLD: I think as a starting
point, it was brought up earlier, I mean, the BIEC
is a prime opportunity where you've got PGAs that
are kind of cooperating together. I think
starting from that point, trying to figure out
what the -- the end goal is. Obviously, you've
got different missions from different agencies,
but at the end of the day, what are we trying to
do? Let's put that up on the board and figure out how do we get there. So, you're talking data. What is that appropriate amount of data that is needed for each of the agencies to do their risk-based targeting? Let's focus on the risk-based targeting. Let's not just throw all the data out there and say we need everything to look at, because you don't need everything to look at. It's an exercise we went through as you were talking ISF. You've got thousands of data elements out there. Let's narrow it down to what is the minimum that we need to be able to identify the security threat that's there. So, in this environment as well, that's an opportunity to look at to try to figure out from all the agencies, where is that core data set that's needed to be able to do the risk-based targeting going forward. I mean, the BIEC, obviously, is the starting point for that. You've got agencies at that are the table, but it's got to come from leadership down to figure out how to do this going forward, because obviously, CBP isn't the only agency
that's taking a look at E-commerce right now.
CPSC is looking at it as, you know, Rebecca
mentioned earlier, as well as other agencies. So,
it's a growing effort, and if we don't get in
front of it now, it's going to be too late down at
the end of the road. So, I think starting with
the framework and trying to work with the other
agencies so that you all have, I don't want to say
a common mission, but at least we're all working
together to figure out how do we work
collaboratively together between the agencies and
industry, because we all want to work with you.
You know, this only works if we all work together
to identify the right steps. We all want to keep
the bad things out. But, if we're not working
together in a collaborative effort, we're going to
fail miserably.

MS. CYNTHIA WHITTENBURG: Thank you.
Jennifer is passing. Lee --
MR. TIM PERRY: If I might say --
Cynthia, if I may.

MS. CYNTHIA WHITTENBURG: Sure.
MR. TIM PERRY: I want to commend this panel whether it be Treasury or Customs or any other -- ITS or Customs -- groups for having public meetings like this. Not only this public meeting when we're here, but with the TSN, COAC, the CSAC, all the different opportunities that you have -- the ITBS board meeting where the folks meet with not only with PGAs but the COAC is there representing the industry and other members of industry. I think if one was to look at the government budgets in different departments, there is very little in each department, whether it's -- I'm just going to pick -- housing or energy or whoever, but Customs allocates a significant part of the -- of their budget to host events like this. And so, this isn't to shout out to say this is a great -- great to have event, but to talk to people from the trade and whether it's the NCBFAA, events around the United States, or it's events like this, or it's a trade symposium you had recently -- I think it was in Atlanta. This is -- I must say, this is something that is not done in
many other agencies. And so the culture at Customs and Treasury is -- is to listen to the customer -- listen to the people who they regulate. So, I would just commend the committee on that, and that's where you will hear a little bit more pointed feedback on what needs to be changed.

MS. CYNTHIA WHITTENBURG: Thank you for those comments, Tim, and for the record, this public meeting has been executed on a minimal budget.

[Laughter.]

MS. CYNTHIA WHITTENBURG: Thanks to our partners at Commerce, just for the record.

MR. LEE SMITH: Thanks. For the panel generally, what are your recommendations for how the US government can effectively identify and engage with new actors and SMEs in the E-commerce space in order to facilitate ongoing and meaningful collaboration?

MS. AMY MAGNUS: I think I've already made my recommendation. I think that the data
that's transmitted in the ACE release is important data, and I would champion that we look at that very closely, because it has more information than just manifest data. But, I understand that there may be some very low-risk and Trusted Traders that might be able to transmit much fewer data fields because they've vetted in some other process. So, I can understand that. But, there is so much coming into the United States right now that I think we need to take a close look at it.

MR. BARRY BAXTER: And to add to that, you know, the data sharing between the government and the private sector, I think, is key. Developing tools such as a Trusted Seller so that way the trade would know who has been preapproved by CBP, they know who they are, so that way those companies can flourish in this environment because they know that CBP has already proved that supplier, and that way the private sector knows it's less risk to do business with that shipper.

