

US Customs and Border Protection
21st Century Customs Framework Public Meeting

Friday, March 1, 2019

US Department of Commerce
1401 Constitution Avenue NW
Herbert Hoover Auditorium
Washington, DC 20230

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1 P R O C E E D I N G S

2 MR. BRADLEY HAYES: All right, everybody.
3 We'll go ahead and start our hearing, as we've got
4 our panel filtering in. If everybody will take
5 their seats, please. Good morning. Welcome to
6 the US Customs and Border Protection 21st Century
7 Framework Public Meeting here in Washington, DC.
8 My name is Bradley Hayes. I am the Executive
9 Director for our Office of Trade Relations at US
10 Customs and Border Protection, and today I'm going
11 to serve as the moderator for this public hearing.
12 We appreciate all those who joined us in person
13 and braved the elements of the thin sheet of ice
14 that we had last night. So, I hope you didn't
15 have too much trouble getting here.

16 You know, the importance of this
17 effort to the trade community is evidenced by the
18 fact that we've got a room that's starting to fill
19 up, and we've got hundreds of others who are
20 joining us by the phone. The 21st Century Customs
21 Framework Initiative, or 21CCF as we colloquially
22 like to call it, was first announced by CBP

1 Commissioner McAleenan at our 2018 Trade
2 Symposium, the one that we had in Atlanta in
3 August of last year. Since that announcement, our
4 Office of Trade has been leading an effort to
5 address and enhance the numerous aspects of CBP's
6 trade mission to better position the agency to
7 operate in a 21st Century trade environment. As
8 part of this effort, CBP is intent on collecting
9 input from the trade stakeholders to inform and
10 shape the changes and solutions that we end up
11 producing from this initiative.

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

18 In response, a wide range of
19 stakeholders, which obviously include our brokers,
20 shippers, importers, small and large businesses,
21 and other interested groups offered a variety of
22 perspectives through comments on the public

1 docket. Today, we're honored to be joined by a
2 panel of senior officials from a range of US
3 government agencies, and we're going to hear from
4 speakers who will present their comments in this
5 public forum.

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

13 To open today's proceedings, I would
14 like to introduce Mr. Robert Perez, who serves as
15 Deputy Commissioner of US Customs and Border
16 Protection. In his role as the Deputy
17 Commissioner, Mr. Perez, as the agency's senior
18 career official, works with the Commissioner to
19 ensure that CBP's mission is carried out
20 effectively. This includes protecting our
21 nation's borders from terrorists, terrorist
22 weapons, securing and facilitating global --

1 excuse me -- legitimate global trade and travel,
2 keeping illegal drugs and illegal aliens from
3 crossing our borders, and protecting the nation's
4 food supply and agriculture industry from pests
5 and other diseases. Obviously, he has a little
6 bit going on, a little bit on his plate, small job
7 that the Deputy Commissioner serves. So, with
8 that, I will welcome to the podium Deputy
9 Commissioner Robert Perez.

10 [Applause.]

11 DEPUTY COMMISSIONER ROBERT PEREZ:

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

17 As Bradley mentioned, we put out the
18 Federal Register Notice a couple months ago. We
19 are very grateful for all the interest we've had
20 and received regarding that notice, and here we
21 are, you know, some months after the Commissioner
22 announced at our last trade symposium that we were

1 going to be embarking upon this effort.

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

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

14 Over 2.3 or 2.6 rather trillion
15 dollars' worth of imports entering the US via over
16 29 million cargo containers, trucks, and railcars.
17 All the while, CBP collecting also second, as far
18 as revenue collection in the entirety of the US
19 government, over 52 billion dollars in duties,
20 taxes, and fees, and reflective particularly of
21 the 21st Century as far as trade is concerned, the
22 E-commerce volume, if you will, mail parcels made

1 up of about 500 million or nearly 500 million
2 international shipments last year and about 130
3 additional -- 130 million additional shipments via
4 express consignment. The good news there is that
5 we began to and now receive advance information
6 for over 50 percent or nearly 60 percent of the
7 entirety of that mail volume, we receive advanced
8 information. That's about a 300 percent increase
9 in getting advanced information in the mail in
10 just over two years.

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

18 Last year, CBP's nearly 34,000
19 shipments that were in violation of intellectual
20 property rules worth nearly 1.4 billion dollars.
21 90 percent of that volume, again reflective of the
22 volume and the way with which trade has changed --

1 90 percent of those seizures that violated
2 intellectual property rights were seized in the
3 international mail and express shipments.

4 One other very important point, I
5 think, you know, with respect to how it is, we
6 continue to evolve in things that we're doing as
7 well to make, you know, to move ourselves along
8 with -- within a 21st Century Framework, if you
9 will, is ongoing realization and modernization of
10 our own platforms and processes, you know, as far
11 as how we've measured the changes that ACE has
12 produced by way of making ourselves all more
13 efficient with respect to new capabilities and
14 automating old capabilities that weren't automated
15 in the past. Last year, we measured a total
16 economic benefit to the trade community by way of
17 those very specific measures of nearly 400 million
18 dollars, about 35 million dollars in time saved
19 and benefits to our agency in and of itself. So,
20 more good news. We reduced processing times by
21 about 400,000 hours to the trade community and
22 nearly 700,000 hours for ourselves alone, which is

1 a really, really tremendous accomplishment.

2 We also opened up two new unified
3 cargo processing centers along our southern
4 border, of which now there's ten total, where
5 we're working alongside our Mexican counterparts
6 to make sure that we're reducing wait times and
7 increasing predictability and efficiency while
8 being, again, ever mindful of the economic and
9 national security concerns for both our nations.

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

18 So, what is it that we continue to
19 kind of realize, frankly, and why is that we're
20 still looking toward optimistically this effort
21 with a great sense of urgency? Well, that is that
22 trade, particularly over the last few years, is

1 not only in accelerated and relentless state of
2 change, but it is one that absolutely mandates our
3 keeping pace with all that is going on. If you
4 think back, and some of us were around and can
5 remember, the Customs Modernization Act of 1993.
6 I mean, that was really a generation ago, which
7 was the last time, you know, attached to, if I'm
8 not mistaken, you know, back then some of the
9 North American Free Trade that was being passed.
10 That was the last time that we really went through
11 a comprehensive modernization, if you will, of
12 cross-border Customs processes. So, arguably, and
13 frankly from my point of view, long overdue, that
14 we really delve into and make substantive change
15 to keep pace with the 21st Century reality of this
16 ever-changing landscape.

17 So, again, when you think back of
18 where we were and where we are today, I learned
19 and was reminded that back in 1993, according to
20 Life Science Technology, there were about 600
21 websites in the entirety of the internet. Okay.
22 And in 1993, that was actually two years ahead of

1 Amazon selling its first book on the internet.
2 Wow, where have we been, right? I mean, think
3 about where we've been. It's incredible. Look, I
4 know you all appreciate and understand frankly,
5 better than most, what this really has presented
6 for you all by way of businesses and certainly we
7 continue to pay particular attention of what it
8 continues to change for us and how it is we can
9 deliver the best security and service to all of
10 you.

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

21 An exponential growth in small
22 packages also, as I mentioned earlier, you know,

1 given the volume of what we see in the mail
2 streams, has significant risk, not just the
3 counterfeits that I mentioned, which clearly poses
4 not only a risk of undermining legitimate
5 businesses, but also safety risks as well due to
6 poor quality, and untested products being put in
7 place and/or shipped in place of legitimate ones.

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

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

22 And, as Bradley mentioned, as I

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

15 So, the first self-funded Customs
16 infrastructure, it really is an acknowledgement of
17 how important that ACE infrastructure, those
18 platforms that we oversee and that we manage, how
19 valuable and how important they've become. That
20 is the one area that we're actually not going be
21 discussing in depth today simply because, you
22 know, the primary venue for that continues and

1 will be an interagency process with our Border
2 Interagency Executive Council. Nevertheless,
3 again, that dialogue vis a vis us and you all will
4 be something that we will look forward to
5 continuing to have as we form that interagency due
6 diligence of how we, you know, look toward making
7 sure that that infrastructure doesn't fail,
8 especially when we need it most -- when you all
9 need it most. And that is something that evolves
10 over time.

11 The five of which we're going to
12 discuss and we'll have panels all discussing
13 today, begin with first cutting-edge technology,
14 making sure that we are keeping up with
15 incorporating, leveraging, using as effectively
16 and efficiently as we can, the latest in
17 technology and not lagging behind, keeping pace,
18 again, with the technological solutions whether it
19 is, you know, machine-learning, artificial
20 intelligent analytical predictive analytics and/or
21 robotics, however it is and wherever it is, they
22 can be incorporated and is incorporated into 21st

1 Century International Trade. We need to make sure
2 that we're keeping pace with incorporating
3 technology where it's going to help us most,
4 again, with both the national security and the
5 economic security mission of our agency.

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

19 Emerging roles in the global supply
20 chain. Again, as I mentioned just briefly a
21 moment ago, new parties exist and are involved in
22 international trade transactions that frankly 20

1 years ago either, you know, weren't part of it or
2 just didn't exist before. And so, you know,
3 identifying with all of you and a lot of the
4 industry experts, what are those roles and
5 responsibilities? Who are these parties and how
6 should they be defined in a 21st Century way as
7 opposed to trying to have them fit into a
8 definition that was frankly put forth back in 1993
9 or before?

10 Intelligent enforcement, again gets
11 back to, I think, leveraging a lot of the
12 technological solutions and tools that we want to
13 employ as well as that information, but
14 intelligent enforcement, again, really speaks to
15 how it is we can all work together to keep us all
16 safe and to protect legitimate trade, protect the
17 economy, protect the legitimate businesses, and,
18 again, our communities from all the risks that I
19 just mentioned a little while -- a short while ago
20 that continue to permeate and exist in so much of
21 this trade right now, and it is an ongoing
22 challenge.

1 And then lastly, just 21st Century
2 trade processes, looking at the ins and outs just
3 from a procedural perspective, how are we
4 conducting business. You know, when you think
5 about it, again, you know, a couple decades ago,
6 and even probably more recently about a decade
7 ago, the vast majority, and there's so much, and
8 there still is a significant amount of trade
9 volume that does come in 40-foot, 20-foot, large
10 containers overseas and across our borders in
11 trucks, but that is shifting, and has shifted, and
12 continues to shift. And so, again, whether it's
13 the type of technology we use, the information
14 we're collecting, or even just a logistical chain
15 of all that movement of trade, the 21st Century
16 Process Group is, we're hopeful, going to examine
17 exactly how it is from a procedural standpoint we
18 need to modernize how we look at the logistical
19 side of how trade is moved and processed across
20 our borders. Pretty tall order. That's a lot.
21 That is a lot to tackle, but we are absolutely up
22 to the challenge, folks, and we know you are as

1 well.

2 So, I'm going to thank you in advance
3 for what I know you all are going to continue to
4 do alongside us to get this job done. Our Office
5 of Trade alongside all the offices in CBP that --
6 that had some role in trade, whether it's the
7 Office of Field Operations or Office of
8 International Affairs, or Office of Information
9 Technology and Finance, they will all be part of
10 what our Office of Trade will lead, which will be
11 taskforces assigned and dedicated to pushing forth
12 and finding real solutions to each one, again, of
13 these topics that you're going to hear about more
14 in depth over the course of today.

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

19 Lastly, I think it's just important
20 for me to emphasize one, you know, critical point,
21 because this really, I believe, speaks to the
22 culture of CBP, one of which all of us that are

1 part of this agency are particularly proud of.
2 You know, since we were created, and this
3 department was created, which happens to be today,
4 16 years ago, I might share. We've always taken
5 great pride that over the course of our existence,
6 whether it was a regulatory change, a statutory
7 change that we were collaborating with up on
8 Capitol Hill, our Congressional leadership, or
9 whether it was, you know, just an interagency
10 and/or stakeholder partnership initiative,
11 collaboration is so key and so much part of the
12 culture of CBP. And so, I want to just make sure
13 that you all know that as we embark down this
14 path, and as these taskforces are stood up, and as
15 we go about this work of finding these 21st
16 Century solutions in the most robust and
17 aggressive of fashions that we're going to ask you
18 to be right there shoulder-to-shoulder with us and
19 helping us define those solutions so that they are
20 mutually agreeable, mutually beneficial, and
21 really, again, do the best we possibly can to
22 protect not only our economy but our national

1 security.

2 So, again, thank you for being here
3 today. As I relinquish the microphone, I first
4 have the good pleasure of introducing a very, very
5 special stakeholder of ours and special guest
6 today. Senator Bill Cassidy has served Louisiana
7 for 13 years, first as a State Senator elected in
8 2006, then as a US Representative elected in 2008,
9 and since being elected to the US Senate in 2014,
10 Senator Cassidy has been engaged many of the areas
11 of interest to CBP, particularly in the trade
12 arena. Among the Senator's committee posts, he
13 serves on the Senate Finance Committee, which
14 provides primary oversight of CBP's critical trade
15 and revenue detection functions, and we at CBP are
16 particularly appreciative of Senator Cassidy's
17 ongoing collaboration and unwavering support for
18 what it is we try to do in our agency every day.

19 So, ladies and gentlemen, thank you
20 again for your attention, thank you for being
21 here, and I have the good pleasure of introducing
22 and welcoming Senator Bill Cassidy.

1 [Applause.]

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

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

22 Now, what are some interconnected

1 issues? Some interconnected issues are that
2 64,000 Americans died last year from drug
3 overdose, that trade-based money laundering is
4 often the way that cartels get their ill-gotten
5 gains out of the US, back to their home country,
6 in order to continue to finance the drugs coming
7 up to our country, which then subsequently kill
8 another 64,000 Americans, and seemingly unrelated,
9 but intimately related, we have a problem in
10 Central and South America where economies are
11 dysfunctional and because of that dysfunction, we
12 have immigration across our border. And yet
13 related once more, seemingly different, but
14 related, is that we have counterfeit goods coming
15 across adulterating our supply chain. Again, as
16 the Deputy Commissioner said, endangering many
17 aspects of our economy, of our health, and of our
18 safety. You are frontline.

19 Now, our mutual responsibility is how
20 do we educate legislative -- my legislative
21 colleagues to understand the interrelatedness of
22 these issues? I don't know where my staff is --

1 Maria, Jamie, are you all around? I have staff
2 right here, Maria and Jamie, they've been working
3 on me to understand this issue for the last two
4 years, and it's taken me that long to get to the
5 point where I can comprehend Mr. Perez's opening
6 talk. So, we need to -- we -- we -- you and me --
7 need to educate others on Capitol Hill to come to
8 that understanding a little bit faster than I did
9 in order to give you the tools you need in order
10 to accomplish what we need to be accomplished for
11 us. Never has so much depended upon so few for so
12 many in quite some time.

13 So, let me elaborate. How do I put
14 all those seemingly different issues together?
15 Well, the way I look at it is that we again have
16 drugs being produced, which come across the
17 finance and returns that financing disrupts
18 Central American economies. When you have a lot
19 of dollars flooding in from drugs being sold in
20 the United States, it inflates the value of your
21 currency, which makes your economy less
22 competitive in terms of exports. There is also a

1 heck of a lot of free dollars there in which to
2 bribe public officials, corrupting, if you will,
3 police forces and military.

4 Now, part of the way this works again
5 is through trade-based money laundering, in which
6 the good may go in one way, the invoice goes in
7 another way. If the invoice passes through a
8 third country -- through a second country -- so,
9 the goods go from the United States to a Central
10 American country, but the invoice goes through
11 another country, if the invoice comes back and
12 it's been marked down, so instead of being for a
13 million bucks, it's for five hundred thousand
14 dollars, that Central American company -- country
15 just loses that tariff revenue. It loses that
16 governmental revenue, which could be used to
17 support infrastructure to attract foreign
18 directive -- foreign direct investment, which
19 might create economic opportunity for someone in
20 their country, enabling and enticing them to stay
21 in their country as opposed to joining a caravan
22 and come to ours. There is an interrelatedness

1 here that we can accomplish if we are smart about
2 how we attempt to accomplish.

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

15 Now, what are some possible
16 solutions? And I offer the solution not to say,
17 oh my gosh, this is written in stone, but rather I
18 find it more effective to move a conversation to
19 advance an idea, a straw dog if you will, and if
20 folks don't like it, then offer me a better. So,
21 I'm going to offer an idea. But, by the way, the
22 solution I'm going to offer is something my staff

1 and I have been kicking back and forth, and as I
2 was sitting drinking my coffee in the green room
3 waiting to come in the room, across the way I hear
4 two folks speaking to the same issue, and that
5 makes me think there might be a convergence, if
6 you will, of thought as to how we can go forward,
7 and that, of course, is incredibly affirming for
8 what we've been attempting to do.

9 So, what are possible solutions? I
10 could imagine that we institute, slowly scaling
11 up, but institute a public-distributed ledger
12 system, which, I understand, that IBM and Merck
13 are already working on, that Wal-Mart already uses
14 for agricultural goods, which are sold in Wal-
15 Mart, and in this distributed ledger, as I
16 understand it, there is a chain of truth. By the
17 way, if anybody wants to understand distributed
18 ledgers, there's a fellow at University of
19 Louisiana, Ramesh Kolluru, who wrote me this two-
20 page summary of -- two-page summary of how to
21 understand distributed ledger, and he said give it
22 to anybody I wish. So, if you wish to have this

1 two pages, and you listening and you in the
2 audience, just get in touch with our office.
3 Maria Sierra is my -- is my point person. She's
4 got a husband and a young child, but you can call
5 her anytime day or night, you know? If you're in
6 Guam, don't worry about the time zone, just get in
7 touch with Maria. Grab her card, her cell phone's
8 on there, and she'll be sure to send it to you
9 just at that moment. And if you hear a baby in
10 the background, don't worry, that's just a kid who
11 needs to stop crying anyway.

12 But, if we had a distributed public
13 ledger where there was a so-called chain of truth,
14 and there is actually a linkage between that
15 manifest and that invoice. So, when the good
16 comes from say the United States to Guatemala, and
17 the invoice passes through Panama, the systems in
18 each country can watch as a chain of truth is
19 attached, and if there is any corruption in the
20 process whatever or if there is anyone who along
21 the way notices that the goods, the volume, the
22 quality, the description somehow ends up being

1 different, all three countries are notified, and
2 in this chain of truth, we have the ability to
3 enforce real time that which now we have a lag,
4 and that real time is critical, because then you
5 can go in and make the adjustment that allows the
6 good to actually be delivered, the bad person who
7 might be trying to corrupt the process to be
8 identified, and the duty to be collected, so that
9 the say Guatemalan government has the enhanced
10 revenue to build that infrastructure, which
11 attracts foreign direct investment, which gives
12 the Guatemalan the opportunity to stay in her
13 country, which is where she would rather stay if
14 she had that economic opportunity. That is the
15 virtuous cycle.

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

21 Now, this could be cloud-based,
22 because you can imagine that some countries do not

1 have the technical resource to do it, but that's
2 what you do. You already station folks in other
3 ports in other countries in order to help those
4 countries comply with our law. And if cloud-based
5 in a small region, imagine Central America --
6 which we have allies and they have a vested
7 interest in making sure this happens, as do we --
8 then you can scale from there.

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

18 I also like it because the Deputy
19 Commissioner spoke about the need to collaborate
20 with the private sector. The private sector is
21 doing this. I mentioned IBM and Merck. DOD is
22 doing it, because DOD understands that if there's

1 any corruption in any part of their supply chain
2 that F22 may not fly as it is supposed to fly.

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

18 So, let me finish by saying this. I
19 thank you for being the point of the spear.
20 You've been the point of the spear at the border.
21 You've been the point of the spear in terms of
22 trade. But, now I ask you to be the point of the

1 spear in another regard, which is to help me
2 educate my legislative colleagues for issues which
3 are below the radar but need to be above the
4 radar, for issues which are root cause, of those
5 which are talk of the headline, because only by
6 addressing that root cause will we address the
7 headline. And if we do that, and I am confident
8 that we will, then we will occupy the traditional
9 role of Americans, which is to find solutions to
10 seemingly intractable problems and to provide the
11 leadership worldwide that points our worldwide
12 community in a better direction. Thank you for
13 being the point of the spear.

14 [Applause.]

15 MR. BRADLEY HAYES: As our former
16 Senate staff, of which I know several in the room
17 have, nothing terrified me more than when my boss
18 would throw me to the wolves and offer me up for
19 the subject matter expressed. So, I recognize the
20 good work that staff does to educate our
21 Congressional champions, and, Senator Cassidy, we
22 thank you for educating yourself on these issues

1 and being a champion for all of us. I really want
2 to commend you for sticking around on a Friday
3 morning, when I know the entire state of Louisiana
4 is celebrating Mardi Gras, and you've got --
5 which, as we were discussing earlier -- so, as we
6 discussed earlier, Mardi Gras, I'll make mention,
7 was invented in Mobile, Alabama, which I believe
8 your wife will agree. But, Louisiana perfected
9 the celebration, so, hence the gold, purple, and
10 green tie that the Senator is rocking. But, thank
11 you again for joining us this morning. We
12 appreciate your comments. And also those of
13 Deputy Commissioner -- well, he may have left --
14 Deputy Commissioner Perez. Obviously he has -- he
15 was taking the lead internally for CBP on all of
16 these trade issues. So, again, I think those
17 comments really highlight the importance of our
18 efforts this afternoon.

19 So, before we proceed any further,
20 I'll provide an overview of today's proceedings.
21 I get the exciting job of sharing some of the
22 administrative instructions for our panelists.

1 First, I'll direct your attention to
2 the agenda, as Deputy Commissioner Perez pointed
3 out. The proceedings today are going to be
4 structured under our 21CCF theme. The five things
5 we're going to be discussing are cutting-edge
6 technology, data access and sharing, 21st Century
7 trade processes, intelligent enforcement, and
8 emerging roles in the global supply chain. So,
9 we're going to dedicate one hour to each of these
10 five themes. For each theme, the government panel
11 will first hear from a panel of experts and
12 speakers who have agreed to present their comments
13 in this public forum. Each of the individual
14 speakers is going to be limited to five minutes.
15 For those speaking on the panel, you'll notice
16 that there's a box on the table with three lights,
17 green, yellow, and red. The green light will be
18 illuminated when you begin your remarks. The
19 yellow light will be illuminated when you have one
20 minute left in your remarks, and that will
21 indicate that that's the time to start wrapping
22 up. And the red light will come on once your time

1 has elapsed. And I really don't want to have to
2 cut people off mid-sentence. So, if we could be
3 cognizant -- obviously we have a long day of the
4 time constraints -- we would appreciate it. And
5 if the red light comes on, I'll ask you to
6 conclude your remarks and introduce the next
7 speaker.

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

15 So, after a commentary from all
16 speakers on a theme is complete, the government
17 panel is going to have 15 minutes to address the
18 speakers. The government panelists may direct
19 their questions to one or more speakers on the
20 panel, but given the number of speakers on the
21 schedule, we request that the speakers be concise
22 when they are responding to our panelists today.

1 And after the government panel has spoken, it's
2 important to note that I'm going to open the floor
3 for 15 minutes to hear public comments from those
4 in attendance today. I'll invite attendees in the
5 auditorium to approach the microphone stands in an
6 orderly fashion and form a line to speak on that
7 theme. So, if you plan to offer public comment,
8 please introduce yourself, keep comments concise
9 and relevant to the theme being discussed, and
10 importantly, please refrain from sales pitches for
11 products or services, and refrain from the use of
12 offensive language, as again, this is a public
13 hearing.

14 Due to time constraints,
15 teleconference attendees are not going to be able
16 to offer public comment during today's meeting.
17 After the public comment period is complete, there
18 will be a five-minute transition period between
19 themes. During the break, a new group of speakers
20 will be directed to the table down front to
21 replace the previous group, who will be directed
22 back to their seats, and then we'll begin our

1 discussion on the next theme.

2 Towards the end of the day, after
3 we've covered all five themes and they've been
4 addressed by our panelists, there will be one
5 final 15-minute block open for public comments on
6 any of the themes discussed during today's
7 hearing. And a full transcript of today's meeting
8 will be made available.

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

16 Restrooms can be accessed by exiting
17 the auditorium through the door on your left-hand
18 side. So, please proceed down the hallway, and
19 you'll find the restrooms to your right. The
20 auditorium has four emergency exits. There is one
21 on each side at the front at the auditorium, and
22 two more located in the back of the auditorium

1 that lead out to the second floor. So, we'll plan
2 to break for lunch today, assuming we're on
3 schedule, right around 12 noon. Lunch options --
4 there's a food court in the Ronald Reagan
5 Building. There's access right across the street
6 on 14th Street. And there are food trucks
7 supposedly located behind the Department of
8 Commerce on 15th. Hopefully the weather hasn't
9 diminished that. The cafeteria located in this
10 building is reserved for federal employees with
11 badge access.

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

16 As I mentioned earlier, we're pleased
17 to have senior officials from not only CBP but
18 several partner government agencies on our panel
19 today, and I first want to start by introducing
20 the Panel Chair, Ms. Brenda Smith, who serves as
21 our Executive Assistant Commissioner for the
22 Office of Trade at US Customs and Border

1 Protection. She's going to introduce the rest of
2 the panel. I'll make note of her commitment of
3 this issue after, I think, arriving about seven
4 hours ago back from Australia for meetings. So,
5 we're glad to have you here, and I'll turn it over
6 to you for introduction of the rest of the panel.

7 MS. BRENDA SMITH: Thank you,
8 Bradley, and thank you all for being here. We
9 have been looking forward to this day for a number
10 of months. A lot of internal work, as you can see
11 from the buzz of activity up here in the front.
12 But, I'd like to start off today's conversation by
13 introducing the panelists that have joined me here
14 on stage. What our role will be is essentially on
15 behalf of the US government to ask questions -- to
16 listen to the testimony, and to ask questions
17 about the substance presented. We reviewed the
18 comments that were submitted in writing and now
19 look to really have more of a conversation about
20 the themes related to what we see as the key
21 drivers of what a 21st Century Customs Framework
22 could look like.

1 So, with that, I'd like to thank all
2 of you for being here and introduce first of all
3 my colleague to my left, Todd Owen. Many of you
4 know Todd as the Executive Assistant Commissioner
5 for the Office of Field Operations at US Customs
6 and Border Protection. To my right is Michael
7 Dougherty, who is the Assistant Secretary for
8 Border Immigration and Trade Policy at the
9 Department of Homeland Security. To my left is
10 Mr. Lee Smith, the Deputy Assistant Secretary for
11 Policy and Negotiations here at the Department of
12 Commerce, and we would like to thank you, Lee, for
13 allowing us to join you here at your beautiful
14 facility. Also to my right is Mr. Tim Skud, the
15 Deputy Assistant Secretary for Tax Trade and
16 Tariff Policy at the Department of the Treasury.
17 To my left is Dr. Jennifer Tucker, the Deputy
18 Administrator of the National Organic Program,
19 Department of Agriculture and certainly one of our
20 key other agency partners. Thank you for being
21 here. And finally, last but not least, Ms.
22 Catherine DeFilippo, the Director of Operations at

1 the International Trade Commission, also a key
2 partner in a number of the activities related to
3 administration of Customs for the United States.
4 So, I want to thank you all for being with us, and
5 I would also like to thank all of those who have
6 volunteered to be speakers today and represent the
7 private sector and the trade community. We are
8 really pleased to have your comments and look
9 forward to this as a continuing conversation as we
10 look to up our game in 21st Century Customs.
11 Thank you.

12 MR. BRADLEY HAYES: All right. Thank
13 you for those comments, and again I'll echo our
14 appreciation for our government panelists.

15 So, why don't we go ahead, and I'll
16 invite speakers from our first group who are going
17 to start talking about cutting-edge technologies
18 come forward and be seated at the table.

19 All right. At this time, we'll begin
20 commentary on our first theme today. As I
21 mentioned, it's cutting-edge technology, and one
22 of the founding features of the modern trade

1 environment is the rapid emergence of new
2 technologies. At US Customs and Border
3 Protection, we explore the use of new technologies
4 and seek to explore these new technologies to
5 improve our trade facilitation and trade
6 enforcement activities. We welcome the input and
7 insights from our industry and our panelists on
8 how cutting-edge technology is changing the face
9 of trade.

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

14 CUTTING EDGE TECHNOLOGY

15 MR. JOHN DRAKE: All right. Thank
16 you, Bradley. Good morning. My name is John
17 Drake, and I'm the Executive Director with the
18 Supply Chain Policy for the US Chamber of
19 Commerce. Thank you for the opportunity to appear
20 before you today to share our members' views on
21 the CBP's 21st Century Customs Framework. We
22 commend CBP for pursuing this initiative. The

1 Chamber agrees that the trade landscape is rapidly
2 changing. These changes place new demands on all
3 trade sectors, trade actors from the private
4 sector to you and your federal partners. And
5 these changes are creating new opportunities and
6 enormous investments in trade infrastructure, the
7 creation of hundreds of thousands of new jobs, and
8 new innovations in business practice and
9 technology. Your pursuit of this initiative to
10 evolve with these changes is welcome.

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

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

19 Second, we recommend CBP continue to
20 improve current technology systems that streamline
21 compliance, facilitate legitimate trade, and stop
22 the flow of illicit goods.

1 Third, we recommend continuing
2 working with the trade community to realize these
3 new technologies.

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

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

20 We also recommend CBP continue
21 pursuing other innovative technological solutions
22 like artificial intelligence, machine learning,

1 and commercial cloud computing applications.
2 These applications have enormous potential and
3 will help improve the efficiency of the
4 classification process and enforcement while
5 reducing time.

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

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

20 CBP should also continue efforts to
21 strengthen its current systems such as the ACE
22 single window, as there are many potential

1 enhancements to increase their performance and
2 reliability.

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

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

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

22 Thank you for the opportunity to

1 speak before you today.

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

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

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

17 Today's sessions are of particular
18 interest to Pitney Bowes since our cross-border
19 platform serves iconic American retailers as well
20 as thousands of small businesses across the globe.
21 We're a little different than a lot of people in
22 the auditorium today in that we facilitate all

1 aspects of cross-border E-commerce including
2 localization, guaranteed landed-cost calculation,
3 payment processing, fraud management, export
4 screening and regulatory compliance, shipping and
5 logistics, and merchandise returns. So, we see
6 all aspects of E-commerce.

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

19 Pitney Bowes believes three
20 complimentary technologies are foundational to
21 enabling CBP and industry to address these new
22 challenges; improved data collection and better

1 facilitate partnering with industry as well as
2 partnering with other agencies and governments.
3 These three technologies are block chain, the
4 tandem of artificial intelligence and machine
5 learning, and internet experience.

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

16 At the heart of this good decision-
17 making is access to trustworthy data. Block chain
18 technology enables parties to certify the data,
19 share data selectively as required, and maintain
20 an immutable history of changes and permutations
21 to the data. Block chain can be leveraged to
22 maintain licenses and certifications, track the

1 chain of custody of an item including the return
2 of an item, record any interaction or any
3 inspections of an item, maintain an item's
4 description and a record of any modifications of
5 that description, maintain product authentication
6 data provided by intellectual property owners,
7 share information with other government agencies
8 that depend upon CBP, and maintain a record of
9 payments. Through smart contacts watching can
10 also enforce procedural safeguards and automate
11 the flow of information to interact with other
12 agencies, request additional information from a
13 seller or carrier, notify an intellectual property
14 owner of activity, or feedback information to
15 other parties, for example, informing the seller
16 about an item's description and misclassification
17 that occurred.

18 Artificial intelligence and machine
19 learning can be deployed to streamline processes
20 and identify potential threats as they emerge.
21 Pitney Bowes has successfully deployed artificial
22 intelligence algorithms to identify regulated and

1 prohibited items and classified commodities based
2 upon the item's description, weight, size of the
3 packaging, and other factors. We've also deployed
4 AI algorithms to identify individuals that use
5 multiple user IDs and ship-to addresses to
6 distribute their fraudulent activity. We believe
7 that analogous AI and machine-learning algorithms
8 could be deployed to detect both repeat and
9 emerging patterns of fraudulent activity related
10 to counterfeit goods, pharmaceuticals, or
11 restricted items.

12 The increased trust in auditability
13 provided by block chain coupled with the ability
14 of AI and machine learning to automate processes
15 and identify new threats will enable CBP and
16 industry to streamline operations and focus
17 resources in critical enforcement areas.
18 Leveraging these technologies, CBP could
19 electronically clear shipments for parties that
20 provide a certified chain of custody and
21 demonstrate a history of compliant behavior, no
22 matter the size of those parties. Similarly,

1 these technologies could identify higher-risk
2 shipments for CBP's scrutiny based upon both
3 existing and emerging patterns of behavior.

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

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

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

21 Headquartered in Santa Clara,
22 California, Intel is the world's leading

1 semiconductor company. Intel's engineers push the
2 limits of physics every day. Our microprocessors,
3 memory, and other technology power billions of
4 connected devices in the world. Intel fulfills
5 over 750,000 orders a year from 16 countries. Our
6 products are produced in high volumes and moved
7 through a worldwide computing and communications
8 ecosystem consisting of original equipment,
9 design, industrial, and communication-computing
10 manufacturers. Our products are the building
11 blocks of the information economy and are
12 instrumental in the emerging fields of artificial
13 intelligence, autonomous vehicles, and 5G
14 networks. Intel processors provide the brains and
15 the servers and data centers that power digital
16 infrastructure.

17 To be competitive in this global
18 environment, Intel depends heavily on the ability
19 to ship products across international borders
20 quickly and cost effectively and generate
21 significant revenue from sales overseas that
22 sustain our operations here at home.

1 The modernization of Customs and
2 other government trade procedures is highly
3 important to a key supply chain participant like
4 Intel. The movement of data or electronic
5 transactions across borders underpin the digital
6 economy. At the core of this new and rapidly
7 evolving trade environment, our intricate network
8 of data and supply chain models that serve as the
9 backbone of the digital economy consisting of data
10 centers, an IoT ecosystem, and ever-evolving
11 telecommunications infrastructure, soon to be
12 enhanced with IoT technologies. The ability for
13 electronic transmissions of data to move freely
14 across borders also enables the implementation of
15 more efficient trade facilitation measures.
16 Emerging digital technology such as distributed
17 ledgers or block chain according to the OECD, have
18 the potential to create new trade ecosystems
19 helping coordinate value chains by increasing
20 trust and speed of transaction, empowering actors,
21 enabling verification of the provenance of
22 products, facilitating the transfer of funds, and

1 helping better enforce or automate contracts.

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

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

17 You may be asking yourselves what,
18 does this all mean from the Customs or import
19 procedure process. In the area of Customs
20 enablement, block chain technology promises
21 increased administrative ease to collect the
22 necessary import data in an accurate and timely

1 way. It enables data to be entered that could be
2 integrated automatically into Customs systems and
3 validated instantly, easing Customs clearance,
4 enhances revenue compliance, duties, taxes, and
5 fees, and it increases the visibility to parties
6 and agents involved in trade-relevant financial
7 transactions.

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

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

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

5 MR. CRAIG SEELIG: Good morning.
6 [cut off 1:00:43] Customs and compliance at
7 Wisetech Global. Wisetech Global is a global
8 software provider -- logistics provider.

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

1 regulations keep pace with those.

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

10 I would also like to recommend to
11 CBP, as I'm sure you're aware of, to apply these
12 technologies in the area around E-commerce. As we
13 heard this morning, there's 630 million packages
14 that came across last year and that's growing at
15 an exponential rate every year. Part of what
16 Customs is doing in that area right now currently
17 is, I know that there's work in place in the ACE
18 environment to automate the Section 321 entry.
19 That will help Customs brokers get away from
20 mounds and mounds of paper that they would print
21 and then dump on the Customs officers' desks. So,
22 that -- that will be a great move in the right

1 direction.

2 Again, on the policy area, we want to
3 make sure that regardless of the method of filing,
4 there's consistency across the agencies regarding
5 Customs and other participating government
6 agencies as well.

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

22 Also, utilizing new technologies such

1 as machine learning and artificial intelligence to
2 enhance enforcement and compliance would be
3 important. At Wisetech, we're currently
4 developing tools using machine learning and
5 technology in regard to classification and single
6 windows, and those are some advanced technologies.
7 We have a team working on those things, and I
8 think that that is definitely the wave of the
9 future.

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

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

18 MR. JIM MASLOSKI: Good morning.
19 Thank you for allowing me to speak today. You
20 gentlemen did a good job with covering the high-
21 level stuff. I'm going to take it into the weeds
22 just a little bit, sticking to the global points.

1 What emerging technologies are most
2 important for CBP to monitor or adopt? We'd like
3 to see the support and the development of
4 standards that enable interoperability between
5 private-sector companies. This supports
6 competition between these same companies to bring
7 the best solutions to market for the benefits of
8 consumers and governments. Verified credentials
9 and decentralized identifiers empower companies
10 and individuals alike, increasing confidence and
11 transparency to know the true beneficial owner of
12 legal entities.

13 We see through shell organizations
14 that this feature is available in real time, this
15 reduces using shell and shelf corporations to
16 obscure corporate ownership. Transparent and
17 interdependent organizational identity increases
18 corporate transparency and operational efficiency.
19 Sharing identity proofing data and confirming data
20 from multiple sources, including long-term
21 transaction data, enables a complex and authentic
22 view of the company.

1 We are in the early proof of concept
2 stages with several new technologies; verifiable
3 credentials, decentralized IDs, distributed ledger
4 technology. The results of these POCs are
5 promising. We should use this opportunity to
6 learn how to scale them into a stable, adoptable
7 technology platform that enables cooperation and
8 market competition. We have standards bodies
9 working on this. We have associations trying to
10 bring these different concepts to fruition. CBP
11 should continue with the format of POCs and
12 continue to review other areas that can benefit
13 from this technology or dive deeper into POCs that
14 look promising.

15 The interplanetary file system, IPFS,
16 is a protocol the network designed to create
17 content addressable peer-to-peer method of storing
18 and sharping hypermedia and distributed file
19 systems, looking at this technology to use for the
20 sharing of data between agencies or Customs
21 organizations to standardize the data
22 accessibility.

1 What technologies are being adopted
2 by the private sector that are incompatible with
3 CBP's current legal or policy framework? Taking a
4 little bit different twist on this, there are
5 several proof of concepts that are exploring
6 verified credentials and decentralized identities,
7 as mentioned above. With my experience on the
8 NAFTA POC and my years of experience in the trade
9 brokerage sector, seeing the benefits of these
10 verifiable credentials and decentralized IDs, it
11 isn't that they fall outside of the current legal
12 framework, it's how we build the interoperability
13 and accessibility to the information that is the
14 challenge.

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

20 What technologies on the horizon have
21 the potential to be disruptive, enabling with the
22 trade ecosystem? Working with standards groups

1 and recognizing verifiable credentials and
2 decentralized identifiers -- a common theme there
3 -- a potential digital identify technology and
4 using some other identity specifications or
5 standards such as GS1 has legal identity
6 identifiers, has global electronic party
7 information registries that can be used to
8 identify origin, company, and factory.

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

18 Using the new technologies with
19 existing identifiers and providing an interface to
20 interpret this information for the appropriate
21 government agency, trade member, and service
22 provider to access for their needs with the

1 verifiable credential a decentralized ID on a
2 distributed ledger that is secure, verifiable,
3 immutable, can be disruptive and enabling to our
4 security and transparency in our supply chains.

5 Thank you for letting me present.

6 MR. BRADLEY HAYES: Thank you, Mr.
7 Masloski. With that, this concludes our panelist
8 comments from the Cutting-Edge Technology Panel.
9 So, at this time, I'll open the floor on the
10 Government Panel for questions. As a reminder,
11 you may direct your questions to the panelists who
12 presented today. Again, I'll remind once again,
13 our schedule today and our time constraints. If
14 you will be very concise in responding, we
15 appreciate it.

16 So, with that, Madam Chair, the floor
17 is yours.

18 MS. BRENDA SMITH: Great. Thank you
19 very much. Panel, excellent comments. Really, I
20 think, set a high bar for the rest of the day.
21 Lots of discussion and comments, but also, I
22 think, [inaudible-audio]. There's technology,

1 yes. Always -- technology is always fraught. In
2 fact, as I was thinking through our -- our prep
3 and our arrangements for today, the only thing I
4 was worried about was the technology. We'll get
5 there.

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

13 So, my first question for you all
14 actually stems from an issue that we managed
15 during the transition from the Automated
16 Commercial System to the Automated Commercial
17 Environment, and it is around working with the
18 private sector to make the investment in new
19 technologies. We had a lot of early adopters, but
20 then there was a real challenge to convince
21 different business entities of the need to invest
22 and make the transition to ACE, which we

1 eventually mandated. So, my question really --
2 and I'm going to ask Mr. Seelig to start the
3 answering on this, is how do we ensure as we look
4 to adopt a standard for technology that companies
5 have enough information from the government to be
6 able to make that internal business case.

7 MR. CRAIG SEELIG: Yes, that's a good
8 question that we went through with ACE,
9 incentivizing the trade to participate.
10 Ultimately, the incentive was that it was
11 mandated, and that's what really worked. However,
12 there were -- there were many -- there were many
13 lead companies that were heavily involved and
14 heavily invested early on in the process that
15 wanted to be on the leading edge, and they were
16 very interested. With ACE in particular, there
17 were several stalls during the process, which I
18 think then led to some of the naysayers, kind of,
19 we'll wait to see until it comes. I think the
20 more openness that we have, the more
21 documentation, the more that it's out there and
22 you participate with the trade, which Customs has

1 done a great job in the last, you know, five or
2 six years. I think those are the things that will
3 help to lead to get more and more involvement with
4 ACE since it had stalled a few times, and there
5 was kind of a we'll wait and see approach.

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

10 MR. JIM MASLOSKI: I'll take a stab
11 it here real quick. Just looking at how my
12 experience with the group this last proof of
13 concept and the idea of being able to participate
14 within interoperability. I mean, I think with the
15 building of ACE, we have a lot of data. We have a
16 lot of other agencies. I think you take a look at
17 how you deliver that information and how they can
18 receive it will help. You've got different trade
19 organizations and TSN. You have different
20 brokerage organizations, freight border, and other
21 manufacturing organizations that I think if you
22 can make that data accessible in different needs

1 with some of the technologies that we mentioned
2 would have a big impact. We were able to sit, you
3 know, a boutique-type facility and participate and
4 actively provide feedback with this last POC. I
5 think that's a statement in itself to say, hey, we
6 might be going down the right path in this next
7 process with how you're putting the message up.

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

17 MS. BRENDA SMITH: All right. Thank
18 you.

19 MR. TODD OWEN: Good morning,
20 everyone. Well, I would just ask as the
21 responsible party for the ports of entry to make
22 sure imports are coming through, what are some of

1 the greatest costs that you're seeing associated
2 with getting cargo through our ports of entry, and
3 how are you using technology to try to reduce
4 those costs or not?

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

1 MS. BRENDA SMITH: Thank you.

2 MR. MARIO PALACIOS: If I may, I'd
3 like to add to my colleague on the panel, I think
4 the access to data is very important. Over time,
5 you see very similar line items, HS
6 classifications, valuation information, and that
7 if we can be able to share that with you all much
8 quicker, we'd see patterns, we'd see similar
9 commodities entering and then cut down the line
10 item per line item transaction activity that each
11 of the officers have to do. Some of that activity
12 comes through maybe integration of some technology
13 in terms of machine learning and maybe some AI. I
14 know those terms kind of scare people, but there's
15 technology already out in the ecosystem that does
16 that, and there's algorithms already whether
17 you're looking at your social media feed or not,
18 there's algorithms that help link similar data --
19 similar information. And I think that's something
20 that could help share the transaction data move
21 much more quickly between the importer and the
22 agencies at the border.

1 MR. JIM MASLOSKI: It simplifies it
2 and consolidates it, puts it together in a long
3 string that you have better predictability.

4 MR. TODD OWEN: Very good. Thank
5 you.

6 MS. BRENDA SMITH: Mr. Dougherty.

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

22 So, I hear lots of virtuous things

1 coming through block chain, where, you know, it's
2 like block chain does this, block chain does that.
3 How does block chain actually do that? And I
4 wonder if anybody's interested in that question.

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

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

9 MR. JIM MASLOSKI: I mean, the short
10 -- the short side of it is we talk about block
11 chain, we talk about distributed ledger, but we
12 take a look at what's put into it is what makes
13 the driving force and the benefits, and you talk
14 about Central America. We had conversations with
15 the coffee makers. They wanted to have a grower
16 start the process and then, you know, gathering
17 that information, where is the coffee collected,
18 who owns the coffee, and by putting that in a --
19 in an ID on the ledger, you can rest assured that
20 we know where the product is coming from, we know
21 who owns the product. So, by putting that into
22 the distributed ledger, you can tie in who, what,

1 where, when, and why, and it's -- it's the piece
2 of how those pieces get put on the ledger. We
3 have to trust and have processes -- systems that
4 could already be existing to identify what, you
5 know, what the product is and who it is. So,
6 that's taking -- I use -- I'm not affiliated with
7 GS1, but you -- I think that's a common name in
8 how they do some of that report -- recording of
9 identities and products and those types of things
10 but by around that could be put in with new
11 technology -- mobile technology from all these
12 things that are out there being held on the mobile
13 side of the house. That's where you see the
14 benefits. So, it's not the block chain, but it's
15 what you put on it that makes it sweet.