MS. CYNTHIA WHITTENBURG: Thank you.
I have a question for Tim. What are some of the biggest changes you foresee in the ocean cargo environment that we should be cognizant of?

MR. TIM PERRY: Well, I would say thank you very much for the question. I think in my few years with American President Lines, when I got on, the ships were about this big, and now they're really big and they're shared. And so, one of the challenges we have is collecting the amount of information that's required by various governments around the world, not just Customs in the United States, but Mexico and Canada and France and China and Indonesia and Australia and New Zealand. Everybody seems to have the need -- everybody does logically have the need to collect manifest information regardless of the size of the ship. I would suggest that the largest challenge was have is coming to understand what -- recognizing that the importance of business is keeping the cargo moving -- it's cargo velocity -- is getting the right amount of data -- getting whatever all these parties need and getting them
that data. If you can imagine an ocean carrier collecting 120 pieces of data that would satisfy everybody's desire in the world of where that cargo is going.

So, you have to -- I would suggest to the government the challenge is one of terminology -- it's coming up with those data pieces that would tell USDA that there might be some wood packing material or telling Commerce, you know, some piece of their harmonized code that they might be interested in tracking. So, it's to the -- it's to the governments of these various nations -- my suggestion is to come to some common terminology that's minimal -- however you want to determine that -- that the carrier can actually -- can actually pass along. That will tell you get ahold of the broker, get ahold of the importer, get ahold of whoever it is. But, the carrier can't be the clearinghouse for every single entity in the supply chain.

MS. CYNTHIA WHITTENBURG: I have one -- one last question, and Amy's taught me to ask a
compounded question. So, this is for you, Jon.
How do you work with your members to, I guess,
facilitate their compliance and where do you see
their internal compliance programs changing in the
future when they have threats such as forced labor
entering the supply chain?

MR. JON GOLD: Sure. So, I think the
role of these associations, we provide as much
information as we can to our member companies to
let them know what the new changes are and let
them work through their internal processes for how
we do their compliance. Obviously, compliance is
becoming more and more complex, as more and more
of these issues are coming to the front of the
line, whether it's forced labor or whatever the
next thing is going to be. So, I think we provide
kind of the clearinghouse to provide members the
information, let them talk to each other through
different avenues, whether it's conference calls,
benchmarking surveys, so they can figure out what
ey they can do, provide options for CBP and other
agencies to provide updates and kind of where the
rules are going. So, I think that's the role we
play, and we're always open and willing to share
any all that information with members to allow
them to make the best decisions they can for how
they are going to do their compliance programs.

MS. CYNTHIA WHITTENBURG: Do you
think the US government is leveraging
associations?

MR. JON GOLD: No, not enough.

[Laughter.]

MS. CYNTHIA WHITTENBURG: I think
time is up.

MR. JON GOLD: Cynthia, if I can.

It's not just the associations. I think there's
so many different avenues that the government can
take now to get information out to the public
whether it's through the associations, through
social media, through the local ports that are
there, through the brokers. I mean, there's so
many different avenues that the government can
take advantage of opportunities to get the
information out. And it's, you know, having the
website that's clear and concise the folks can find -- can easily find things they're looking for is another part of that. So, I think there are different ways they can do that. Obviously, all the associations for all the different entities that are here play a vital role in helping to provide and push that information out. We can't control what our members do with that information at the end of the day. We can just provide the opportunity to give them the information for what they need and provide you the platform to give that information out, and we're always happy and willing to do that.

MS. CYNTHIA WHITTENBURG: Thank you.

MR. BRADLEY HAYES: Okay. I think we'll let the record reflect that Tim's comments end as a piece of praise with the last comments of this panel -- I'm kidding Jon. Thank you for those. I think that was a good discussion. So, we'll open it up now. You know, we're pushing up on 4:00, but I want to open up the floor for public commentary. Again, same procedure. The
plan is to approach the mic. Just make sure you introduce yourself before you comment. We recognize, go ahead and introduce.