16 MR. MARIO PALACIOS: I would also add
17 that it's also -- the financial industry is a key
18 adopter of block-chain technologies today, and
19 there's a lot of learning we can have on
20 application of block-chain technology at the
21 border that today the financial industry has
22 solved, a lot of challenges with this type of data

1 integrity. We all pay attention to our wallets
2 and our pocketbooks, so they've really done a lot
3 of good work, really focusing on QA of the data,
4 ownership of the data, reliability of the data,
5 trustworthiness of the data. So, I would
6 recommend that maybe folks in the financial
7 industry or those agencies involved in regulating
8 the financial industry maybe participate in this
9 idea of providing information on how block chain
10 could potentially be applied at the border for
11 data integrity, et cetera.

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

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

19 MS. BRENDA SMITH: No, that's okay.
20 You get one followup.

21 MR. MICHAEL DOUGHERTY: I only get
22 one? Have you ever seen it red-teamed by anybody

1 trying to break it up? So, hey, I've got my block
2 chain end-to-end. It's a chain of trust, and I'm
3 doing certificates and I'm doing this. How often
4 -- there are -- maybe you've answered the
5 question. The financial industry has determined
6 that it's basically good enough that it's going to
7 protect the interests of people and it can't be
8 compromised. You know, how susceptible it is to
9 corruption or criminal activity, I guess, is what
10 I'm trying to say.

11 MR. CRAIG SEELING: You know, block
12 chain itself as a -- as a technology and
13 distributed ledger and putting data on it is
14 pretty secure. What typically happens is that
15 smart contracts will get written and they'll be
16 problems with those. So, it ends up being around
17 in the implementation of what we do that problems
18 get introduced. The cryptography behind it and
19 those algorithms are pretty -- pretty solid at
20 this point. So, it really requires, you know,
21 close scrutiny of the actual implementation of the
22 applications.

1 MR. JIM MASLOSKI: You know, there's
2 a consensus methodology that -- that happens when
3 you put the data on a distributed ledger, and as
4 long as you have organizations, whether they're
5 existing organizations or government organizations
6 that the consensus -- the mathematical
7 computations to say, yep, I agree, this is what it
8 is, it tightens up the security of the information
9 that gets place on it -- once it's placed on the
10 distributed ledger very solid. You've covered it.
11 Yep.

12 MR. MICHAEL DOUGHERTY: Thank you.

13 MS. BRENDA SMITH: Mr. Smith.

14 MR. LEE SMITH: Yes. This is my
15 first time speaking today on behalf of ITA. I'd
16 like to thank both the speakers -- these speakers
17 and those speaking later for their comments. I'd
18 also like to thank CBP for inviting ITA to join in
19 this -- in this program. And my question, I'll
20 just put it to the group, but I'll direct it to
21 Mr. John Drake. Are there specific technologies
22 the US government should consider implementing to

1 increase the volume, speed, and efficiency of
2 cargo inspections?

3 MR. JOHN DRAKE: You know, I think we
4 laid out in our written comments I think and
5 raised some examples. I do think if I could
6 follow up with you with some specific examples to
7 provide for you. But, I think you know, for us
8 where we're coming from with this is there's a lot
9 of excitement around a lot of new applications
10 like block chain. [inaudible-audio problems.]
11 The speakers, you know, and microphones agreed,
12 although there's a commerce issue, I believe.
13 And, you know, for where we're coming from --
14 where the Chamber is coming from is, you know, we
15 recognize that there's a lot of promise in that,
16 and we're not saying no to that. But, I think
17 just making sure that for a lot of companies, you
18 know, they have to make significant investments
19 any time they're going to be, you know, putting
20 their -- putting their responsibilities into this.
21 So, we would just want to make sure that they're
22 tested before they're fully implemented or before

1 the federal government imposes a requirement that
2 may be adopted on a large scale.

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

9 MR. LEE SMITH: Thank you.

10 MS. BRENDA SMITH: Mr. Skud.

11 MR. TIMOTHY SKUD: Thank you, Brenda.
12 Bob Perez talked about how the world has changed
13 in the past 25 years since the last time Customs
14 laws were changed and, in some sense maybe that
15 changed 25-odd years ago with just an adaption of
16 an 18th Century that worked in the 20th century.
17 So, Bob pointed out that the world has changed a
18 lot in the last 25 years. It has changed a lot in
19 terms of technology.

20 I've got a question. It's related
21 maybe more to the Data Access Panel, but I'd like
22 to pose it to you guys to see if it involves the

1 [inaudible 01:25.23] and it's as much a legal
2 question as a technology question. I think I'll
3 pose it to Mr. Ryan first because from your
4 remarks and what little I know about your company,
5 I think in some sense you're -- you're here to
6 consolidate. You get data from the customers and
7 their customer's customers, and you put it
8 together on your system so that they can make --
9 make a deal, do business. So, you have a lot of
10 data, and in the modern world, I think we all
11 recognize that data is how we do risk management.
12 Data is how we move things quickly. So, the
13 question is, in this new role that you've kind of
14 created using the new technology, what's -- what's
15 the role of a company -- a data consolidator or
16 platform, one, in providing data to the
17 government, Customs, other agencies through the
18 single window, and what -- what leading
19 responsibility does that -- that data company --
20 data consolidator have, because I think we have to
21 recognize that legal liability is how the
22 government enforces, one, the quality of the data,

1 and the underlying compliance that we're striving
2 for.

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

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

21 The other aspect of that is
22 government feeding back data as well that helps us

1 to know maybe we shouldn't be doing business with
2 this particular party or these are things to look
3 out for or together using some of the AI
4 algorithms and things that we talked about,
5 finding ways to look for emerging trends of fraud
6 and different things like that.

7 MR. TIMOTHY SKUD: Other thoughts on
8 that?

9 MR. JIM MALOSKI: Just the comments
10 that I made in regard to you have -- there's
11 existing regulation out there that accommodates
12 the collection of data gathering, whether it's --
13 whether it's identification of the product,
14 utilizing the different mechanism to capture and
15 store. I don't think there's a change -- limited
16 legal knowledge -- but, I don't think it's a
17 change in the requirement. There's still the
18 agency that's collecting it that still has to
19 reproduce it, present it in a readable form. So,
20 I think it's how we capture the data. I don't
21 think the storage is going to have a huge, huge
22 impact.

1 MR. TIMOTHY SKUD: You know, I'm not
2 so sure. Maybe that's something we'll discuss
3 more in the day. But, because new technologies
4 have been produced, new participants in the system
5 who don't necessarily fit the traditional roles
6 that we relied on to test data. Sometimes there's
7 new parties who are less able to comply with the
8 current system, and I think that's in part why
9 we're here today to see how we can modify the
10 current system to fit changes in the world.
11 That's sort of the thrash of my question.

12 MS. BRENDA SMITH: Okay. Thank you
13 very much. Ms. Tucker.

14 MS. JENNIFER TUCKER: Hi, good
15 morning. I'm interested in the bigger picture
16 here. What do you see as some of the biggest
17 needs for technology modernization, software
18 improvements across all the different partner
19 government agencies? So, we've been talking about
20 CBP here, what do you see in other area of the
21 government where technology modernization is most
22 needed? Is somebody dying to answer that first,

1 or I'll start with Mr. -- Mr. Drake.

2 MR. JOHN DRAKE: I'll turn over that.
3 I think the subject matter is little bit more
4 directly intuitive to Rick.

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

12 MR. MARIO PALACIOS: Yeah, I think
13 like Mr. Ryan, and you'll get a lot of this from
14 the trade. I think it's how do you aggregate data
15 already being collected in order to provide
16 information needed for the various government
17 agencies enforcing requirements at the border.
18 There's a lot of information that importers share
19 with you all. If you all had access to that data
20 quicker, faster, reliably, you'd see that
21 information get to you very, very quickly in order
22 for you to help clear Customs quickly. An example

1 I give all the time is about the SEC. We import
2 radiofrequency emitting devices, and there's
3 information that we provide CBP as we clear
4 Customs with these integrated circuit products
5 that emit radiofrequency waves that we have to
6 transmit to the SEC. And we've been very
7 successful about it, but we've had to work a lot
8 alongside our SEC colleagues to get them that
9 information. However, if that -- if there were
10 systems in place to help share that information
11 faster, reliably, quicker, we'd see a lot of that
12 cost of compliance, if you will, reduce -- get
13 reduced.

14 MS. JENNIFER TUCKER: Thank you.

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

17 MS. CATHERINE DEFILIPPO: I'll round
18 out the panel. I'd like to say thank you to all
19 the panel members that presented information. It
20 was very interesting. The ITC, which is the
21 agency that I work for and represent, is a little
22 bit different. We're an independent agency.

1 We're not a policy maker. But, one of our mission
2 functions is to maintain and update the harmonized
3 tariff schedule, you know. Several years ago we
4 had moved from a huge paper document to an
5 electronic system, so, you know, we continue to
6 try and look for ways to leverage technology and
7 that process to make it more accessible and
8 usable. So, we're -- we're always looking for
9 feedback from people that use the HTS to -- to try
10 and improve that experience. So, if there are any
11 comments on that, or else feel free to put some
12 through on our website.

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

19 MR. MARIO PALACIOS: Thank you. I'll
20 -- we're a global company, and we find ourselves
21 just having an easier time with all of you than we
22 do in other parts of the world.

1 MS. JENNIFER TUCKER: That's good to
2 hear.

3 MR. MARIO PALACIOS. Thank you. And
4 it really -- it really starts with the dialogue.
5 Consultation with government in many parts of the
6 world is very, very difficult. Governments around
7 the world do not listen to their industries, do
8 not listen to companies doing business in their
9 country, whether you're selling or operating a
10 factory, or whatever it is, it's the -- the
11 dialogue between industry and government is not as
12 easy. I think of a panel like this in another
13 part of the world, I don't think it will ever,
14 ever happen. I don't think it will happen. So, I
15 think it begins with dialogue. I think if we look
16 at what you're all trying to do with this
17 framework, with this activity, all of you here,
18 the Congressional engagement as well, that's
19 something that I think we have to commend all of
20 you on, and I think we, speaking on behalf of my
21 panel, I think we -- we would like to continue
22 doing that with you all. It's very important.

1 I represent a technology company, not
2 all companies have the same issues we do. But,
3 you'd be surprised how many issues we have in
4 common, regardless of whether your semiconductor
5 or something else. And I think we -- we would
6 like to continue doing that with you all.

7 MS. JENNIFER TUCKER: Thank you very
8 much.

9 MS. BRENDA SMITH: Other comments?
10 No? Okay. And so, maybe we'll go through with a
11 round two of questions if panel has questions.
12 I'll -- let me start --

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

18 [Laughter.]

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

21 MR. BRENDA SMITH: Thank you, Mr.
22 Timekeeper.

1 MR. BRADLEY HAYES: We'll just put
2 another 5 on the clock, so do another round.

3 MS. BRENDA SMITH: Is that all right?

4 MR. BRADLEY HAYES: Yeah.

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

1 structure that? What would we prioritize?

2 MR. JIM MASLOSKI: I can take a stab
3 at that one.

4 MS. BRENDA SMITH: Okay.

5 MR. JIM MASLOSKI: I think it talks
6 about the accessibility to data within your
7 organization. You do have a lot of data. It
8 would be my humble opinion that you look at how --
9 you can take a look at how the trade does some of
10 those processes, whether it's API, whether it's
11 database, whether it's whatever it is in the
12 background. Take a look at that internally within
13 your -- within the other participating government
14 agencies internally and see how that data can be
15 shared. I think if you could replicate some of
16 the processes that happen on the commercial side,
17 even doing business internally, you would see some
18 benefits externally because we would see direct --
19 direct speed of access to that type of information
20 that you could supply your front-line users. But,
21 I think looking at some of the commercial
22 processes and seeing if that can be replicated

1 within the PGA side is -- would be a strength, not
2 being inventing the wheel.

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

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

7 MS. BRENDA SMITH: Okay. Mr. Skud.

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

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

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

1 at the max, we would appreciate it, and we'll go
2 from there.

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

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

16 MR. JIM MASLOSKI: From my side --

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

20 MR. JIM MASLOSKI: Yeah, from my
21 experience working with the POCs, it comes down to
22 being able to validate the information that's put

1 in it. I mean, as long as you've got a strong
2 methodology to ascertain what information is being
3 put there, and then that's going to be the weakest
4 link. If you can't ensure the identity of the
5 product through a systematic process, you're going
6 to have a problem.

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

13 MR. RICK LANE: Hi, my name is Rick
14 Lane. I'm a strategic advisor to a company called
15 Security Matters. It's a company that has
16 developed a technology -- basically a bar code at
17 the submolecular level to be able to track through
18 the supply chain, and my question is even with my
19 extensive experience in Washington -- I helped
20 create the US Chamber's GIPC, I was the first E-
21 commerce Director at the Chamber -- as a small
22 business, it's very difficult to find

1 opportunities if you're a domestic company or
2 international company -- to find ways into the
3 Department of Commerce, and I found this advantage
4 by LinkedIn, which, thank you got whoever put it
5 up on LinkedIn. I appreciated that. But, it's
6 very difficult. We don't scan through the Federal
7 Register. We, you know, it's how do we find and
8 what mechanisms are in place for small businesses
9 like us with cutting-edge technologies, you know,
10 technology that works in gas, liquids, and solids,
11 to contract, you know, from like the ground to the
12 table. How do we find opportunities within the
13 Department of Commerce and Customs and Border
14 Protection? Thank you.

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

22 MR. RICK LANE: Great.

1 MS. KATE WEINER: Hi, Kate Weiner
2 with Cargill. Great panel. Thank you, guys. All
3 well said. I appreciate it. There's just three
4 really quick points I want to make, and they're
5 just comments. So, the first one is the security
6 of the supply chain. I mean, that is a -- it
7 terrifies me frankly from a Cargill perspective
8 and agriculture. We spend a lot of time
9 maintaining our corporate identity to ensure that
10 no one's stealing it. Corporate identity theft is
11 on the rise. In addition, what happens like today
12 when ACE goes down or we have a hurricane? The
13 whole technology is disrupted, and there's a
14 backlog. So, it's not just the security of our
15 corporate identity, our pricing, our valuations,
16 our suppliers, we have to really remember that
17 these are all businesses trying to do their jobs.
18 We're an agriculture company; we're not a
19 technology company. We're still going to have to
20 buy cattle at an auction, and there's going to be
21 a handwritten envelope piece of invoice that we're
22 going to have to deal with, and that's not going

1 to change with any technology. That's been the
2 same for hundreds of years, and it's going to stay
3 that way.

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

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

16 And then lastly, I can't say that
17 enough, how important it is for Customs and other
18 agencies involved in this to help give our
19 companies the reason why we're doing this. It's
20 super expensive. It is so expensive, and the
21 small few block chains that Cargill has, we've had
22 to pay for all that technology for our suppliers,

1 because our farmers don't have the ability to but
2 it on their own. So, we've done it for them as a
3 service so that we can help them feed their
4 cattle, et cetera. But, it's expensive. Thank
5 you.

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

19 MR. RICK RYAN: Once it's on the
20 block chain, it's there. So, you're correcting
21 that in that statement. You can't append the data
22 and make the correction to it, and one of the

1 values of it is that the fact that it was appended
2 and corrected is there, and so you know who
3 corrected it, when they corrected it, and you can
4 know why they corrected it as well.

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

11 MR. BRADLEY HAYES: All right. Go
12 ahead.

13 MR. EDMOND SMITH: Hi, my name is
14 Edmond Smith. I'm the CEO and co-founder of a
15 company called [inaudible], a machine running
16 company focused on global trade. So, I wanted to
17 address one of the main thrusts of the panel this
18 morning, which was the use of IDs around
19 authentication, risk management, on the border, on
20 the targeting, on facilitation operation. And I
21 wanted to push back on that. I think it's almost
22 impractical within a given government to

1 effectively create unique IDs for every single
2 entity that would be regulated. I think it's
3 absolutely impossible to do that across borders,
4 and requiring foreign jurisdictions, foreign
5 parties, shippers, carriers, et cetera, to
6 maintain unique IDs of something as complex as
7 trade is practically impossible. So, what I would
8 encourage the -- what I'm here to think about and
9 what I would encourage the panel to think about is
10 the use of natural language processing and machine
11 learning for data fusion. That's using entity
12 resolution techniques, data linkage techniques,
13 network analysis techniques to join data at scale
14 across languages, across scripts. These
15 technologies exist and are the future for
16 authentication of the risk management and their
17 applications. Thank you.

18 MR. BRADLEY HAYES: All right. Any
19 other comments from those in attendance? If not,
20 we're a couple of minutes ahead of schedule, so I
21 don't know if there are any other questions from
22 this panel?

1 MR. LEE SMITH: I just wanted to make
2 one -- one comment based on the questions
3 DeFilippo asked about the experiences that traders
4 are feeling in other countries. Just a plug on
5 the ITA side, our group -- trade agreements and
6 enforcement and compliance group handles trade
7 facilitation issues, and many times we hear from
8 companies like yourselves that are experiencing
9 difficulties getting goods into other countries.
10 And whenever that occurs, we were happy to hear
11 from you to help. As you can imagine, we can't
12 always fix everything. Maybe there's other
13 issues. But, if there are issues that can be
14 handled underneath the [inaudible] and other trade
15 agreements that we have in those countries, we're
16 happy to assist companies to ensure that they get
17 their goods out of the United States and export
18 into the proper world markets where they can make
19 sales. Thanks.

20 MS. JENNIFER TUCKER: I'd like to
21 just make a final -- a comment on the role of
22 language and metaphor. When we use a word like

1 block chain, it creates a real image in our mind
2 of, okay, there are blocks and chains. So,
3 thinking about how else we could talk about these
4 technologies, the fabrics, the streams of data, as
5 different ways of using language to describe these
6 systems so that when we're at this really early
7 creative phase of thinking, that we don't lock
8 ourselves in by a standard single term and that we
9 think about it creatively, because that's where
10 we'll have the most potential for innovation. So,
11 just a comment.

12 MS. BRENDA SMITH: Thank you.

13 MR. TIMOTHY SKUD: So, I have a
14 question about where we're going. So, I think
15 people in this room know that the way the
16 government relies on their schedule at ITC for all
17 kinds of purposes beyond the original purpose.
18 Some people have suggested that it's an
19 alternative to relying on the tariff schedule that
20 sort of classifies goods and identifies which
21 goods we further investigate, and which would need
22 further government action. Talk about AI and

1 looking at text descriptions of the goods
2 involved. Are we there yet? Are there other
3 technologies that accomplish this goal as well?
4 Where are we in the world on this?

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

20 MR. JIM MASLOSKI: I just had an
21 inside thought. But, you hit the nail on the
22 head, and I think it's a ways down the road to use

1 from my experience -- a ways down the road to use
2 English language as a language to classify. But,
3 using different mechanisms to tie that in with
4 machine learning, I think, the length that this is
5 together, I think we can do better than what we've
6 done.

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

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

20 All right. So, at this time, members
21 for our second panel who are going to be speaking
22 on data access and sharing will go ahead and make

1 their way down to the table.

2 [Speaking off mic.]

3 All right, everybody. If we could
4 have the room come to order. I don't have a
5 gavel, so that's as much as I can do. All right.
6 That was quick. Thank you all. All right. So,
7 we will move onto our next panel who, as I said,
8 is going to speak on data access and sharing.

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

21 So, with that, we will begin the
22 panel, Madame Chair. I'll turn it over to our

1 first speaker on this panel, who is Celeste Catano
2 from Blue Jay Industries. Celeste, you've got
3 five minutes.

4 DATA ACCESS AND SHARING

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

14 So, one of the big things that is
15 really missing in ACE for the trade is the
16 Importer Trade Activity Report that we all know as
17 ITRAC. The trade is looking for this report to
18 provide data to recap their activity over a period
19 of time using the ACE portal as their source of
20 data of what is on file with Customs. This report
21 is often relied upon for importers that use
22 multiple brokers or don't have access to the data

1 from their brokers. The trade is looking to use
2 the ACE portal for information as a single source
3 of truth for the entry data. So, it becomes very
4 important for access to that data so that we know
5 exactly what's on file at Customs at a specific
6 time.

7 Another area is the data size
8 limitations that really needs to be addressed.
9 There are eight areas within ACE that causes the
10 filers to resort to manual override processes in
11 order to file large entries: entry summary,
12 drawback, direct conciliations to name a few.
13 Some of these limitations are imposed by the
14 number of lines that can be transmitted on a
15 single filing. For example, an ACE entry summary
16 can only have 998 lines. If a filer had more than
17 998 lines, they must split the entry into two and
18 potentially pay the MPF twice. Other areas with
19 limitations are, for example, with the size of
20 documents that can be transmitted through DIS, and
21 some with the number of house bills that can be
22 submitted on a master bill on a manifest. So,

1 some of these limitations are based on size of
2 data fields in the existing system. Others are --
3 will require more technical expertise in order to
4 resolve the issues such as the file sizes.

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

11 So, data needs to be shared with all
12 parties to the transaction including consignees,
13 foreign supplier verification importers, and PGAs.
14 The ACE portal may need to be modified to change
15 the account structure to support this additional
16 data visibility. Carriers need data to allow them
17 to aid CBP in their efforts in their enforcement
18 goals in their enforcement goals through improved
19 oversight of what moves via the networks, by whom,
20 and when. An example is the data surrounding in-
21 bond moves against a carrier's bond. Carriers
22 need visibility into who is obligating their

1 bonds.

2 For many of the parties, it may be
3 sufficient to provide the information through the
4 ACE portal and its reporting functions. For
5 others, like the brokers, they need notifications,
6 preferably through ABI, on any inquiries and
7 enforcement activities relating to entries filed
8 on behalf of their importer clients. Having this
9 information in their own system allows them to use
10 their available tools to monitor the required
11 actions on behalf of their clients.

12 The statement that CBP is looking at
13 ways to reduce the duplication or unnecessary
14 capture of data was made in the FRN. In thinking
15 about this, there are many options to help reduce
16 the duplication of data. One idea that has been
17 floated around for years is for CBP to provide a
18 way, possibly through the ACE portal and ABI
19 message or block chain, for an importer to supply
20 data on a part and skew level. So, this
21 information would include things like the
22 certificates, registration numbers, parties to the

1 transaction, and representative data needed for
2 filing line and PGA data. With this data on file,
3 the filer would not have to send that data in with
4 each transaction with each entry line, and the CBP
5 system can reference or pull that data in as
6 needed.

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

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

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

20 MS. LISA GELSOMINO: I'm Lisa
21 Gelsomino from Avalon Risk Management. Thank you
22 for having me. Like Celeste before me, I am also

1 here in support of the TSN comments. We both
2 share in support of the COAC comments, and I'm
3 also representing the International Trade Surety
4 Association and Avalon comments from my own
5 company. I'm really focusing on data sharing with
6 the sureties and how our times have also changed
7 and evolved and why that's become more important
8 in our environment and can also work with CBP on
9 their efforts for intelligent enforcement.

10 Specifically, we heard today how CBP
11 handles over 33 million import transactions, with
12 over 50 billion in duties collected, sureties are
13 part of that process every step of the way.
14 There's only a handful of sureties that write
15 Customs Bonds, which means we're managing millions
16 and millions of entries and transactions, more
17 than any one importer or Customs broker as well.
18 And we're dealing with complex priority trade
19 issues like antidumping and countervailing duties
20 that now has 460 active cases, we expect 500 by
21 the end of the year. As a surety, we need to know
22 all those cases and our hands are really tied

1 because while we get some data through the
2 automated surety interface, that interface was
3 built in the 1980s and involves data around the
4 1980s and not the data that we need today. In
5 fact, we don't even get the commodity or the
6 country of origin or the AD/CVD case number. We
7 are completely blind on all the entries that are
8 coming in under the bonds that we write.

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

21 The data that an importer can get
22 through ITRAC is helpful, and we support that they

1 need that data and as sureties we often request
2 it. We agree that ACE is the system of record, and
3 that's why we need to also get our data real time
4 from the ACE system of record, because an
5 importer's patterns can change.

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

1 better off we are and the better CBP is.

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

20 We also help with compliance when it
21 comes to redelivery especially for food and drug.
22 Often times, we don't know when those redelivery

1 requests are made, and importers aren't complying.
2 And if we could know more of that in our data, we
3 could reach out to importers sooner to correct
4 those problems and protect goods coming into this
5 country that may pose risks or anything like that.

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

16 MR. BRADLEY HAYES: Thank you for
17 those comments, Lisa. Our next scheduled speaker
18 was Tara Steketee from Merck & Company, and she
19 would be speaking on behalf of the International
20 Trademark Association. I believe her train is
21 delayed, but she should be here around 11:30. So,
22 we'll continue with the panel and then when she

1 arrives, we'll pause to let her make her statement
2 if that works for the Chair. Okay.

3 So, with that we will turn it to
4 Chris Rubio from UPS Global Brokerage Systems.
5 So, Chris, go ahead.

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

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

22 Global trade will continue to grow.

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

16 An ideal path forward for Customs
17 globally is to organize in such a way to create a
18 modernization working group. This proposal would
19 be to create a multi-national working group
20 comprised of trade, industry, and global Customs
21 agencies and at solving information sharing for
22 shared goals such as security, compliance,

1 statistic gathering, and efficient collection
2 methodologies.

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

17 It should be the aim of global
18 Customs to organize and synchronize the required
19 data models and share these standards globally.
20 With an aim at creating shared global standard
21 information models, tools will rapidly unfold to
22 demystify trade and data requirements, drive down

1 software development costs, and incent global
2 adoption.

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

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

17 Another key barrier for information
18 sharing is the fact that there are numerous
19 transactions systems of record where the source of
20 information is stored. New tools such as robotic
21 process automation hold the promise of lifting the
22 data from these source systems in an efficient

1 manner and low-cost manner in such a way that data
2 collection problems can be something of the past.

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

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

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

22 MR. BRADLEY HAYES: Chris, thank you

1 for those comments. And now, we'll turn it over
2 to our next speaker -- final speaker on this panel
3 for now -- Mr. Mike Mullen from the Express
4 Association of American. Go ahead, Mike.

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

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

1 business best practices.

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

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

14 Regarding the issue of CBP receiving
15 additional data from the ecommerce supply chain,
16 the Trade Act standard should be applied that data
17 is provided by the party in the best position to
18 submit it. All supply chain participants need to
19 be considered accountable parties, especially
20 those participants with unique access to
21 information which other filers may not have.
22 Entities which desire to enter the supply chain

1 need to understand they take on a certain degree
2 of responsibility for ensuring compliance.

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

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

20 CBP should coordinate with relevant trade
21 community entities to conduct table top exercises
22 focused on identifying and interdicting illicit

1 goods in ecommerce supply chains. These exercises
2 should include Commercial Targeting and Analysis
3 Center participation and should be as realistic as
4 possible.

5 On a technology level, the key to more
6 effective data sharing and analysis is moving to
7 the next generation of ACE development. To some
8 extent, the development effort that led to the
9 2016 ACE operational capability implementation
10 focused on automating the traditional customs
11 functions that had been conducted on paper or
12 through manually intensive semi-automated
13 processes for decades.

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

20 Second, the capability to handle and
21 track in real time the intermodal transfer of
22 imported shipments

1 Third, the functionality to allow the
2 supply chain to efficiently handle in-bond
3 shipment transfers.

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

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

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

17 MR. BRADLEY HAYES: All right. Thank
18 you, Mike. I appreciate those comments. We'll
19 now open it up for 15 minutes of questions from
20 the government panelists, and then again we'll
21 pause when Tara is here to take her statement as
22 well. So, Madame Chair.

1 MS. BRENDA SMITH: So, I appreciate
2 the thoughts that this panel has shared focused on
3 really building on the emerging technologies
4 panel. What I'd like to do is to give a little
5 bit of predictability to our panelists is actually
6 to start to my right after I -- I'll ask a
7 question, and then we'll start with you,
8 Catherine, and then move down the table, and then
9 we'll flip it. Okay? All right.

10 So, my -- my question is really
11 around -- and some of you have highlighted -- the
12 non-traditional parties to the supply chain, not
13 only in the E-commerce realm, but also in more
14 traditional supply chains. We've got -- instead
15 of just focusing on importers, carriers, and
16 brokers, we have a lot of other entities that are
17 serving as intermediaries in the supply chain.
18 How do we best access the data from those non-
19 traditional supply chain partners, and is there a
20 way other than changing the regulations to
21 encourage that? Celeste, I'm going to start by
22 asking you to lead on.

1 MS. CELESTE CATANO: I really, you
2 know, other than regulation, I'm not sure that a
3 lot of people are voluntarily wanting to give you
4 additional information, right?

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

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

22 MS. BRENDA SMITH: Any thoughts?

1 MS. LISA GELSOMINO: Yes. So, I
2 guess from a surety perspective when it comes to
3 E-commerce or Section 321, we're not very involved
4 because there is no import of record and no
5 bonding requirement. So, there's not a whole lot
6 of motivation there to comply. But, I guess when
7 I focus on more of a priority trade issue like
8 antidumping and countervailing duty, it's the
9 supplier that is just so important to the rate and
10 is what really causes so much trouble for the
11 importer of record. The importer of record does
12 not always understand how the supplier could
13 change and impact the rate. And I think more and
14 more, you're also seeing foreign importers of
15 record and that challenges CBP's jurisdiction over
16 those foreign entities. Is there more that you
17 could do to have foreign suppliers and/or foreign
18 importers of record be committed to CBP like other
19 countries do? And also, on suppliers, for example,
20 if you look at what Food and Drug is doing making
21 them register. For a complex priority trade issue
22 like dumping, is that something you could do as

1 well? Those are some thoughts that I have.

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

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

16 MS. BRENDA SMITH: Okay.

17 MR. MIKE MULLEN: Well, in my
18 comments, I suggested a partnership approach, and
19 I think that might be the -- the quickest thing
20 you could do in the near term. I mean, CTPAT and
21 start with a regulation, right? That started as a
22 partnership, and you went out and found the famous

1 seven companies that agreed to sign up. Now, if
2 you could get the seven largest E-commerce
3 platforms to sign on a partnership program, they
4 would provide some [inaudible] and you provide
5 them some concrete benefits in terms of how
6 rapidly those products would be [inaudible.] I'm
7 probably being naïve, but I can't believe there
8 wouldn't be an interest in this.

9 MS. BRENDA SMITH: Thank you.
10 Catherine?

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

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

20 MS. CATHERINE DEFILIPPO: Sorry.
21 DeFilippo is a hard one too. Talking the AD/CVD
22 information and, you know, we are a part of that

1 process -- one of the agencies that has a role in
2 making those determinations. And we are working
3 right now to try and figure out how to create a
4 database to make it much more accessible to have
5 the statistics on countries and HDS, et cetera.
6 So, we're working on it, but it -- it takes a
7 while.

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

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

22 MS. CATHERINE DEFILIPPO: Do you find

1 it challenging that there are different agencies
2 that are engaged in this or -- or are part of the
3 process in finding out where to go for the right
4 information? Is that challenging at all?

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

13 MS. CATHERINE DEFILIPPO: Thank you
14 very much.

15 MS. BRENDA SMITH: Mr. Skud.

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

21 MS. CELESTE CATANO: It actually is.

22 MR. TIMOTHY SKUD: Yeah, okay. So,

1 is that still an obstacle? I mean, I've heard
2 that people say that it presents formatting
3 challenges, it limits the kind of data you'd want
4 to get for some data elements. Is it -- is it --
5 is it still a problem? Is it time to move off --
6 is it time to reformat the ABI format and move
7 into something more modern, and if it is, what
8 kind of cost does that involve your clients?

9 MS. CELESTE CATANO: Yeah. I mean,
10 it definitely would involve, you know, a decent
11 amount of cost, although most of us outside of
12 Customs use, you know, ABIs, XML files, I mean,
13 that's like the -- probably the easiest one to try
14 and transition to if you're, you know, just
15 talking still, you know, sending data back and
16 forth instead of using, you know, ABIs and, you
17 know, electronic connections. But, the thing is
18 that with the 80-character record, what ends up
19 happening is if you need to add a field, and it
20 doesn't fit in the other one, now you're creating
21 another one, and, you know, just the whole -- it's
22 not -- it's no longer straightforward once you --

1 once you start having to make changes. It's great
2 when you first make a new one, but it doesn't
3 scale very well, you know, as time goes on. So, I
4 -- I think it definitely is time to start
5 switching over, and I think from a software
6 perspective, I mean, the -- we're used to using
7 other technologies, and I don't think it's a big
8 lift. When we went to ACE, I think there was a
9 lot of -- a lot of pushback because we were at
10 that point talking about maybe moving into
11 different technologies, and I think people weren't
12 ready at that point. I think -- I think we could
13 probably, you know, start -- start moving new
14 things in to -- in to new technology.

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

20 MS. BRENDA SMITH: Mr. Dougherty.

21 MR. MICHAEL DOUGHERTY: Thank you.

22 Mr. Mullen, you had been talking about tabletop

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

10 MR. MIKE MULLEN: Okay. That's
11 really a good question. You know, I just think
12 we're at a stage in the evolution of E-commerce,
13 both -- both in the trade community and in
14 government where there's a large number of sort of
15 information gaps or visibility gaps or gaps in our
16 understanding about how these systems really work,
17 and where the information lies. And I -- and
18 these are complex supply chains. These are not
19 like these old linear supply chains where, you
20 know, something gets sold and -- and someone
21 contracts with a carrier and then the goods are
22 moved into the United States, and CBP does a

1 review, and then they're sent out into a
2 distribution system. These supply chains, as you
3 know, are -- are extremely complex, and somebody
4 sitting in the United States can be ordering
5 something from China when they have no idea it's
6 coming from China.

7 So, the kind of tabletop exercises
8 that we've been talking about, you would get all
9 these different players. They're involved in the
10 supply chains, and it does start with some -- some
11 type of online marketplace where an entrepreneur
12 can sell goods. There are then platforms that
13 consolidate these entrepreneurs into larger
14 marketplaces. There is a -- a financial aspect to
15 it -- to handle the financial aspects of the
16 transaction, and then there are carriers that
17 deliver the goods, and there is the government who
18 does the reviews somewhere in that process. And
19 by doing that, I think you would be -- if you
20 walked through this, you know, tabletop exercises
21 start the scenario, right? You take a shipment,
22 it's going -- how is it being purchased, and how

1 is it moving from where it's manufactured to the
2 consumer that's going to use it, and you track
3 that shipment through the process, and you see
4 what kinds of information are available each step
5 of the process, and you can identify what the
6 government's interests are in different pieces of
7 that information. It's a huge quantity of
8 information, and the government probably wouldn't
9 be interested in all of it. Well, we'll see.

10 But, in that way, I think you could
11 get a much clearer picture of what the reality of
12 these supply chains are. And again, going back to
13 the Trade Act, who's in the best position to
14 provide particular pieces of that.

15 MR. MICHAEL DOUGHERTY: Thank you.

16 MR. LEE SMITH: I do have a few
17 questions being AD/CVD duties are something that's
18 calculated and implemented by my team, and
19 initially I had been working with it for quite
20 some time. So, my first question is for Ms.
21 Gelsomino -- I'm sorry -- Gelsomino. So, has your
22 company experienced problems with defaults by

1 newly incorporated or non-resident importers that
2 could have been avoided with better information
3 sharing between CBP and sureties about the parties
4 involved in the transactions? And similarly,
5 could you elaborate on the types of information
6 you would like to see in the automated surety
7 interface with ACE to reduce defaults of AD/CVDs?

8 MS. LISA GELSOMINO: I had a hard time
9 hearing that all. But, I think what you were
10 asking is do we have challenges with non-resident
11 importers? -- Absolutely. I wouldn't say that in
12 general foreign importers are more risky, but when
13 it comes to dumping, yes, it can be. And I think
14 that the lack of information certainly ties into
15 that because what happens is, as I mentioned
16 earlier, the bond you think you were writing for
17 non-dumping suddenly becomes one, and by the time,
18 as a surety, you reach out to parties to gather
19 information, it could cause a lot of damage in
20 that amount of time because a \$50,000 bond could
21 allow a very deviant bad actor to bring in
22 millions and millions of cargo in a very short

1 amount of time. And so, as sureties, we often see
2 where the \$50,000 bond -- we'll pay it -- but,
3 it's CBP that's really out a lot more money. So,
4 that's why our goal is to really try to stop that
5 sooner. I think CBP has some good scenarios like
6 garlic shipments where they couldn't get bonding
7 and couldn't bring their cargo in, right? And so,
8 that's kind of the idea, to stop it before it
9 starts.

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

16 MS. LISA GELSOMINO: Can you repeat
17 it?

18 MR. LEE SMITH: I'm sorry.
19 Essentially, what information would you -- do you
20 -- would you like to have that you think would
21 enhance the government's ability and your ability
22 to operate and identify parties that seek to evade

1 anti-dumping and countervailing duties and other
2 illegal action? This is kind of an overarching
3 issue.

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

9 MR. LEE SMITH: Right.

10 MS. LISA GELSOMINO: -- post that
11 information on cbp.gov and it is information that
12 a surety or a Customs broker can see and know when
13 we get approached to write a bond if this is
14 someone maybe that's had some deceptive problems
15 in the past. That can be helpful. And I think
16 there are other agencies like BIS who post denied
17 parties. So, is there any reason why that
18 couldn't be done on imports? And another example
19 is the Federal Motor Carrier Safety Administration
20 -- we write bonds for property brokers who move
21 freight domestically, and if they have unpaid
22 claims, as a surety, we have to post that on our

1 website so that the shipping public is aware of
2 that before they choose a broker that this could
3 be an issue.

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

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

16 MR. MIKE MULLEN: And I also, in my
17 comments, I endorsed expanding denied party lists,
18 and that's important. But, I think -- I think in
19 the end, you have to understand that we are not
20 law enforcement operations, and in a lot of ways,
21 the best thing that we can do is to cooperate more
22 closely with CBP on things like blitzes, which are

1 happening all the time, and we put a lot of extra
2 people to work when CBP is conducting a blitz to
3 help them find what they're looking for and to
4 help them process the shipments that they -- they
5 look at and clear, and they can go into the
6 commerce of the United States. So, I think it's
7 being able to provide that kind of support to this
8 -- to CBP's sort of broader enforcement
9 activities, which is also very important.

10 MS. BRENDA SMITH: Okay.

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

17 MS. TARA STEKETEE: Thank you. Good
18 afternoon. I apologize for being late, but
19 sometimes the weather forecasters do not get the
20 snow amounts right, surprisingly. I'd like to
21 thank US Customs and Border Protection for
22 inviting me to speak with you today. My name is

1 Tara Steketee, and I'm the Chair of the United
2 States Anti-Counterfeiting Subcommittee of the
3 International Trademark Association. I'm honored
4 to be here today to comment on the 21st Century
5 Customs Framework data access and sharing
6 priority, which seeks, in part, to address one of
7 CBP's missions in combatting counterfeits at the
8 border.

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

15 How does INTA combat counterfeiting?
16 We have an anticounterfeiting committee of members
17 of the network comprised of 285 members from all
18 over the world who provide INTA with local
19 expertise and act as on-the-ground advocates for
20 the organization's position.

21 The membership of the
22 anticounterfeiting committee ranges from brands

1 like my company, Merck & Co. to major league
2 baseball to Amazon. The diversity of INTA's
3 membership shows that counterfeiting is an issue
4 that plagues all brands across all industries.

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

10 Data access and information sharing
11 are key to combatting counterfeit products at the
12 borders, which is why INTA believes that this
13 practice should be a priority for the public and
14 the private sector stakeholders. As
15 counterfeiters become more sophisticated,
16 trademark owners and enforcement officials must
17 work closely together to help identify
18 counterfeits to protect consumers from the harms
19 of substandard goods. Incidental to enforcement
20 work by various government authorities in
21 counterfeiting cases, information is generated
22 that can be useful for investigating the identity

1 and the role with other parties, including
2 suppliers of goods and accessories. At the start,
3 data that is available on those of leading should
4 be freely available to trademark owners since they
5 are already available to a third-party, the
6 express carrier. This information can be critical
7 to a brand owner in the course of its private
8 investigation.

9 Furthermore, to ensure that the
10 trademark owner has prompt access to information
11 regarding counterfeits and the counterfeiter, INTA
12 recommends that CBP provide prompt and reasonable
13 access by trademark owners to relevant documents
14 and information on counterfeiters for the
15 trademark owner's use in conducting private
16 investigations or the filing of complaints.
17 Relevant information includes product and
18 packaging information, the trademark which is
19 infringed, the date of import and export, port of
20 entry, description of merchandise, quantity,
21 country of origin, identifying information such as
22 name, address, or phone number of the

1 manufacturer, exporter, or importer that may
2 identify the counterfeiter.

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

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

1 importer.

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

21 As you can see, effective
22 anticounterfeiting enforcement requires strong

1 information sharing and data access between
2 stakeholders. Through our collaborative efforts,
3 we can not only fight back at the counterfeiters,
4 but we can also protect innocent consumers from
5 using harmful and dangerous counterfeit goods.

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

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

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

18 MS. FANY FLORES-PASTOR: This is Fany
19 Flores-Pastor from the Descartes Systems Group, a
20 member of [inaudible]. Thank you, CBP, for the
21 opportunity for this room to share our concerns
22 and for you to share what is coming for us. I

1 think that open conversation is always good. I
2 have a couple of comments. We'll discuss about
3 ABI, and that, of course, is close to my heart, of
4 ABI, and we also talked earlier about new
5 technologies. So, I'm thinking if we want to --
6 it's time for change, right? We want to make sure
7 that if we go forward, that we go forward with
8 what's new instead of keeping up with the old.

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

15 The other comment I have is in regard
16 to defining new players. I think before we can
17 answer how to detect and how we can play with
18 them, we need to identify them. When we were
19 discussing that, it brought up my mind that even
20 in the current ACE environment, we have players
21 that we cannot identify in ACE yet. We have had a
22 lot of challenges with it. For example, people in

1 the OCCs that haven't been able to provide the
2 information, they are creating fake where they
3 also, you know, bill numbers, so that they can
4 comply with the requirements of the master bill.
5 So, I think that we have to attack that first,
6 right? Identify who they are and go from there.

7 I hope that the house bill release
8 project is in standing, and that we continue doing
9 that first before we try to move on to other
10 things.

11 And lastly, again, CBP plays an
12 important role keeping the trade moving forward,
13 right? I think that we have to learn from
14 experiences in the past where ABI took many, many,
15 many years to be implemented because of the lack
16 of enforcement. You know how long it took us to
17 get the ACE and trade summary into the system. It
18 took many years. So, I think we want to learn
19 from that experience and make CBP a little more
20 forceful into getting the -- the policy and
21 keeping up with technology. And that's it, thank
22 you.

1 MR. LEE SANDLER: Lee Sandler,
2 Sandler, Travis & Rosenberg. I have three quick
3 comments. The first is picking up on Lisa's
4 comments with respect to the sureties. The ACE
5 portal for sureties is less than robust. The fact
6 that the surety is jointly and severally liable
7 and still is unaware of the origin of goods, the
8 classification of goods, whether or not there is
9 an anti-dumping case, and what the number is, is
10 pretty shocking. This should be an easy and early
11 fix and would be important for increased
12 enforcement and understanding with the trade.

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

22 And the third, with respect to

1 counterfeit goods and there is always an emphasis
2 upon the sharing of information to determine if
3 goods are counterfeit, and that is a difficulty.
4 The request to share information after there is a
5 determination that goods are counterfeit is pretty
6 well set forth in the regulations. But, it's not
7 automated efficiently.

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

21 And last is there may be other areas
22 like the information sharing you have on the

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

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

21 MS. BRENDA SMITH: Thanks for the
22 comments.

1 Mr. BRADLEY HAYES: Go ahead.

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

15 My question is, what are the major
16 initiatives that are taking place to break down
17 the barriers that exist and give them the existing
18 space today in the exchange of information and the
19 creation of genuine data marks within the
20 government, and then also, I think reciprocally,
21 the question would be in the private sector, why
22 there isn't more sharing in ways that would be

1 both protectable but would have the benefit of
2 giving us the opportunity of fusing security and
3 trade analytics in ways that we have done,
4 actually, on the security side between law
5 enforcement and intelligence. Thank you.

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

17 MS. LISA GELSOMINO: Well, I will
18 just start briefly only because when it comes to
19 what the sureties are looking for, it's much more
20 possible because of the module. There is already
21 functionality built to provide us with real-time
22 data, and it's my understanding that it is not a

1 heavy lift to do that, it's more of a policy
2 issue. So, I would say that, you know, right now,
3 we're still dealing with a very antiquated
4 download that's, you know, from ACS, and it has to
5 transfer to ACE, and we're also in a situation
6 where everything is going paperless, and we need
7 information for claims, so it seems inevitable,
8 and it seems possible. So, that's why I think
9 this is the right time for us to revisit it.
10 Thank you.

11 MS. CELESTE CATANO: All right. And
12 I think the, you know, one of the areas is really
13 all the data that needs to be filed with all the
14 government agencies and try to figure out a way to
15 minimize some of that data. We did, as we
16 developed all of the -- the single window and all
17 the PGA processing -- we did try to only provide
18 what we absolutely needed. But, you know, there
19 was a little bit of bloating in there. And, you
20 know, some of the things, you know, you provide
21 the same data. If you have a product that has,
22 you know, two or three agencies that you have to

1 report on the same entry line, you -- you often
2 times send the same data for each one of the
3 agencies. So, I think there's -- there's
4 definitely ways we need to look at to try to, you
5 know, minimize some of that and, you know, and
6 then the whole idea of having a data warehouse --
7 basically a data mart -- where importers could
8 supply that information to Customs instead of
9 having to do it on a one-by-one entry, you know,
10 would certainly reduce the -- the burden.