PUBLIC SPEAKER: Good afternoon. Al Gina with CT Strategies. If I could possibly just share some of my own personal failures when I was back at CBP, I think they may assist in helping move this agenda forward. It addresses some root cause issues. If we're going to stay kind of with that kind of analogy as far as how do you address the illness versus the symptom.

So, in my last role, I happened to be the Chair of the BIEC. Two individuals on the dais were on the BIEC. We could never get agreement on advancing the single window except for when we had to exercise Ms. Brzozowski, who was actually at the time representing the White House. To bring the issue to the White House to — actually, she gets a lot of credit for issuing the Presidential Executive Order, which is an exception. Then you fast forward, and one of the greatest successes that's touted as collaboration
is ACAS, and Mr. Wenkowsky always used to remind me about it and Mr. Mullen always used to remind me about it and said where's the regulation for ACAS? It was a real threat. There were explosives in printed cartridges, and the industry partnered with CBP to address it in a matter of days and weeks. Mr. Mullen reminded me. It took seven years to get the subsequent regulations put in place.

So, it's always troubled me that I was never in my position being able to change the regulatory process -- the rule-making process, and it culminated earlier in the week when we were at COAC, and they were addressing the regulatory process. And I think many people talked about their work on that process to include reading the regulations twice. I personally thought I didn't have a life, but apparently some people may not have a life either. And there must have been some ambiguity because Mr. Feldman eloquently summarized that there are over 400 regulations that were identified over several years of work.
and thousands of hours of labor. Think of the
opportunity cost that expended. And not one of
those 400 plus -- as Mr. Mullen I don't think was
criticizing but was just making an appropriate
observation -- were ever rescinded.

So, I would just recommend possibly
in order to support your initiative of the future,
hopefully you can learn from my failures of the
past and not count on an Executive Order or an IFR
to be the exception, but how do you make it the
norm to support this endeavor going forward.

MS. CYNTHIA WHITTENBURG: Thank you.

MR. BRADLEY HAYES: Thank you for
those comments. Quiet room. It's like we've been
here all day. Well, I don't want to belabor and
keep it open unnecessarily. If there are no
further comments for this panel, then I will go
ahead and thank you for sticking around the being
our last panel to testify. We appreciate the
comments and the discussion, and I will dismiss
you before we open the floor up for a general
comment period. Thank you, all.
[Applause.]

All right. That being said, I'll open the floor up now for just general comments on today's hearing, if there are any, obviously recognizing that, as I pointed out a couple of times, there will be a Federal Register Notice issued in the near future soliciting further comments on this panel. So, again, if there are comments -- general comments about this proceeding, please feel free to approach the mics.

All right. Well, I guess we solved it all then with the industry help. So, with that, again thank you everyone for attending today's hearing. Obviously, I think it was incredibly productive. We got a lot of good ideas that we'll take back internally and work with our PGA and our partners. So, before we conclude for the afternoon, let me turn it over once more to the Chair of our panel for this afternoon, Deputy Executive Assistant Commissioner, Cynthia Whittenburg, for any closing remarks and to close us out.
MS. CYNTHIA WHITTENBURG: So, I just want to thank everyone. Today was a pretty robust day, it was a long day, and I appreciate you all who hung in there to the end -- to the finish line. And we look forward to working with you all in the months coming -- hopefully not many, many, many years to come. With that said, thank you, and have safe travels home.

[Whereupon the proceeding was concluded.]

[Off the record.]
CERTIFICATE OF COURT REPORTER

I, DEIDRA B. DELISSER, Court Reporter and Notary Public of the State of Maryland at Large, do hereby certify that foregoing pages, numbered from 1 to 326, inclusive, are true and correct transcription of the digital recording of said meeting.

I further certify that I am not relative, employee, or counsel of any of the parties, nor am I a relative or employee of any of the parties, attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED this 18 day of March, 2019.

__________________________
Deidra B. Delisser
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NOTARY PUBLIC, STATE OF MD
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