11 MR. MIKE MULLEN: I think you could
12 look at areas where -- how data fits into
13 multilayered security strategy, and this isn't
14 really -- the example I'm going to use isn't
15 really sort of a CBP example. But, you know, in
16 the air cargo world, if a heavy shipment has to
17 get screened, it's going to fly on a passenger
18 plane. Once it's been screened, how much more
19 data is it going to need to put out that shipment,
20 and since it's kind of a DHS question, what value,
21 for instance, does the shipper program have if you
22 screened it while the shipment is in?

1 MS. TARA STEKETEE: From the rights
2 holder's perspective, having full access to the
3 complete bill of lading information would be very
4 important, and the tactful implementation of that
5 -- of the spirit of TFO where we're able to
6 receive photographs of a suspect product, full
7 photographs so that we can analyze the packaging
8 at the very least and provide feedback to CBP
9 would be very helpful.

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

22 MR. BRADLEY HAYES: All right. I

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

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

17 MR. MIKE MULLEN: Well, you've --
18 you've accurately identified the express companies
19 as probably the most information-intensive
20 operations in the world, Mr. Skud. But, I would
21 say it's still a problem. Harmonized standards
22 would be a tremendous improvement over essentially

1 220 different systems that we have to deal with
2 today in the world, and you could specifically
3 focus the efforts on things like membership and
4 Trusted Trader programs, and on prearrival air
5 cargo information. If we can get the rest of the
6 world to adapt the ACAS system, which has worked
7 for the United States for -- very successfully for
8 eight years, that would be a tremendous benefit to
9 the air cargo industry. And I'm sure there's lot
10 of other industries that could give you similar
11 examples to that. But, the more standardization
12 that the US can drive internationally will be a
13 tremendous benefit for ourselves.

14 I'd like a couple more minutes.

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

20 I want to thank this panel on
21 something as informative, just like the panel
22 previous to this one. Quick couple of

1 announcements. Obviously, we're going to
2 reconvene at 1:00. So, if those speakers who are
3 going to be on third panel for the 21st Century
4 Trade Processes could be back ten minutes or so
5 before 1 so we can be seated. For the general
6 public, you've got to go -- if you leave the
7 building, you have to go through screening again
8 and have to sign in again. For those of you who
9 didn't stop by our registration table, please do
10 that if you have not done so already. Government
11 employees just have to go through security
12 screening and show their government ID. You don't
13 have to necessarily sign in.

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

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

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

21 MR. BRADLEY HAYES: Let's take our
22 seats. We're going to kick off here momentarily,

1 so we don't keep everybody too late on a Friday
2 afternoon. All right. Welcome back everyone to
3 our hearing this afternoon. Obviously, we've got
4 our third group of speakers ready to talk about
5 21st Century Trade Processes at the table. So,
6 will the room please come to order so we can begin
7 this afternoon's session. Again, no gavel up
8 here, but.

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

20 MS. BRENDA SMITH: I'm actually going
21 to pull the audience back in. I think we had a
22 very active morning today with lots of good

1 information shared, lots of good questions, as
2 well as very good public comments. So, thank you
3 to those of you that have participated and those
4 of you that are being an active and willing
5 audience.

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

18 The other thing I will note, just to
19 save us time later, I -- my jetlag is getting the
20 better of me, so I apologize if you see my head
21 start to droop. Cynthia Whittenburg will take
22 over for me after this next panel.

1 MR. BRADLEY HAYES: All right. Thank
2 you very much. I commend you for staying this
3 long. I know it was long flight back last night,
4 so, I appreciate that.

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

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

1 or outdated.

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

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

16 21st Century Trade Processes

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

21 As package-based trade continues to
22 become an increasingly larger proportion of global

1 trade, our primary objective is to facilitate the
2 movement of these goods across borders as
3 efficiently and effectively as possible in
4 compliance with all applicable laws and
5 regulations. Removing as much of the
6 administrative process as possible from the border
7 and conducting more business on an account basis,
8 especially the Trusted Traders will be critical to
9 meeting the increasing demands of trade.

10 To this end, we believe that CBP has
11 the opportunity to build on the current regulatory
12 reform work that has been completed recently in
13 the COAC by exploring opportunities to streamline
14 payment processes, to mirror modern business
15 processes and accounting principles that are
16 utilized by companies across the globe, to engage
17 new stakeholders in the international trade supply
18 chains, focusing on parties who have the most
19 knowledge and possess the information, including
20 information at the point of origin that will be
21 crucial to assessing risk for security and
22 commercial purposes, to embrace new technologies

1 that allow information to be filed in a
2 progressive manner by all parties in the
3 transaction, the distributed ledger that
4 Congressman Cassidy spoke of this morning, or more
5 commonly known as block chain, could be utilized
6 for this, to implement a One Government approach
7 to effectively -- to perform effective risk
8 management that includes all agencies who have
9 authority over importation and exportation of
10 goods in the US, to expand the concept of binding
11 rulings from the successful model at CBP to a one-
12 government approach. This will allow
13 predictability which is crucial in containing
14 costs to the consumers in the US. We also
15 encourage CBP to explore additional automation and
16 AI technologies to address efficiencies and other
17 efforts deemed effective to issue more timely
18 binding ruling decisions. To design systems that
19 are not function-specific but utilize data from
20 sources already existing in the business
21 environments that exist today. We encourage CBP
22 to share data in a true partnership fashion,

1 especially with the Trusted Traders who were asked
2 to file a massive amount of data as a courier, as
3 a broker, and as a truck carrier. We would like
4 to have information that allows us to make better
5 business decisions on a risk-management basis as
6 well moving forward.

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

14 It is important for government to
15 fully understand the area of trade that has become
16 known as E-commerce. Many assume that E-commerce
17 travels only in the postal, which is the majority
18 of this traffic, and courier modes of
19 transportation, while the reality is much more
20 complex. I can outline one method that
21 demonstrates this complexity. A foreign reseller
22 or consolidator sources goods from foreign

1 manufacturers and makes them available for sale in
2 the global online marketplace. Once a sale occurs
3 to a consumer, the online marketplace collects the
4 payment and notifies the foreign seller of the
5 details. That foreign seller then packages the
6 goods individually with the recipient's address in
7 the US, and physically consolidates all of the
8 packages into a container, contracts with a
9 carrier, either ocean or air, and tenders the
10 goods. The carrier files advanced data, the ISF
11 or ACAS, depending on the mode, a manifest is
12 filed, the goods travel, and then arrive in the
13 United States. The goods are cleared by CBP and
14 injected into a final mile delivery method. All
15 of this information is extremely segmented right
16 now. No one party has all of the information that
17 revolves around this one transaction. In view of
18 this, it becomes important that CBP have the
19 authority to collect the information about the
20 shipments from parties beyond the current scope in
21 a traditional supply chain to perform effective
22 risk management and intelligent enforcement and

1 then be able to link all of the segments. It's
2 crucial that CBP work with other global Customs
3 authorities to achieve mutual recognition of not
4 just Trusted Trader status but also recognition of
5 the information filed by entities in each country
6 that are involved in a transaction. Filing the
7 same information in a repetitive manner increases
8 costs and impacts the speed to market of the goods
9 for consumers with little benefit. In the
10 specific transaction example that I outlined,
11 multiple parties have filed the same data with
12 different agencies and different authorities and
13 pieces and parts across the globe. This limits
14 the visibility for each authority to truly
15 understand the risk or to facilitate a legitimate
16 transaction in trade in an expeditious manner.

17 Additionally, given the increase in
18 international trade and the complexity of supply
19 chains, any decrease in the de minimis level,
20 recently increased by TFTEA, is a significant step
21 backwards and would represent a decidedly 20th
22 Century approach to the trends that CBP has

1 identified. Any such move would undermine the
2 very themes this effort seeks to advance, more
3 specifically, intelligent enforcement and trade
4 processes for the 21st Century.

5 We encourage CBP and its partners to
6 not focus on a dollar value or a mode of
7 transportation, but instead focus on the risk of
8 the actual goods and the parties to the
9 transactions themselves. This particular
10 expansion of access to global market presents
11 opportunities for the United States and CBP in
12 particular to demonstrate the value of high-
13 standard Customs regulations that support growth
14 and open markets instead of closing them. Customs
15 officials around the world look to the United
16 States to provide guidance and direction. It is
17 essentially that the United States keep and
18 maintain its influential position in international
19 organizations that are facilitating the top
20 thought leadership on Customs and trade
21 facilitations issues. In scheduling this outreach
22 event, it is evident that CBP will continue to

1 play that crucial role. Thank you.

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

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

17 So, as we think to ourselves what the
18 question is during this 21st Century Trade Process
19 Panel, what specific import procedures or
20 requirements can be improved or refined, FDRA
21 believes addressing the following issues will help
22 ensure accurate statistical reporting, payment of

1 duties and fees due to CBP, and policies that
2 address 21st Century issues.

3 One of our biggest challenges is
4 athletic classification. US footwear companies
5 struggle with inconsistent rulings, added costs,
6 and tremendous confusion as a result of the highly
7 subjective practice CBP uses to determine whether
8 a shoe is athletic or non-athletic, the difference
9 between a 20 percent duty and a 9 percent duty,
10 many shoes worn today solely for fashion purposes
11 are still classified as athletic, even though they
12 lack characteristics that would make them suitable
13 for use in any athletic games or purposes. For
14 example, CBP classifies the Chuck Taylor All Star
15 as athletic, even though it has not been worn in a
16 professional basketball game in nearly 40 years --
17 Tree Rawlins, 1979, look it up. Many shoes appear
18 to receive an athletic classification based
19 primarily on appearance, brand name, or whether
20 the import specialist believes it would be
21 possible to run in the shoes. Given these
22 concerns, FDRA wrote Customs in 2016 urging that

1 it clarify with what constitutes athletic
2 footwear, and we have yet to receive a response.
3 I brought props just to make -- to illustrate my
4 point. This is a shoe by Converse, canvas upper,
5 rubber outsole, the typical shoe. It was deemed
6 athletic. A similar shoe that is a Cole Hahn
7 shoe, textile upper, pointy toe, rubber outsole,
8 non-athletic. These two shoes are Cole Hahn
9 shoes, both of them. This one was deemed
10 athletic. The same exact shoe with a little bit
11 of a dormant on the upper is non-athletic. Again,
12 the difference in the high-duty rate or the more
13 reasonable 9 percent, which we'll still argue is
14 not reasonable.

15 Beyond that, Customs rulings would --
16 FDRA member companies have suggested creating a
17 more automated system for Customs rulings so that
18 companies can file, track, and receive real-time
19 status updates on rulings requests. In the
20 Customs Ruling Online Search System, CROSS, CBP
21 should also include photographs of the items that
22 have been classified and closeups of the features

1 of the product relevant to the decision. Such
2 information could be useful tools for companies to
3 strengthen compliance.

4 And lastly, as we think about
5 informed compliance in footwear definitions, since
6 there are more than 430 ways to classify a shoe at
7 the 10-digit level in Chapter 64, CBP and the
8 footwear industry both benefit from regular
9 guidance and clarity. Many of the detailed
10 Customs footwear classifications are often
11 unwritten or found within a long history of
12 complex Customs rulings, the lack of enumerated
13 definitions and clear guidance on footwear
14 classification issues creates an obvious shortfall
15 if there's ever a staff change at the national
16 imports specialist level, which there has been
17 before, and it also leads to confusion for
18 footwear companies when Customs next updates the
19 Informed Compliance for Footwear, and for that
20 matter, any Informed Compliance. Currently, our
21 Informed Compliance is 85 pages in length. It
22 would also be helpful to notify the footwear trade

1 company what information within the document is
2 being added, changed, or clarified. The Informed
3 Compliance publication should be updated in 2019
4 with photos and graphics to illustrate the
5 principles or in some instances, Customs might
6 think about embedding videos in these documents,
7 and it should include information on the following
8 topics that we struggle with when it comes to
9 definitions. Whether or not something is athletic
10 versus non-athletic, which I illustrated here, the
11 definition of a slip-on, which there is more and
12 more slip-on footwear within -- that's being
13 imported, and the definition of what -- what
14 protection against water is. These are unique to
15 the footwear industry, but when we import in 2 and
16 a half billion pairs of shoes every year, that's
17 over 7 pairs of shoes for every man, woman, and
18 child in our country, every single year, we need
19 guidance to ensure that costs are understood in
20 the planning process and that our companies have
21 line-of-sight, no matter if the duty is zero all
22 the way up to our peak at 67-1/2 percent.

1 So, I appreciate the opportunity to
2 share our frustrations with you, but stand ready
3 and willing to be a partner in this process so
4 that we can really create a 21st Century trading
5 system. Thank you.

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

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

15 The centerpiece of the proposal is to
16 streamline and enforce financial accounting
17 procedures to meet a 21st Century business
18 environment. We should stop thinking linearly by
19 splitting the financial accounting from the
20 physical movement of shipments. We also suggested
21 to CBP that the global supply chain becomes
22 complex with more direct shipments from suppliers

1 to consumers, and CBP needs to totally rethink a
2 regulatory regimen based on the input of record
3 model. Although the buyer may cause the
4 importation of a product, it is the foreign seller
5 who is often in the best position to provide
6 Customs with the information about the product.

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

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

1 Customs compliance.

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

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

15 And finally, last but not least, we
16 highlighted some processes related to drawback,
17 principally the prior notice process is arcane.
18 The drawback waiver of prior notice process has
19 been an alternative to the paper 7553 process
20 described above but is also a paper-based process.
21 With the advent of electronic drawback, certain
22 pieces of the drawback process have been left out

1 of this modernization effort, specifically the
2 prior notice procedure, accelerated payment, and
3 drawback bonds are still paper-based processes
4 that hold back both the trade and CBP. In order
5 for drawback to truly enter 21st Century, we urge
6 CBP to streamline these processes. Thank you.

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

12 MR. CHRIS FLOERSCH: Very good.
13 Thank you very much. Thank you all. Glad to be
14 here today. So, I'm Chris from Honda. American
15 Honda Motor Co., Inc. is the sales, marketing, and
16 distribution arm for Honda, a licensed product
17 here in North America. As Trade Services Manager
18 at our offices in Southern California, we manage
19 both export and import compliance for our company,
20 and we also collaborate with other Honda entities
21 that import and export throughout North America,
22 including our factories, research and development,

1 racing, and other activities. Thank you for the
2 invite today. Again, it's a daunting task to
3 speak alongside and in front of my compliance-
4 minded colleagues. So, let me ask you to set
5 aside those analytical tools for a moment, and
6 let's be reflective. If anything, it will help me
7 to brace myself for the onslaught of what I might
8 say.

9 In any case, I believe it was Mr.
10 Skud referring to the changes made in the Mod Act
11 of 1993 being the first revision since inception
12 in the 1800s. I certainly agree. Although, I
13 would extend it one step further to say that while
14 yes, we have automated things, we did not change
15 the process. The Customs process indeed hasn't
16 changed since 1789. Now, to prove this out, I
17 have an entry I'd like to show you from 1790
18 thanks to a resource from the National Archives
19 down the road. While it's hard to read, it's
20 handwritten, you immediately recognize the central
21 elements of the entry and see these today. We
22 have a shipper, a consignee, description, tariff

1 rate, and there are five classification categories
2 -- maybe I'm seeing alignment between footwear and
3 automotive on classification simplification.

4 Let's get it down to five. There was a vessel
5 that arrived on April 21st of 1790 into the Port
6 of Philadelphia. Again, while we've automated, we
7 have not changed the process.

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

19 I'm recalling when I started in the
20 business as a Customs broker 30 years ago plus
21 that we did that, mind you, though in only black
22 or blue ink and only, of course, upon carefully

1 reviewing all the attached documents and ensuring
2 that it's complete, et cetera. I'm sure today
3 with the advent of ACE, she's also providing her
4 phone number using the ACE interface, so I expect
5 her lines may be buzzing.

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

15 Anyway, not to be outdone by Cindy,
16 my staff informed me last year, "Oh Chris, by the
17 way, we assigned your name and phone number to all
18 of the EPA, NHTSA, DOT, and FDA declarations."
19 And rest assured, just so you know, all of your
20 Honda CD and DVD players have an appropriate
21 accession number as required by the FDA
22 radiological standards.

1 Cindy does this though, for guys like
2 us who say hey, even though you tell us that the
3 form 7501 entry summary doesn't exist anymore, we
4 still need to explain to accounting where that
5 money went to and try to explain to auditors who
6 come in at least once a year what those charges
7 are for, that in fact it was legit and explain
8 where it went.

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

20 So, let's consider other processes.
21 Again, this is perhaps dwelling on it a little
22 further, but the mode of power that provided

1 mobility in those days was where you mounted a
2 horse. Today, you've employed the internal
3 combustion engine to convert a store of energy
4 into a force that propels you through from point A
5 to point B, and you're upset if your harnessed to
6 anything less than 100 horses under the hood a
7 couple of feet in front of you as you feel how
8 slowly you are able to move.

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

21 So, the Simplified Process Working
22 Group developed recommendations for areas

1 including monthly summary, national statements,
2 liquidation, reconciliation, and left with certain
3 remaining decision points. Some of these
4 highlight the burden of today's processes. For
5 instance, there are at least 11 significant dates
6 -- the date of export, entry, release, et cetera -
7 - which of these are important to us in the
8 financial process. I've never seen a company that
9 determines its currency exchange rate based on the
10 date of export as required to be captured by
11 Customs.

12 So, in any case, it's not possible,
13 we concluded, to meet the objectives of
14 streamlining the model without employing -- by
15 employing today's processes. I found that -- and
16 while one might consider to just kind of throw in
17 the towel after that experience -- what kept
18 drawing me to it is that there has to be a better
19 way, and I certainly found one. We're looking
20 over the cubicle wall to my colleagues were work
21 in tax, accounting, and financial reporting. They
22 are accountable to federal agencies such as we are

1 with Customs, and I have pressed them pretty
2 firmly to say can you tell me you are responsible
3 for every single commercial invoice that comes
4 across the water, and they confirmed absolutely,
5 yes, they are. However, none of them employs the
6 same process that we do, which is to essentially
7 reconcile and declare shipment-by-shipment or
8 entry-by-entry.

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

11 MR. CHRIS FLOERSCH: Sorry about
12 that.

13 MR. BRADLEY HAYES: No problem.
14 Thank you very much.

15 MR. CHRIS FLOERSCH: So, we look
16 forward to see, of course, what other countries
17 are doing. Let's share the wealth. Let's go to
18 the TSN. I think between the CBP and the trade,
19 we have a very collaborative opportunity that is
20 unique. It's the American way. Indeed, I just
21 want to say it's American as baseball, apple pie,
22 and the Honda Accord. Thank you for your time.

1 MR. BRADLEY HAYES: I think the
2 ending was worth the overtime. So, thank you for
3 that. So now, we'll turn it over to our
4 government panel, and Madame Chair, I'll note that
5 our shot clock is down for this round. So, we'll
6 set it for 15, and about halfway through I'll
7 indicate, and then just for your reference, the
8 yellow light comes on with about 2 minutes left,
9 not that we're necessarily strictly abiding by
10 that, but just so I can give you kind of a head's
11 up on time. So, we'll turn it over. Go ahead.

12 MS. BRENDA SMITH: Okay. Thank you
13 very much. Good afternoon, panel. Thank you.
14 Very thoughtful and provocative comments. I'm --
15 I'm running through several thoughtful and
16 provocative questions right back at you, but some
17 of those I'll hold for a later day. I guess my
18 first question before we turn to Dr. Tucker down
19 here at the -- at my left and then proceed this
20 way, is really kind of a -- a bit of a softball to
21 the group at large, and I guess it really goes to
22 the -- the level playing field part and how to

1 accomplish the aim of ensuring that businesses in
2 the United States and the US economy are as
3 efficient and as effective as they can be at
4 ensuring that consumers get what they need and are
5 kept safe.

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

11 MR. CHRIS FLOERSCH: So, I think
12 that's an interesting question, and what I see
13 today with what's coming down the pike is
14 compliance in a very big way. I had the pleasure
15 of joining the House Ways and Means testimony to
16 questioning of Robert Lighthizer talking about
17 China. We are discussing amongst ourselves USMCA,
18 you know, what is the impact of -- of that. And I
19 see, if you're talking about, say, a level playing
20 field between us and other countries, the
21 question, right? I see that there is going to be
22 very much an increasing need to collaborate with

1 our colleagues in other countries. So, that, in
2 and of itself, may be a tie there perhaps, because
3 I see the level of communication that's going to
4 be required in coordination increasing almost
5 insurmountably. I'm sure we'll get there, but
6 there are, indeed, you know, challenges ahead.

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

15 MS. BRENDA SMITH: Thank you.
16 Anybody else have a pain point that they'd like to
17 share?

18 MS. CINDY ALLEN: I would say for us,
19 you know, it's the multiple filings in every
20 different country, and also the specific systems
21 that we have to maintain to do that. So, I have
22 to have a system that speaks with every Customs

1 authority, I have to have a system that speaks
2 with our clients, I have to have a system that
3 speaks with, you know, our finance people. It
4 would be great if we could look at the overall
5 business process itself and understand where the
6 data lies and how we could get that into the hands
7 of the people who need that one time. So, I think
8 that would make everyone more efficient and allow
9 us to get the goods to the consumer in a more
10 effective and efficient manner. Thank you.

11 MR. MATT PRIEST: I think for our
12 industry, I highlighted a number of our pain
13 points. We have a 3-billion-dollar duty burden
14 every single year, and we have almost 100 percent
15 import penetration. So, ultimately, with such a
16 low-margin industry that has to pass on those
17 costs to our consumers, that's a huge pain point
18 for us. So, that's why there is this kind of
19 construct of 430-something ways in which you can
20 classify a shoe because we built kind of this
21 monstrosity -- we, being the industry in
22 collaboration with the US government that is --

1 you know, metastasized into Chapter 64, and so
2 navigating through that is very difficult.
3 Simplification of the tariff code would do wonders
4 for us.

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

20 MS. BRENDA SMITH: All right. Thank
21 you very much. I think, you know, the
22 simplification of the tariff code, you'll get no

1 disagreement from Customs and Border Protection.
2 I think often the challenge there is how to work
3 through the computing interest. What caused the
4 complex tariff system? And then trying to just
5 kind of sort through how to address the issues
6 that have resulted in the complexity.

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

21 MS. BRENDA SMITH: Yeah, yeah. Well,
22 I am struck by -- we started off with Senator

1 Cassidy this morning -- Dr. Cassidy, actually, who
2 talked about treating the symptom versus treating
3 the disease, and I -- I wonder if this isn't a
4 case of having -- trying to reorient our thinking
5 so we stop trying to manage the systems, rulings,
6 and inconsistent determinations, and try to go
7 after the disease. So, thank you very much.

8 MR. MATT PRIEST: Sure, thank you.

9 MS. JENNIFER TUCKER: All right.

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

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

21 MS. JENNIFER TUCKER: So, the last
22 part of the question is, what's the most important

1 action that the government could take to
2 strengthen fair and compliant global ecosystems?

3 MS. MARIANNE ROWDEN: I will answer
4 your question, and this last question was the same
5 thing -- it's just complexity is the killer. I
6 mean, most of our members are Fortune 500
7 companies, and we've used the rule of thumb for
8 the last decade or so that the top 1,000 importers
9 and exporters import 70 percent of the goods by
10 volume of value. They have developed highly
11 sophisticated compliance programs both with
12 personnel -- I mean, half the people here have a
13 law degree, right -- and also systems, and they
14 have rolled that out globally to their facilities
15 around the world. So, the US is a leader in
16 compliance. The problem is that complexity is
17 expensive. And it took me a very long time to
18 realize why E-commerce was so successful, and
19 that's because -- don't even think of an importer
20 or an exporter -- you have a buyer and seller
21 going onto an online marketplace making a
22 transaction. It's a transaction first and

1 foremost, and import or export later, that's
2 handled behind scene -- the complexity behind the
3 scenes. So, in order to level the playing field,
4 I think the best thing we can do is simplify the
5 system to reduce the regulatory cost. And then
6 you're going to increase the compliance level.
7 And I think simplification is the key word, and to
8 go back to the decade or so that we worked on a
9 simplified work group with Cynthia Whittenburg was
10 a -- a good exercise.

11 MS. JENNIFER TUCKER: Thank you.

12 MR. LEE SMITH: Thanks. We heard
13 specifically from Ms. Allen and others touched
14 upon the one-government approach, so my question
15 is for Ms. Allen, but then for the rest of the
16 group. Can you elaborate on your vision for how
17 the US government should collaborate to ensure a
18 whole government approach to implementing the 21st
19 Century Framework, and do you envision the need to
20 establish any new mechanisms to ensure relevant
21 government agencies are working together to
22 support the framework?

1 MS. CINDY ALLEN: Thank you. I would
2 say that the Border Interagency Executive Council
3 is the first step in that that, exists today. I'd
4 like to see that be more robust, quite frankly. I
5 think that that was established under, you know,
6 former Commissioner Bursen's oversight, and I
7 think it was a great idea that has been developed
8 and for a time focused on the single window, which
9 it should have done rightly so to get that
10 completed. And now, we have an opportunity to
11 look at what's next. I think there's a huge
12 opportunity to bring in more stakeholders in that
13 -- in that body, also to have a more enhanced
14 partnership with the private sector. We do have a
15 private sector group. We'd like to see that
16 become much more engaged on an ongoing basis. I
17 think there is a lot of opportunity. We also see
18 from a regulatory perspective many of the agencies
19 that we deal with, the 47 or so, are -- are under
20 different regulatory structures and different
21 statutes, and I think there's an opportunity there
22 to really look at streamlining those. If I am an

1 importer and I have two or three government
2 agencies that my goods are subject to, I have to
3 become an expert in all three of those areas. So,
4 in my office, I not only have a really tired hand
5 from signing the 7 million or so entries, but I
6 have a whole library of regulatory books because
7 we need to know everything from those agencies,
8 and I think there's an opportunity there not just
9 to streamline information, but also to streamline
10 the regulations that oversee that.

11 MR. TOM OVERACKER: So, Chris, in
12 your remarks, you mentioned an entry from 1790.
13 One thing I do know for a fact about that entry is
14 it was not a drawback entry because drawback
15 didn't go into effect until 1791. Okay? And
16 you're right, it's ours. What we've been doing
17 for the last 230 years is trying to get better at
18 what we do, refine what we do, and just make it
19 more efficient and more streamlined. But, my
20 question is, is there something that we're doing
21 that we should not be doing at all? Are there
22 processes that we should just simply eliminate,

1 whether it's eliminating in-bond or eliminating
2 drawback -- not that I'm suggesting we're going to
3 do that. But, I mean, are things that we should
4 just simply say we don't need to do this anymore,
5 let's move on?

6 MR. CHRIS FLOERSCH: Yeah. So, we'll
7 keep drawback, thank you. But, the -- I would say
8 it's -- if you look at the effort that we went
9 through, and we documented it, you know, a couple
10 years ago, it's a pretty good summation of the
11 challenges that you run into, and we need a new
12 box. What's hard is -- what's very difficult is
13 getting, you know, all those constraints into a
14 rolled-up, summarized kind of model, and it's
15 like, we need a different tool, okay? So, I
16 personally would love to throw out the emphasis
17 around the transactional model that is so
18 irrelevant today, it's ridiculous. Because I
19 meant what I said when I found, you know, comments
20 to the effect that, hey, the ship has arrived, it
21 made it. I mean, that is -- I do believe that is
22 the mentality, and that's crazy. And there is

1 alignment that does have to happen, let's say,
2 with tax concerns. Here's an example. It's, you
3 know, we're not going to even touch the whole
4 methodology of how that, you know, each has a view
5 of what it needs to be as far as the value is
6 concerned. However, let's just talk about the
7 administrative process. For related companies,
8 which we are, there's a fairly -- relatively
9 lengthy period of time that could go on for years
10 to kind of settle everything out. On the Customs
11 side -- this is just an example -- we have 314
12 days before it liquidates, and then Customs is
13 being very generous by saying you can do a recon
14 within 21 months. Well, you know, that's nine
15 months after the close of the fiscal year, which,
16 in the end, is so vastly different from the tax
17 piece, and we're left with administrating all this
18 stuff offline to get extensions and things like
19 that.

20 So, I think our colleagues in tax and
21 accounting and financial reporting who are
22 reportable to, well, all up to the SEC ultimately,

1 up to treasury, you know, they -- they don't do
2 the same thing that we do, but they're just as
3 accountable to it. And there are -- I love what
4 is the account model, okay? That's what I've come
5 to realize and there -- we could do it -- it's not
6 going to work for everybody, because some are one
7 and done kind of a thing, but for guys like us,
8 you know, our colleagues in apparel or retail,
9 it's a much shorter cycle. Ours go on forever,
10 you know, relatively speaking in terms of the
11 product life cycle.

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

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

18 MS. CHRISTA BRZOZOWSKI: We heard
19 from Cindy about the -- the whole web of
20 government agencies and the scores of agencies
21 that have different requirements and the
22 complexity of you having to understand what those

1 all are. Also, from Marianne then about how
2 reducing that complexity could improve compliance.
3 What would key features of your trade compliance
4 look like in the next 20 years, sort of
5 understanding how you are looking at it from an
6 industry perspective could certainly inform how
7 we, in government, might make some modifications.

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

14 MS. MARIANNE ROWDEN: So, I would say
15 the only thing that the government really has to
16 do is set their risk models for financial, you
17 know, revenue loss, security, safety, and those
18 all have different parameters. So, a member of
19 mine taught me that the difference between supply
20 chain security risk versus product safety --
21 supply chain security is who has touched the box,
22 right? Product safety is about what has happened

1 to the product in the box, and sometimes you can't
2 tell unless you test it. So, there are different
3 risk challenges. So, all you have to do is come
4 up with your different buckets of risk for these
5 different agencies. By and large, they are
6 product safety-oriented, and protecting the public
7 health, and that's why several years ago, we
8 started our plan to blueprint the trust, and we
9 have tried to promote that as a way to extend the
10 AEO concept to PGAs, taking into account all these
11 other agencies do have different risk challenges
12 and what they're licensing and what they're
13 looking for.

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

21 MS. CINDY ALLEN: And, if I could
22 add, it's really risk management by benchmarking

1 the data that you do have and then looking at
2 what's important. You know, from a consumer
3 perspective, I want to know that, you know, heart
4 valves that are imported are compliant. I want to
5 know that they meet every specification there is.
6 I don't necessarily -- I'm not concerned about the
7 ink in this ballpoint pen, although we know that
8 it's governed by another regulatory agency, and we
9 have to file additional data on the ink in this
10 ballpoint pen.

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

20 MR. TIMOTHY SKUD: Ms. Allen, the --
21 in your -- I'm not sure you said this in your oral
22 remarks, but in your written remarks, you said CBP

1 could engage new stakeholders in the Customs
2 clearance process. So, who are those
3 stakeholders, and who -- how should they be
4 engaged?

5 MS. CINDY ALLEN: I think it's
6 important to really look at the -- the -- the life
7 of a shipment. When Mr. Mullen referenced
8 tabletop exercises and some of the government
9 exercises that are going on in this area, it's
10 really important to understand that there are so
11 many stakeholders in a shipment. You have a
12 manufacturer, you have maybe a further
13 manufacturer, you have a seller, you have a
14 reseller, you have a consolidator, you have, you
15 know, the shipping companies, you have a buyer,
16 you have a consignee. Now, sometimes it's very
17 simple. You have someone who makes something and
18 somebody who buys something, and it's that simple.
19 But, other times, it's a little more complex.
20 Also, what CBP doesn't have and what many
21 governments around the world don't have is a view
22 into who is buying and selling those goods and how

1 that is happening. An online marketplace is one
2 of those entities, but there are other entities
3 out there that are not yet that visible to CBP.
4 So, I think it's important that we look at not
5 just first blush, but also the layers behind that
6 who have additional data who can and should be
7 providing that data to the government to have a
8 better understanding of doing that risk
9 management, not just for CBP, but all of the
10 government agencies that have that authority.

11 [Inaudible - audio difficulty 48:37-
12 49:13]

13 MR. MATT PRIEST: Yeah, absolutely.
14 That's a great question. I mean, the number one
15 way to simplify the tariff code in Chapter 64 is
16 to eliminate all footwear duties, which we highly
17 recommend and are in support of. Beyond that --
18 beyond that, we have gone down the road as an
19 exercise internally of trying to balance out and
20 create instead of 436 lines down in the several
21 dozen -- multiple dozens -- and what often happens
22 as you balance that out is that you create winners

1 and losers in the process, and you -- you go down
2 the road where we can't do this, and you raise
3 duty rates on some, and some companies have 13
4 different brands, and they import in a lot of
5 different types of shoes. And so, when they
6 balance it out, they say, you know what, this is -
7 - we'll save a little money or it's equal, but
8 it's more simple. And then others who may only
9 import in a certain type of shoe may see their
10 duty rates go up, which we cannot do and don't
11 advocate for. So, it is the most interesting game
12 of squeezing the balloon from one end to the other
13 and -- and we've hit a number of road blocks to
14 figure that out, and so we're all about
15 simplification. But, it's -- it's -- the
16 rebalancing of the tariff code is going to be
17 quite difficult for Chapter 64 in particular.

18 MS. BRENDA SMITH: But, could I ask a
19 followup? The tariff, though it doesn't appear on
20 the face of it, is essentially a policy document.
21 So, if you were outlining the policy goal for --
22 for the footwear chapter, what would your goal be?

1 MR. MATT PRIEST: The policy goal for
2 the footwear chapter would be not to have a
3 footwear chapter. I mean, I'm not trying to be
4 too cute with that, I just -- when you have almost
5 100 percent import penetration -- when the vast
6 majority of the domestic manufacturers also import
7 even though they may oppose eliminating duties, we
8 just don't see in the 21st Century the United
9 States of America, the largest consumer of
10 footwear and importer of footwear in the world, to
11 need to have duty rates because they're doubly
12 regressive. One, they tax an item you have to buy
13 -- these aren't cigars or flat screen TVs or
14 liquor. And the way the footwear tariff is
15 structured and based on the history since 1930,
16 the higher the value of the shoe, more often it's
17 a lower duty rate. So, a man's leather loafer
18 from Italy is an 8-1/2 percent duty rate. A
19 plastic shoe sold to a working mom has a duty rate
20 pushing 70 percent. And so it's doubly
21 regressive. And so, our policy would be not to
22 have a doubly regressive duty rate.

1 MS. BRENDA SMITH: So, I challenge
2 you to have that conversation.

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

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

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

12 [Laughter.]

13 But, you know, a few years ago, we
14 sort of solved the problem and we were able to do
15 it administratively. You know the fuzzy bottoms -
16 -

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

19 MR. TIMOTHY SKUD: Well, we
20 alleviated some of the duty problems with that.
21 But, that was a complicated dance with -- there
22 are still remaining domestic manufacturer

1 interests and, you know, we'd love to simplify it.
2 But, it -- this being the kind of democratic
3 country it is with regional interest and so forth,
4 it'll take engagement to --

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

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

17 MR. MATT PRIEST: Thank you.

18 MR. BRADLEY HAYES: With that,
19 obviously, there's, you know, work to be done in
20 this space, and I think it's a good time to remind
21 everyone that we're going to have an additional
22 solicitation for feedback after this hearing once

1 we publish the FRN. So, let's turn it over --
2 let's open it up for a few minutes of public
3 comment. Again, we've got the microphones on
4 either side of the room, and if you'll, again, in
5 the interest of time, we ran a little long, keep
6 the comments concise and focused on the panel, and
7 then make sure you introduce yourself before you
8 start your comment. Go ahead.

9 PUBLIC SPEAKER: Janet Labuda with
10 Vandegrift. Bradley, I know you said we were
11 supposed to watch our language up here, but I
12 heard this word used a couple of times --
13 drawback. But, anyway, I want to reiterate what
14 Marianne said, because a number of my clients that
15 are heavily engaged in E-commerce are also now
16 much more engaged in the drawback area and don't
17 forget that fairly arcane program when you're
18 looking at modernization, even though you just
19 simplified. And one of the things I'd also
20 recommend is when you are removing someone from
21 accelerated drawback, there needs to be some
22 objectivity in the process. Thank you.

1 PUBLIC SPEAKER: Hi. Good afternoon,
2 Colleen Clarke with Roanoke Insurance Group, and
3 I'm also the President of our surety association
4 that Lisa mentioned. I've always said
5 communication is key to success. So, carrying on
6 with some of the comments previously made,
7 communication with the trade, and I echoed the
8 fact that the TSN was part of the group that made
9 ACE successful. So, the TSN is very important
10 today as it was in the past. But, its
11 collaboration is also important, if not more
12 important, within the government. So, as the
13 framework continues to evolve, the Office of
14 Finance Revenue Division and the [inaudible 55:06]
15 must also be involved. The Office of Finance
16 Revenue Division, I learned today, at this point,
17 of fiscal year '19, they averaged 17 billion in
18 collections per month. So, certainly they need to
19 be involved with this framework going forward.

20 So, it's important to work with all
21 trade, with TSN, and government within each other,
22 all the parties before and during the design and

1 followup after. Thank you.

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

9 I wanted to go back onto the
10 discussion of the footwear and make sure that
11 Customs understands that the -- the examples that
12 were brought up by Matt are throughout the tariff.
13 They're not just in Chapter 64. And one of the
14 underlying principles -- the underlying issues in
15 the areas where there is this disconnect is when
16 Customs has an interpretation of a term within the
17 tariff that's different from the industry's
18 interpretation of the tariff. And considering the
19 footwear chapter, think of the idea of covering
20 the ankle or above -- above the ankle. So, there
21 are classifications for footwear that are above
22 the ankle, and that shoe can cover your knee and

1 not be classified as above the ankle because
2 that's the way that Customs interprets a term
3 that's in the tariff that's very different from
4 the way that the trade interprets that same term.

5 MR. BRADLEY HAYES: Thank you, Tom.
6 Any further comments from the public in
7 attendance? Okay. All right. With that, unless
8 there's something else you'd like to say, we'll
9 make the transition to our next panel.

10 MS. BRENDA SMITH: Next panel is
11 great.

12 MR. BRADLEY HAYES: Great. Thank you
13 so much to this panel, and we'll have our next
14 panel come down. All right. So, we're going to
15 go ahead and start with our Intelligent
16 Enforcement Panel. It looks like we've got all of
17 our panelists here, and obviously we'll have our
18 government panel filter back in the room here. I
19 wanted to welcome Deputy Executive Assistant
20 Commissioner, Cynthia Whittenburg, who Executive
21 Assistant Commissioner Smith mentioned would be
22 taking over for the last two panels.

1 So, at this time, we'll begin our
2 commentary on the fourth theme of the day, which
3 is Intelligent Enforcement. CBP seeks to enforce
4 US trade laws and protect America's economic
5 security. We anchor our Intelligent Enforcement
6 efforts on further improving risk management,
7 detecting high-risk activity, deterring
8 noncompliance, and disrupting fraudulent behavior.
9 These intelligent enforcement efforts include
10 exploring how to better utilize technology, big
11 data, and predictive analytics to draw decision-
12 making. So, with that, Madame Chair, we'll kick
13 off our panel. Our first witness is Nate Herman,
14 from the American Apparel and Footwear
15 Association. Go ahead, Mr. Herman.

16 INTELLIGENT ENFORCEMENT

17 MR. NATE HERMAN: My name is Nate
18 Herman. I'm the Senior Vice President for Supply
19 Chain at the American Apparel and Footwear
20 Association. AAFA is the national association of
21 apparel and footwear industry. We represent over
22 1,000 name brands and retailers of shoes, clothes,

1 and travel goods, which are luggage, backpacks,
2 handbags, and related items. Before I get into my
3 remarks, I just wanted to give you two sets of
4 numbers that best describe our industry.

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

12 The second set of numbers, and one of
13 the reasons -- the main reasons that we're here is
14 that apparel, footwear, textiles, and travel goods
15 represent 6 percent of total US imports. Yet, in
16 2017, our members, American apparel, footwear, and
17 travel goods firms paid 51 percent of the duties
18 collected by the US government. So, obviously,
19 decisions made by Customs as part of this 21st
20 Century Framework directly impact our industry.

21 So, I would like to briefly highlight
22 four issues related to intelligent enforcement

1 that are important for our industry. The first is
2 the issue of E-commerce and de minimis. E-
3 commerce for our industry is representing one of
4 the greatest opportunities for industry. It's the
5 fastest growing segment by far for our industry
6 and has given new life to many of our brands and
7 retailers. At the same time, E-commerce has
8 represented one of the biggest challenges for CBP.
9 They are dealing with -- especially with de
10 minimis -- the lack of visibility into the
11 products that are coming in and worried about
12 illicit shipments, counterfeits, unsafe products.

13 We believe there is an easy solution
14 to much of this concern -- much of this challenge.
15 It is to make US imports through foreign trade
16 zones that are used to fulfill -- used for E-
17 commerce fulfillment to enter duty-free under de
18 minimis. Why? Because FTZs and the companies
19 operating FTZs are highly compliant. Further, CBP
20 has full access to and regularly inspects all
21 operators in FTZs. Therefore, you have much
22 better visibility into what's going on, and if you

1 allow E-commerce shipments duty-free under de
2 minimis through foreign trade zones, a lot more
3 companies will start operations in foreign trade
4 zones, and it will make your lives a lot easier.

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

18 So, as I mentioned earlier, apparel,
19 footwear, and travel goods are the highest-duty
20 products that are coming into the United States.
21 Further, apparel and textiles are a CBP target
22 industry. Therefore, our industry has fully

1 embraced CTPAT. Many of our members are CTPAT
2 certified, and many are certified at the Tier 3
3 level. So, we're big supporters of it. The issue
4 for our industry is that we haven't seen many
5 discernible benefits from the program. The key
6 indicator of that is that many of our members are
7 telling me that they're still receiving almost the
8 same number of CF28s and CF29s that they received
9 before they joined CTPAT.

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

16 Third, the Centers of Excellence and
17 Expertise. For our industry, the Centers of
18 Excellence and Expertise has been a great
19 investment and a great creation by CBP. The
20 apparel, footwear, and textile CEE has done a
21 great job facilitating the Customs process for our
22 industry while ensuring the security of the

1 shipments coming in. The concern that we have is
2 that sometimes even with the CEE, there's still
3 different enforcement at the ports. So, we
4 encourage CBP to continue and expand training for
5 the port specialists that work with the CEE to
6 ensure a single approach to apparel, footwear, and
7 textiles.

8 And finally, I just want to mention
9 there's an issue with outmoded and outdated
10 documentation. We have a number of concerns with
11 something called the interim footwear invoice.
12 It's something that used to be required by US
13 Customs and Border Protection and has not been
14 required in a number of years. But, a number of
15 ports have been asking for the information that's
16 usually on an IFI from many of our members for
17 their import shipments, and they're asking for
18 every single type of footwear that's in the
19 shipment, specifically -- specific percentages on
20 external -- what the materials on the external
21 surface area are. That's a very resource-
22 intensive process both for our members as well as

1 for CBP to go through that information, and it's
2 not really worthwhile information. Those
3 resources would be better spent on intelligent
4 enforcement. So, we ask you to get rid of
5 outdated documentation like the IFI and remove
6 those from the regulations. Thank you. Happy to
7 take any questions.

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

12 DR. EUGENE LANEY: Good afternoon.
13 Thank you for allowing me to speak today. My name
14 is Eugene Laney. I'm the Head of International
15 Government Affairs for DHL Express. This year,
16 DHL celebrated its 50th anniversary. The company
17 was founded 50 years ago by three Americans
18 interested in solving how to improve the
19 transmission of the who, what, and where for
20 international shipments traveling from the US to
21 Asia. The goal was to provide foreign Customs
22 authorities with Customs declarations before the

1 shipment arrived at its destination. As we sit
2 here today, we are still trying to fine tune how
3 we might improve the transmission of the who,
4 what, and where in order to meet national
5 commerce, health, safety, and security mandates.
6 In brief, today I wanted to provide four
7 recommendations that we feel would improve knowing
8 more about the who, what, and where.

9 The first deals with the US
10 government's data threat elements. US government
11 should identify which data elements are needed to
12 improve the targeting of shipments that may be
13 national commercial -- when I say national
14 commercial, health and safety and security risks,
15 including identifying when the shipment arrives.
16 This information will be most valuable to USG. In
17 other words, when would it be most important for
18 the US government to have this information?

19 This data list should be
20 confidentially shared with the trade in order to
21 determine if and when the trade has access to this
22 information and whether the trade has the

1 capabilities to make any referral information
2 requests actionable. In other words, could we
3 provide voluntary screening, could we provide
4 field alerts, what additional activities could we
5 engage in as a result of this information?

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

19 More importantly, since fines and
20 penalties deal directly with the importer, it is
21 very difficult for carriers to track and maintain
22 accurate seizure detention information, and we

1 need to know more about what are the results and
2 statuses of ongoing investigations or even
3 investigations that have concluded.

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

18 As it relates to the pre-clearance
19 pallets, at origin, these pallets would provide
20 CBP with the data in advance, allow for seizures
21 at origin, and could improve the identification
22 and prosecution of shippers as consignees.

1 All of this could be done within the
2 tabletop or pallet approach. And there was a
3 question earlier from Mr. Owen what would be the
4 result of these pallets. And I just sort of
5 jotted down a few questions that will provide
6 answers. How do we provide and improve the data
7 that we're receiving from these threats? How do
8 we get information early on in the process so we
9 can do reviews and expedite anything that we need
10 to do to address that participate threat? The
11 third issue, the question could be answered, how
12 do we create fairness amongst all of the carriers
13 and other parties that are part of the life cycle
14 of the shipment? And fourth, it could create
15 consistently. In other words, it wouldn't be the
16 use of port shopping or people going to other
17 carriers to try to get a better deal. There could
18 be consistency. So, we would be able to answer
19 those four questions.

20 And then, the final recommendation
21 deals with identifying sanctioned shippers and
22 consignees. CBP and ICE should identify whether

1 they have the authority to develop a health and
2 safety denied party list -- I mean, I know denied
3 party list makes everyone a little nervous, but
4 for lack of a better term, denied party list --
5 that parties could use to identify potential risk
6 actors. Company could -- express companies
7 automated denied parties list of shippers and
8 importers who have been denied as dealers in
9 counterfeit goods, and we have in the past shut
10 down these parties. A US government certified
11 list of dealers in counterfeit goods would clearly
12 identify individuals who have been sanctioned by
13 the US government for dealing in these goods.

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

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

20 MS. REBECCA MOND: Good afternoon and
21 thank you for the invitation to speak today.
22 Before I start with my remarks, I wanted to -- I

1 brought props -- and so, I have here just to
2 highlight the importance of this discussion and
3 the work that CBP and your partner government
4 agencies are doing. So, I have here a popular
5 children's magnetic toy, Magformers, and I have
6 here a knockoff Magformers product. Over the
7 holiday season, a 4-year-old boy was given -- was
8 purchased a -- the parents purchased a knockoff
9 product, and a 4-year-old boy was given this
10 product. The boy was able to break into the
11 magnetic toy very easily and swallowed 13 magnets.
12 He had to have part of his intestines and colon
13 removed. So, this is just to highlight how
14 important this is for our industry.

15 I'm here on behalf of The Toy
16 Association. The Toy Association, representing
17 all businesses that design, produce, license, and
18 deliver toys and youth entertainment products for
19 kids of all ages. I represent the toy industry on
20 a diverse portfolio of federal issues. In this
21 role, I have had the privilege to participate in
22 CBP and COAC working groups, and stakeholder

1 engagement opportunities, and I would like to
2 thank Customs for these opportunities to represent
3 our members, the vast majority of which are small
4 businesses on critical Customs issues like import
5 surveillance and IP enforcement.

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

14 Toy safety is the toy industry's
15 number one priority. By law, all toys sold in the
16 United States must be third-party tested and
17 certified compliant, and The Toy Association is
18 supportive of Customs' and CPSC's enforcement
19 efforts to ensure that safe and compliant goods
20 are sold in the United States. As a highly
21 regulated industry that sells to our nation's most
22 vulnerable population that is almost entirely

1 imported all under a single tariff line, we
2 understand that important surveillance is a
3 necessary part of the business.

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

15 Through centralizing information on
16 [inaudible] and providing more information about
17 why products have been targeted, the costs and
18 aggravation around import surveillance have gone
19 down dramatically. We hope to continue to work
20 with Customs and CPSC to further improve targeting
21 and lower the risk profile for importers that may
22 not be CTPAT certified but who are willing to do

1 more than what is legally mandated to demonstrate
2 continued compliance.

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

21 To better educate stakeholders on the
22 issues, The Toy Association has recently issued a

1 report, *The Real Threat of Fake Toys*, which
2 identifies three main factors contributing to the
3 upsurge of the knockoff, counterfeit, and
4 otherwise illicit toys being sold via online
5 marketplaces and explores potential solutions.
6 The biggest concerns we highlight include
7 insufficient vetting by marketplaces of sellers
8 and products sold online, a burden of enforcement
9 that is disproportionately placed on the brand
10 owners, and consumers who are largely unaware of
11 the scope of the problem and unknowingly purchase
12 these products thinking they are compliant with
13 the same standards as toys sold by legitimate
14 companies.

15 In the context of our discussion
16 today, toy brands and Customs and CPSC are in the
17 same boat trying to address this issue. It's like
18 playing some twisted game of find the needle in
19 the haystack and Whack-A-Mole all at the same
20 time. So we can appreciate the challenge, Customs
21 and CPSC are trying to tackle to enforce against
22 IP-infringing and unsafe toys that are often

1 coming into the country as individual parcels. We
2 were therefore supportive of initiatives underway
3 by Customs and CPSC to better improve targeting of
4 low-value shipments. Exemption from duties is not
5 an exemption from the duty to sell safe toys, and
6 we strongly opposed any efforts that would broadly
7 reduce safety compliance obligations for de
8 minimis importers.

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

18 And finally, I would like to note
19 that those members -- those Toy Association
20 members that have engaged with Customs to help
21 enforce against IP-infringing goods have reported
22 very successful results and are often encouraging

1 other toy companies to do the same. That said, as
2 a whole, enforcement efforts have thus far been
3 insufficient to slow down the flow of IP-
4 infringing goods. In fact, the problem has gotten
5 worse. So, while Customs enforcement is a part of
6 the solution, we believe that it cannot be the
7 only solution. We encourage a wholistic approach.

8 Consumers have come to rely on E-
9 commerce platforms to provide discounting prices
10 and a wide selection of name-brand quality toys
11 also found in brick and mortar retailers.

12 However, under the current marketplace system,
13 illicit sellers with little or no accountability
14 take advantage of this consumer faith by offering
15 inferior and unsafe counterfeit toys that put our
16 children at risk. Anyone selling toys in the
17 United States must be held to the same high US
18 safety standards that apply to toy brands
19 consumers have come to know and trust. Thank you.

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

1 Canon Virginia, Incorporated.

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

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

1 diligent on our compliance and support enforcement
2 of Customs.

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

10 So, some of our concerns and some of
11 the areas where we'd like to see intelligent
12 enforcement -- one of big challenges as an
13 importer is the E-commerce small-package
14 shipments. Last year, we filed a total of 916
15 entries. Granted, a lot of those were
16 consolidated entries because we're a foreign trade
17 zone. We managed to have 152 courier shipments.
18 We have given our couriers very strong
19 instructions that they are not allowed to make any
20 entry using our IOR or any section entries, any
21 section manifest filings, because there's simply
22 no visibility. We don't know what's coming in.

1 As a CTPAT member, we don't want packages just
2 magically showing up that somebody ordered.
3 Technically all orders -- international orders
4 should be approved by us. But, you know, with so
5 much, you know, E-commerce brings about a lot of
6 good things to the consumer, but for the importer,
7 we have people ordering things, how do they know
8 what they're ordering? A lot of times you can't
9 tell where the products are being shipped. You
10 know, I've got a procurement department
11 periodically if they're trying to buy some spare -
12 - spare store room items that maybe are obsolete,
13 well, you can find them on eBay, which is great,
14 you know, as long as an importer, I have
15 visibility, I know what's coming, and I have the
16 opportunity to provide the correct harmonized
17 tariff classification. I can confirm that the
18 value is correct. I can confirm that the country
19 of origin is correct. We get a lot of camera
20 returns. The camera return shows up at my
21 doorstep, and I find out it was a -- a section
22 filing, how do I know the country of origin was

1 correct? How do I know the value was correct? A
2 lot of times, we intercept these crazy shipments
3 where people are sending us camera -- Canon
4 cameras -- and I've seen a lot of nice ones here
5 today -- they're saying, oh yeah, they're valued
6 at a hundred dollars, and the country of origin is
7 Barbados. I'm thinking probably not.

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

1 collected and shared, and we believe there should
2 be some enforcement done on that.

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

18 Under the foreign trade zones, I
19 appreciate what Mr. Herman had said earlier
20 regarding the security of foreign trade zones, and
21 he's right. Foreign trade zones, we carry an
22 extra bond -- an extra Customs bond. We are very

1 -- we've very -- we work very closely with Customs
2 on the front side to become activated. One of the
3 challenges we have in ACE, again moving to the
4 single window, is the incorporation of PGAs. When
5 products come into the foreign trade zone, they're
6 not considered -- they're considered to be outside
7 of the commerce of the United States. So, a big
8 question is, you know, at what point should the
9 PGAs be notified? Different PGAs have different
10 requirements. When we make a Customs entry to
11 remove a product from the foreign trade zone, it
12 could be the same product we brought in a month
13 ago, or if you're a manufacturing zone, you could
14 be manufacturing a different item, and there may
15 be different PGA requirements.

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

22 So, finally, just a quite note on

1 ACE. We love ACE. We really thank you all for
2 how much work you've done on ACE. Being able to
3 have our data, to be able to look at our data, to
4 be able to look at the countries of origin. It's
5 a very helpful tool for us on the compliance side.

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

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

20 MS. CYNTHIA WHITTENBURG: Thank you,
21 Bradley. Good afternoon to everyone. I would
22 venture to say that most of you are here because

1 you strive to be compliant, and you have a desire
2 to inform our way forward. So, my question for
3 the panel is, what US government trade compliance
4 rules are the most difficult to adhere to and why?
5 Are there so many?

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

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

16 MS. REBECCA MOND: So, I can answer
17 for the toy industry. I mean, there's a lot of
18 responsibility that comes with selling toys in the
19 United States. You have to third-party test and
20 certify your toy is compliant with a list of --
21 there's ASTM and F963 has over a hundred test
22 standards and requirements within one standard.

1 So, just kind of navigating through that within
2 itself is certainly a challenge. So -- but, that
3 is part of the business -- the toy business, as
4 you do have to ensure that compliance. And it's
5 perhaps not necessarily a regulation, but I will
6 highlight that, again, just import surveillance --
7 when there is a breakdown in communication, that
8 can be very challenging for our members when its
9 particularly during the fourth quarter holiday
10 season when 60 percent of toys are sold during
11 that season and getting products in on time is
12 critical importance. So, for our members, it's
13 keeping that communication regular and being able
14 to quickly process anything that is -- that needs
15 to go through inspection, that's, you know,
16 something that we just highlight as important for
17 us.

18 MR. NATE HERMAN: For the apparel and
19 footwear industry, we're -- according to the CBP's
20 own data -- we're one of the most compliant
21 industries out there yet because of the high
22 duties we pay and the dramatic difference in the

1 classification that creates huge discrepancies in
2 the duties paid from 8-1/2 percent up to 67-1/2
3 percent for our products. We are under a high
4 amount of scrutiny. And so, that -- that applies
5 for apparel and textiles with trade agreements and
6 trade preference programs where we feel we've done
7 a lot to be compliant. Again, you may remember us
8 as CTPAT, Tier 3, and yet we still feel like we're
9 always under the gun with CF28s and CF29s, and it
10 -- it just feels like we can never do enough, even
11 though CBP's own data shows that we're an
12 extremely compliant -- one of the most compliant
13 industries. That's a big concern for us.

14 MS. CORNELIA STEINERT: So, looking
15 at manufacturing and foreign trade zones, one of
16 the challenges I alluded to was the other
17 government agencies. In a manufacturing
18 environment, you file an estimate, you finish your
19 manufacturing, and then you file a followup report
20 with Customs on your entries -- your entry -- your
21 cargo -- your entry summary -- your 7501, I'm
22 trying not to use form numbers -- which documents

1 what actually manufactured. So, there's a
2 challenge in some ports more than others regarding
3 what to report on your Customs estimate with
4 respect to other government agencies. And again,
5 what you're reporting might not be what you
6 actually manufactured. So, that's definitely an
7 area that the foreign trade zone -- trade
8 community is wrestling with and we would like to
9 continue dialogue on that.

10 The other challenge, you know, again
11 on the foreign trade zone side is sometimes
12 there's inconsistencies between ports. You know,
13 the CEE's have done a tremendous job with respect
14 to being the central source for questions,
15 classifications, prior disclosures. So, on a
16 national level, filtering that information, and
17 being a clearinghouse. But, there are instances
18 in the foreign trade zone community, again,
19 because each foreign trade zones falls under the
20 jurisdiction of their individual Customs port, and
21 a lot of the privileges and a lot of the
22 expectations are at the -- at the -- at the port

1 director's discretion. There can be
2 inconsistencies between ports.

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

12 DR. EUGENE LANEY: I can speak for
13 DHL. I mean, our folks in the -- in the field as
14 well as our -- when I say the field, our folks at
15 our gateways as well as our folks in operations --
16 they go through a number of certification
17 programs, whether it's through Customs Brokers
18 Association or it's with AEI. There's also
19 private external education that they go through.
20 We also go through a global sort of Customs
21 training that's through Canterbury in Australia,
22 where each person who touches the Customs process

1 has to go through that education. So, we receive
2 global as well as domestic education, whether it's
3 outside through a trade association or whether
4 it's through a university.

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

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

21 We learned about the new minimum-
22 security criteria through a number of sources, but

1 not from a Federal Register Notice, there was no
2 public hearing, there was no CSMS message
3 announcing that you were proposing new minimum-
4 security criteria and wanting comments back from
5 the trade.

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

13 MS. REBECCA MOND: I'm just writing a
14 note to self that Customs is proposing new
15 minimum-security requirements for CTPAT. So,
16 yeah. I think that's kind of -- we do get sources
17 around DC and, you know, or we have sources around
18 DC and that's just part of our job is to kind of
19 have the information to give to companies. So,
20 we, you know, we keep track of the Federal
21 Register Notice and Customs websites and
22 announcements and CSMS notifications.

1 MS. CORNELIA STEINERT: We do as
2 well. Federal Register Notices, CSMS messages are
3 always very helpful. We are very fortunate. Our
4 service providers are also a huge asset and a huge
5 resource in knowing our business, knowing what
6 we're importing, and knowing what the countries of
7 origin are that we're working with, and they help
8 us as well as the facility associations that we're
9 members of.

10 MS. CYNTHIA WHITTENBURG: Thank you.
11 I'll turn it over to you, Tom.

12 MR. THOMAS OVERACKER: Oh, thank you.
13 All right. So, Nate, you mentioned benefits with
14 respect to Trusted Traders or foreign partners.
15 For me, we talk about improving our processes, and
16 all the improvements that we're trying to do. The
17 more efficient we become at releasing cargo or
18 just doing trade enforcement, it's harder and
19 harder for us to differentiate between the actual
20 partners -- just a mass of importers -- who were
21 normally compliant. So, the delta between our
22 ability to give tangible benefits to one and just

1 the naturally occurring benefits based on our new
2 efficiencies to the other have become harder and
3 harder. So, my challenge to you is, aside from
4 you mention the CF28s and 29s, are there other
5 types of benefits that you would like to see for
6 our CTPAT members, for our Trusted Traders, that
7 are not currently there that would really
8 differentiate that group from the otherwise
9 compliant group that are -- have not come to the
10 table to be partners?

11 MR. NATE HERMAN: It's -- it's a
12 hard question because that obviously CF28s and 29s
13 are extremely important for our industry because
14 they deal with classification issues, which means
15 money in the high duties. But -- and -- but,
16 there's been a lot of interest -- there's been a
17 lot of talk about CBP rolling out a new portal
18 with the new Trusted Trader, and -- and, I'm
19 hearing from my members that there's a lot of
20 interest in that portal that could be a huge
21 benefit if the portal really does what CBP said it
22 did at the last trade symposium or last CTPAT

1 event, I think there's a lot of interest in that,
2 and that would be seen as a key benefit.

3 The current portal, there have been a
4 lot of questions about and concerns about, but the
5 proposed portal, I think, would be -- if it
6 becomes a reality -- will be a big benefit.

7 MR. THOMAS OVERACKER: Thank you.

8 MS. CYNTHIA WHITTENBURG: Lee.

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

18 DR. EUGENE LANEY: Well, it gets back
19 to, you know, we're trying to get to the finish
20 line without getting to the beginning, and so
21 that's why the first thing I put as my first
22 recommendation is to sort of determine what

1 exactly we need to -- out there as far as data --
2 a US policy around the data threat, I mean, not
3 the data threat but the day-to-day need to
4 identify a threat and providing a picture of where
5 everyone is as far as providing that data in the
6 shipment life cycle. So then, once you figure
7 that out, then you can begin to provide certain
8 benefits for those individuals who could expedite
9 giving you that data early on or maybe if they
10 don't have that data, they can't action, you know,
11 on what you want. And so, placing that at the
12 beginning, giving us a picture of what is -- what
13 is everything that you need? And I can't talk,
14 you know, in a public forum of some of the acts
15 that you put on the table, but there are some
16 things that we could say no, but maybe this party
17 has it, some things that we could say yes, but
18 this party has it before we have it. And so,
19 getting a picture of all that is the first start,
20 and then you can start getting to the second step,
21 which is what benefits can we provide those
22 individuals to give us that information early on

1 so we could move the process quickly. Again, with
2 moving the border out so we're doing more things
3 in origin versus waiting for that stuff to land
4 here.

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

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

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

21 MS. REBECCA MOND: Effective, that's
22 a strong word.

1 MS. JENNIFER TUCKER: Okay.

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

21 I do want to again stress how
22 effective it has been for our members that do have

1 the opportunity to work with Customs and really
2 that has amplified their enforcement efforts and
3 they've seen very, you know, successful removal
4 from commerce infringing products and unsafe
5 products.

6 MS. CYNTHIA WHITTENBURG: Thank you.
7 Christa.

8 MS. CHRISTA BRZOZOWSKI: Thanks. And
9 thank you for the panel. You've all touched to
10 some degree on some of the challenges enforcing
11 these small packages that we're seeing coming
12 through E-commerce. I think there was some
13 discussion of the data requirements are clearly
14 something of interest to this group and to CBP and
15 the interagency right now, sort of what should the
16 requirements be on these types of shipments for
17 data. But, maybe looking at it another way as
18 well, I'd like your thoughts -- whoever may have
19 some -- on is there a different way to administer
20 the de minimis requirements, you know, the -- the
21 Congressional action is obviously needed to change
22 the dollar threshold, so I'm certainly not

1 touching that with a ten-foot pole, but through
2 regulation, if we could certainly restrict by
3 commodity or even country of origin, if there is a
4 revenue or a security or a safety concern. So,
5 putting that on the table for your immediate
6 reactions.

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

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

13 DR. EUGENE LANEY: And so, yeah.
14 But, I'm going to use that opening to -- to -- to
15 drop in. We would be really, really concerned if
16 we had to deal with 220 different importing de
17 minimis procedures. In other words, if we had one
18 for China, if we had one for Canada, if we had one
19 for Mexico, if we had one -- it would just be an
20 administrative -- it would just be a nightmare.
21 And I don't think it would solve the problem, and
22 it would probably make your job harder, because

1 then you would have to start a whole new
2 reeducation process of trying to figure out how to
3 teach someone that they -- what they import from
4 China might be different, you know, different de
5 minimis from what you import from India or
6 whatever. It just -- and then how long do you
7 keep that in place? Do you keep that in place
8 until you decide to have an FTA with India, or do
9 you keep it in place until you -- you have a
10 better relationship with Argentina? I mean, the
11 way the system works now, I think we're in good
12 place. We just need to work harder and smarter at
13 figuring out a way to address some of the concerns
14 that we have with the de minimis, and part of that
15 is a lot of what we're doing here today in
16 creating taskforce -- forces around the threat
17 issue -- the intelligence issue, the data issue --
18 including more parties that aren't here today --
19 there are a lot of parties that aren't here today
20 that we need to bring into this discussion. I
21 think if we go down that pathway, we can solve the
22 issue without having to create 220 different de

1 minimis levels.

2 MR. NATE HERMAN: Again, we're -- the
3 American Apparel and Footwear Association and our
4 members are very strong supporters of de minimis.
5 We supported the Trade Facilitation and Trade
6 Enforcement Act in large part because the de
7 minimis was increased from \$200 to \$800. And why?
8 Because E-commerce is, by far, the fastest growing
9 business. And so, we -- we understand the
10 concerns, and I believe that by allowing -- again,
11 allowing E-commerce fulfillment out foreign trade
12 zones would help address some of those concerns --
13 many of those concerns, because we want to be
14 compliant. Our members want to be compliant.
15 Again, we're all involved in CTPAT -- CTPAT Tier
16 3. We want to be compliant. And so, we -- we
17 want -- and then we also want to have our
18 distribution centers here in the United States.
19 We don't want them in Mexico in Canada or in Hong
20 Kong or somewhere else. We want to be able to
21 control our trade. And so, if you encourage us to
22 do that, and that is something within your

1 purview, you made an interpretation of the
2 statute. You issued a ruling interpreting the
3 statute one way, while we suggested another way.
4 So, there is -- that is well within CBP's power to
5 change their interpretation.

6 MS. CYNTHIA WHITTENBURG: Thank you.
7 Tim.

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

10 MS. CYNTHIA WHITTENBURG: That's
11 fine.

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

14 MS. CYNTHIA WHITTENBURG: We talked
15 him into it.

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

20 MR. NATE HERMAN: Yes.

21 MR. TIMOTHY SKUD: So, I have to
22 imagine there's some kind of tension within your

1 organization between the brick and mortar
2 retailers and -- and the -- and the others on this
3 de minimis issue.

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

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

1 process, that I don't know how we're going to come
2 to a conclusion.

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

22 DR. EUGENE LANEY: And I think

1 another part of that -- and this is where the
2 Department of Commerce comes in -- the brick and
3 mortar retailers that aren't on the web, they're
4 missing out on going global. So, the Department
5 of Commerce is working really hard to help these
6 companies go global. So, this is a way to expand
7 new jobs by teaching them how to go online and
8 sell in 220 different countries versus just
9 selling down the street on 7th Street. So, it's a
10 way for -- the Department of Commerce is moving in
11 this direction, so maybe we need to link the
12 Department of Commerce with what we're doing now
13 in China for those SMEs, those brick and mortar
14 companies in here to really show them this is the
15 advantage, and this is how you can become
16 compliant by going global.

17 MS. CYNTHIA WHITTENBURG: Okay.
18 Thank you. We went a little bit over. But, do
19 you have anything, James?

20 MR. JAMES HOLBEIN: Well, I was just
21 going to say it's interesting the relationship
22 between all these panels. So, we're talking about

1 we've got to add technology, we've got to improve
2 our data sharing, we've got to improve the
3 processes and enforcement. It seems to me your
4 advice to CBP on what are the factors that are
5 going to help the private sector to best bear the
6 cost as we move forward and we -- okay, let's
7 assume we have a new Customs Framework, it's in
8 place. What's going to make it the best way of
9 looking at this or the best factors for CBP to
10 consider for the private sector to bear the costs
11 of actually changing and going through all this?
12 What should CBP be looking for from you, or what
13 should they be doing? Because this is going to
14 cost money to make all the changes to get to the
15 new -- the 21st Century Customs Framework. It's
16 going to cost the private sector, it's going to
17 cost the government. How do we -- well, how
18 should we be looking at it? Lens -- it's a little
19 different lens when you brought on -- but, I
20 suggest to you that -- that your comment on the
21 FTZs is the very kind of thing I'm looking for.
22 What is it that we should be looking for to help

1 build this new framework?

2 MR. NATE HERMAN: I mean, I'm playing
3 on some of Eugene's comments here, but we need to
4 bring a lot of stakeholders in, but we also need
5 to look at what existing enforcement or compliance
6 mechanisms are already in place. And so, why not
7 look at foreign trade zones and ways to improve
8 the use of foreign trade zones? Why -- why not
9 look at existing mechanisms while we look at new
10 technology and new mechanisms to -- to address the
11 issue? But, getting back to -- to addressing your
12 point but getting back to something that Thomas
13 mentioned earlier about as CBP becomes more
14 efficient, it gets harder to differentiate. Our
15 companies are spending a lot of money on CTPAT
16 compliance, and we'll have to spend even more time
17 and resources to comply with the new minimum-
18 security criteria as they are currently proposed.
19 How do we -- how do we justify that to our senior
20 management and our member companies when we can't
21 show any discernible benefits? And so, it's money
22 on both sides. And so, maybe that money is better

1 spent doing something else, and that's where we
2 need to bring in all the stakeholders to figure
3 that out.

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

10 PUBLIC SPEAKER: Hi. My name is
11 Elizabeth Farrell. I'm a patent attorney. I work
12 at law firm Finnegan, but I'm here because I am
13 the Vice Chair of the Industrial Designs Committee
14 for the Intellectual Property Owners Association.
15 The Intellectual Property Owners Association
16 advocates for effective and affordable IP
17 ownership rights, and we're here today to suggest
18 that CBP should extend full border protection to
19 design rights as they do to copy rights and
20 trademarks. The ITC is currently the venue by
21 which design patent holders are expected to
22 enforce rights at the border, and that is neither

1 an efficient or timely solution in most cases.
2 For those of you who don't know, a design patent
3 protects the ornamental appearance of an article
4 of manufacture, such as the Coca Cola bottle, the
5 Volkswagen Beetle, the i-Phone, many types of
6 shoes, and toys.

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

20 Most importantly, we think that the
21 US -- many of US trading partners do enforce
22 design rights at the border, including the EU,

1 Japan, South Korea, India, South Africa, Mexico,
2 Turkey, Argentina, Switzerland, and China. Most
3 importantly and most notably, China actually
4 enforces design rights on outbound shipments.
5 That means they keep goods that infringe Chinese
6 design rights from leaving China in the first
7 place. Again, this is very helpful to our
8 clients, but the problem is, is that you still
9 have to deal the Chinese administrative system,
10 which many of you can imagine is quite a
11 challenge.

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

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

17 PUBLIC SPEAKER: Yes, thank you very
18 much. My name is Gregory Byrd. I'm the Deputy
19 Secretary General of GCEL, which is the Global
20 Coalition for Efficient Logistics. We are a
21 Swiss-based organization whose members and
22 supporters include nearly 150 countries, 26 IGOs

1 and NGOs, and the world's top technology firms.
2 I'm a little tired right now. I just got in last
3 night from Indonesia, Singapore, and Saudi Arabia,
4 so bear with me as I go through my comments.

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

8 MR. GREGORY BYRD: All right. Okay.
9 So, we have conducted nearly 15 years' worth of
10 R&D as it relates to trade efficiency and cargo
11 security and some of my comments were included in
12 our Chairman's expert testimony, Captain Samuel
13 Salloum, that he provided to the US House of
14 Representatives, best practices to secure US
15 borders. Certainly, we all recognize that trade
16 efficiency and security must go hand in hand.
17 This is one of the independent challenges. But,
18 we also must avoid a point of single failure by
19 providing multi layers of defense mechanism
20 including, number one, an intelligence layer at
21 the port of loading to dynamically flag suspicious
22 shipments, promoting further inspection. Second,

1 having a virtual fencing layer at the Coast Guard
2 and dynamically flagging suspicious carriers,
3 prompting further security measures. Third,
4 having a border crossing layer at CBP to
5 dynamically flag that suspicious shipment or
6 enterprise, and the national visibility of that
7 layer following the shipment all the way to its
8 final destination.

9 Now, this -- these multi layers of
10 cargo security requires data. It requires big
11 data. And this data has to be validated data by
12 multiple parties within the supply chain. This
13 could be achieved by putting together a global
14 digital economy platform including all players
15 that are involved in the movement of the shipment
16 from shelf to shelf. And I'm pleased to announce
17 and would like to present to you what many
18 countries around the world are now embracing is a
19 global digital economy platform of E-commerce, E-
20 finance, E-insurance, E-logistics, and E-commerce
21 owned and governed by not one organization, not by
22 one company, but by multiple organizations and

1 countries from around the world. This is
2 necessary in order to offset monopolistic,
3 geopolitical, and data privacy concerns, and to be
4 deployed by the world's top 13 technology firms in
5 the world that have built the world's government,
6 manufacturing, banking, and carrier systems around
7 the world. In this way, we can then grab and get
8 ahold of the big data necessary to grow our trade
9 and to prevent third borders. Thank you very much
10 for the time.

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

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

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

17 PUBLIC SPEAKER: I just, you know, as
18 we think through intelligent enforcement and
19 certainly, you know, big data is a part of that.
20 But, also resources is a part of that. Any time
21 we talk about enforcement, that's any exception in
22 the supply chain is the most important part of any

1 process, whether it's for the government or for
2 the trade, you know, utilizing those resources,
3 maximizing those resources is -- is key. So, I
4 think that any intelligent enforcement strategy
5 should be -- enable to take that big data and
6 recognize what resources are available to address
7 that -- prioritize that risk. Maybe this isn't
8 the right time for that one because we just don't
9 have the resources in place to -- to do that
10 today. We've also talked a lot about E-commerce,
11 but there is, you know, still this mass of ocean
12 shipments that are out there, so any intelligent
13 enforcement, you know, should also recognize, you
14 know, that maybe you only want to see one little
15 toy that's inside of one of those 40 containers
16 that's in that shipment, you know. Why can't we
17 let the rest of this go, you know, to keep that --
18 to keep that part moving, but utilize, again, that
19 -- that information needed to identify what we
20 really need to look at and make sure that we are
21 looking, you know, at exactly what we need to and,
22 you know, what is in that risk management

1 strategy.

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

9 Let's go ahead and start taking our
10 seats so we can start with our final panel, who
11 have been patiently waiting for us this afternoon.
12 All right. If everyone could go ahead and take
13 their seats, please. All right. Well, as I said,
14 we are at our last panel of the day. I know
15 they've been patiently waiting to talk about
16 Emerging Roles in the Global Supply Chain. But,
17 before we start, a couple of announcements. I
18 think there have been a couple of people who have
19 switched to jackets. If you picked up the wrong
20 coats, I've been asked to make sure you've got
21 your jacket. I know there's a lot of the same
22 color out there. And also, you know, we've talked

1 about a lot of collaborative approaches that we
2 take a CBP to push information out. Obviously, we
3 had our COAC meeting earlier this week, and we've
4 got this going on today. But, maybe this would
5 have been better mentioned during the cutting-edge
6 tech panel, but the Office of Trade has a Twitter
7 account, at cbptrade dot -- excuse me, not dot --
8 at cbptradegov, one word, where we're pushing all
9 that information out. So, go ahead and follow
10 them on Twitter. We're trying to make them an
11 influencer, as the kids are saying these days.
12 So, CBP at cbptradegov is the Twitter account
13 here. So, with that, I'll welcome our next and
14 fifth and final panel of the day.

15 The modern international trade
16 environment is marked by emerging actors and
17 dynamic supply chains, all driven by technological
18 advances and new methods of conducting business.
19 CBP's traditional legal frameworks were developed
20 to primarily reflect a market dominated by
21 containerized shipments and the supply chains that
22 once and still support them, as opposed to small

1 packages and business models built around E-
2 commerce. CBP is seeking to ensure that all
3 parties in the modern supply chain are aware of
4 their responsibilities to promote safety and
5 compliance, while still enabling legitimate trade
6 and economic prosperities. We look forward to
7 this panel, and with that, Madame Chair, our first
8 speaker on this Emerging Roles in the Globally
9 Supply Chain Panel is Jon Gold from the National
10 Retail Federation. So, Jon, we'll turn it over to
11 you for five minutes.

12 EMERGING ROLES IN THE GLOBAL SUPPLY CHAIN

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

20 NRF is the world's largest retail
21 trade association, representing discount and
22 department stores, home goods and specialty

1 stores, main street merchants, grocers,
2 wholesalers, chain restaurants, and internet
3 retailers for the United States and more than 45
4 countries. Retail is the nation's largest private
5 sector employers, reporting 1 in 4 US jobs.
6 That's 42 million working Americans. Contributing
7 2.6 trillion dollars to annual GDP, retail is a
8 daily barometer for the nation's economy.

9 We would like to applaud CBP for
10 taking the initiative to develop the framework and
11 see input from the trade community. As global
12 supply chains continue to grow and become more
13 complex, especially with the continued growth of
14 E-commerce, CBP as well as other government
15 agencies must recognize the new business models
16 more collaboratively to ensure the right balance
17 between facilitation and enforcement. These new
18 business models are reshaping the retail industry
19 both here and abroad. As a result, American
20 businesses are increasing their investments in US
21 infrastructure, technology, and supply chain are
22 hiring hundreds of thousands of US workers to

1 support new and growing consumer demands. CBP's
2 21st Century Customs Framework initiative should
3 recognize the vast opportunities created through
4 these new business models by focusing on ways to
5 facilitate trade for small and medium-sized
6 enterprises. The framework should focus on
7 helping companies, both large and small, to
8 continue to grow and develop these new business
9 models as well as those that haven't been
10 developed yet. CBP needs to ensure that whatever
11 comes out of this exercise will not stifle
12 innovation for an ever-growing business model.

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

19 Clarity of rules. This is extremely
20 important in the new E-commerce environment. One
21 issue in particular that's already been discussed
22 is the lack of clarity surrounding Section 321

1 entries and FTZs and completely supports what Nate
2 Herman said earlier. So, that's one area we think
3 needs to have better use and better clarity on the
4 rules going forward.

5 Partnerships and pilot programs. CBP
6 has been extremely successful in identifying new
7 issues and partnering with the trade community to
8 find solutions that work for both industry and the
9 government. CTPAT, the Cs, ISF, all provide
10 examples of how CPB has partnered with the trade
11 community to develop programs with bi-directional
12 training. The 21st Century Framework Initiative
13 is the prime opportunity for CBP to continue to
14 partner with the trade community and develop pilot
15 programs with key stakeholders to address new and
16 emerging issues. These pilot programs are
17 essential to make sure that any new rules,
18 regulations, or programs do not overly burden
19 industry and stifle innovation. In addition, CBP
20 must make sure that it provides accurate liability
21 protection for those companies who decide to
22 participate in any new pilot program and showing

1 real tangible benefits to the trade partner is
2 critical as well. Both actions will help ensure
3 that CBP has the best representation for industry
4 across the board.

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

16 Now, let me address some of the
17 questions that CBP posed in the framework
18 regarding Emerging Roles in the Global Supply
19 Chain. What new roles in the global supply chain
20 are unaccounted for in CBP's current legal
21 framework, and how should the agency account for
22 these roles? With the significant growth in E-

1 commerce and continued advancements in technology,
2 it's incredibly important for CBP to work with the
3 trade community to fully understand the roles and
4 responsibilities of new entities in the global
5 supply chain. There are more and more
6 requirements upon importers to assure that the
7 products are produced safely, securely, without
8 forced labor, in any other initiative going
9 forward. The majority of these companies are good
10 actors and continue to try to do the right thing
11 every day to assure that the products consumers
12 buy either in-store or online meet all these
13 requirements. However, CBP must continue to work
14 in a collaborative manner with industry to
15 identify any gaps that may exist. Continuing to
16 develop mutually beneficial partnerships that
17 provide real two-way benefits is critical to this
18 process.

19 How can CBP work with E-commerce
20 platforms and carriers to identify and determine
21 what the solution is? We agree with comments
22 submitted to CBP that call for the promulgation of

1 regulations authorizing the collection and
2 disclosure of markings, alphanumeric symbols,
3 coding of products or their retail packaging to
4 mark owners and other interested parties for the
5 limited purpose of investigating importers supply
6 chain where a seizure is made. This is also where
7 partnerships are critically important for CBP to
8 fully understand how these platforms and
9 marketplaces work to see what kinds of programs
10 can be put in place to identify and deter these
11 illicit shipments.

12 Finally, how can new actors in the
13 supply chain work with CBP to improve trade
14 security? Education will be critical for CBP to
15 ensure that new actors in the global supply chain
16 can work with CBP to improve trade security.
17 Webinars, listening sessions, compliance manuals,
18 additional utilization to seize, all are important
19 elements to make sure that all actors know the
20 rules of the road and what is expected for trade
21 security. Providing opportunities for new actors
22 who participate in pilot programs or partnership

1 programs to gain better understanding of what may
2 or may not be required will be important as well.
3 Again, providing real, tangible benefits to the
4 trade community to encourage their participation,
5 creation, and implementation of best security
6 practices in the global supply chains is also a
7 key.

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

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

21 MR. TIM PERRY: Thank you very much
22 for the invitation to speak. I'm Tim Perry with

1 American President Lines. We're at 17th and K
2 here downtown. I appreciate joining the panel on
3 Emerging Roles in Global Supply Chain. Let me
4 first begin by saying APL is the world's leading
5 ocean carrier. Among them, we have more than 170
6 years of experiences, and there are many carriers
7 in the world -- big ones and small ones. We offer
8 more than 120 weekly services and ports in over 70
9 countries. We provide container transportation
10 through our international shipping network, which
11 combines intermodal operations with advanced
12 technology equipment and E-commerce.

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

1 those -- that compliance.

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

1 targeted, albeit legally and logically.

2 As an example of emerging roles, the
3 term ocean transportation pretty much spoke to
4 port-to-port transportation, but as we focused on
5 transportation by vessel. Fast forward to
6 contemporary times where we see that much has
7 changed in that industry. The term emerging role
8 involves the fact that ocean transportation no
9 longer is known as only port-to-port transport.
10 Ocean transportation now moves point-to-point
11 transportation around the globe. Point-to-point
12 moves constitute a much larger portion of cargo
13 volume than it once did. Using an actual export
14 scenario out of the United States, cargo is booked
15 to move to an inland point -- from an inland point
16 in the United States to an inland point in a
17 foreign country, and the foreign port where the
18 cargo was scheduled to discharge was suddenly shut
19 down. The cargo was stranded unless another
20 transportation scenario could be set up. So, the
21 carriers, using the global network and alliances,
22 moved the cargo to yet another foreign country

1 where the cargo was discharged. Intermodal
2 networks were set up in order to transit the cargo
3 to the ultimate foreign destination. But,
4 information originally transmitted by the carrier
5 when it exported the United States changed a lot.

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

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

19 Other changing roles are the carrier
20 alliances. They are sure to evolve. Alliances
21 didn't exist at one point, and they're sure to
22 evolve. They're now an established part of the

1 industry, and they're dynamic. Formation of
2 alliances are important, as they allow greater
3 coverage and availability. Among other things,
4 they allow [inaudible] to have weekly port
5 services.

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

21 I look forward to answering and
22 discussing any of these topics with you, and I

1 want to thank you very much for listening to my
2 comments.

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

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

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

21 Amid the turmoil of all the shifting
22 trade landscape, however, one constant remains for

1 CBP -- the licensed Customs broker. Brokers have
2 always played a unique role in the supply chain.
3 Licensed and regulated by CBP, brokers serve as a
4 skilled and trusted partner delivering the agency
5 from the chaos of dealing with tens of thousands
6 of importers. Brokers significantly reduce the
7 points of interaction between CBP and the trade,
8 thereby making the job of processing the thousands
9 of entries every day manageable. Brokers still
10 file more than 90 percent of all the filings that
11 are done.

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

22 Many importers, not the ones here

1 today, but many importers out there really don't
2 understand what their responsibilities and
3 obligations are in terms of what they can legally
4 bring into the United States. Brokers fill that
5 gap. I emphasize this point, not to give brokers
6 a self-congratulatory pat on the back, but I can
7 do that too. Never have the requirements of
8 Customs business been so important. The concept
9 of Customs business means that an entry and
10 admissibility of merchandise or its classification
11 and valuation where they are not performed by the
12 importer themselves must be performed by an
13 accountable party with specialized knowledge and
14 expertise. The fast and furious world of 21st
15 Century trade, while it may be expedient to narrow
16 the scope of Customs business, but to open the
17 gates to an array of non-licensed parties would
18 not really serve any of our needs. But, because
19 trade is undergoing such a drastic change, it's
20 all the more important for CBP to respect the
21 legal parameters of Customs business. Eroding
22 Customs business broadens CBP's exposure,

1 weakening and often exceeding CBP's ability to
2 manage commercial operations and enforce US law.

3 In an era of big data and artificial
4 intelligence, good data from reliable sources
5 matters. ACE, itself, requires sufficient data-
6 gathering and, if entered by a reliable party.
7 This is not only true for CBP in its own
8 targeting, but also for the PGAs. Yet, how can
9 CBP accurately know to push data to PGAs or manage
10 it themselves with abbreviated or reduced data? A
11 manifest doesn't tell you who the buyer is or who
12 the seller is. There is certainly to HDS to
13 identify the product. Every single importation,
14 no matter its size or value, can pose a threat to
15 the health and safety or play a part in eroding
16 the economic well-being of our nation. Whether
17 it's a 40-foot container or a 40-inch box, CBP
18 needs to know what's entering the United States.

19 On a parallel note, we're all about
20 advancing technology, giving you more data, using
21 artificial intelligence, anything at all that can
22 make this enormous task easier for all of us. I

1 also want to add and ask that CBP remembers that
2 ACE is our core technology today, and we haven't
3 finished it yet. So, I would ask that we focus on
4 that as well. Don't lose sight of all these great
5 things that could be around the corner. But, also
6 we need to make sure that ACE is giving us the
7 functionality that we need now. So, finish ACE.
8 Brokers were integral in getting ACE off the
9 ground, and we will continue to assist you in that
10 department. Thank you for your indulgence.

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

14 MR. BARRY BAXTER: Good afternoon.
15 My name is Barry Baxter. I'm the Senior Director
16 at Customs Compliance with Walmart. For
17 background, Walmart serves customers globally in
18 stores and online. Each week, over 275 million
19 customers and members visit our more than 11,000
20 stores under 58 banners in 27 countries and E-
21 commerce websites. Thank you to CBP for
22 organizing this public forum for us to express our

1 comments.

2 A primary objective of our CEO, Doug
3 McMillan, is to be the most trusted retailer, and
4 a major part of that objective is maintaining
5 consumer trust in the products we bring to them
6 every day. We have a long history of working with
7 CBP. This year, this meant processing over one
8 million entry lines from nearly 50 countries
9 across 43 ports of entry. We are a Tier 3 CTPAT
10 member in compliance and supply chain security
11 that we take very seriously.

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

1 regulatory accountability and how to make
2 compliance successful for companies, no matter how
3 large or small.

4 A Century -- a 21st Century Framework
5 should bring clarity, focus on prevention, and
6 be flexible. There is a need for clear and
7 consistent rules on how CBP and PGAs approach new
8 supply chain models. This also ensures a level
9 playing field, reducing the risk of differentiated
10 treatment depending on the model used. Quick
11 clarification from regulatory agents can --
12 agencies can ensure that all of the best models
13 are pursued. Prevention -- a new framework
14 focused on prevention. Enforcement is, of course,
15 necessary to detect and deter specific activity,
16 but prevention will help build a system that stops
17 problems before they occur. We believe that
18 enhanced information-sharing is a key component to
19 identify risk in the supply chain. This should be
20 two-way communication between the government and
21 private sector to share intelligence on specific
22 concerns. That will also be critical, but too

1 much of the wrong data can slow down processes and
2 actually obscure risk identification. A new
3 framework should narrow information requests down
4 to what is absolutely essential.

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

14 Finally, flexibility of a modern
15 framework should be designed to encourage
16 participation and with flexibility. A new
17 framework should be sure to not discriminate
18 against business models, ensuring that there is
19 differentiation in treatment. Small pilots and
20 experimentation are necessary. We have seen
21 success, for example, using block chain pilots for
22 food safety. As recently as this past fall,

1 Walmart has announced their food traceability
2 initiative. After years -- two years of testing
3 and learning we are launching a food traceability
4 initiative that will require our leafy -- our
5 fresh leafy green suppliers to be on our block
6 chain starting this past January, and by this fall
7 of this year, our leafy green suppliers will
8 enable traceability back to the farms.

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

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

20 Thank you, again, for your time, and
21 we commit to continue working with Customs and
22 other partners on developing these new solutions.

1 MR. BRADLEY HAYES: Thank you very
2 much, Barry. And now, we will turn to our final
3 speaker on the panel and of the day. We
4 appreciate your patience. Candace Sider from
5 Livingston International. So, Candace, we'll turn
6 it over to you for five minutes.

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

13 I wanted to share some of our
14 perspective on global E-commerce and its emerging
15 role within the supply chain. Sales are expected
16 to reach 4.8 trillion dollars by the year 2021.
17 In 2018, US online sales of physical goods
18 amounted to 504.6 billion dollars and are
19 projected to surpass 735 billion by the year 2023.
20 These figures are staggering and illustrate
21 significant growth in this stream and the need to
22 implement broader, targetting parameters. As

1 well, 77 percent of the entire US population
2 purchases goods online.

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

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

21 Opportunities to certify Trusted
22 Traders in the E-commerce string should be

1 explored in an effort to mitigate risk, enhance
2 security, and provide benefits to those traders
3 who have demonstrated regulatory compliance.

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

21 Some key points I wanted to leave
22 with you today for consideration. Does data

1 quality and integrity improve through block chain
2 as compared to traditional information received
3 through receipt of advanced cargo information?
4 And would the information become available earlier
5 in the supply chain as an alternative to ACI?
6 Would time to market for new trade documents,
7 container status messages, as an example, improve
8 versus Customs traditional approach where we
9 actually are testing and building connections? Is
10 there an opportunity to integrate multiple block
11 chain into the ecosystem itself? A fundamental
12 unanswered question that Customs administrations
13 are asked is how government will interact with
14 multiple block chain nodes.

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

21 As key partners in the supply chain,
22 we encourage greater collaboration and dialogue as

1 to the potential opportunity for engaging
2 technology as an innovator to streamline processes
3 and procedures, which would enhance data analytics
4 used to forecast and measure tangible security
5 threats and enforcement.

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

11 Thank you for the opportunity to
12 provide comment today.

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

17 MS. CYNTHIA WHITTENBURG: Thank you,
18 Bradley, and thank you, panelists, for your
19 commitment to, I think, the future and the
20 sacrifice of time of being here. I have a
21 question for Ms. Magnus as the principle
22 representative of the NCBFAA. Do you see freight

1 forwarders as acting in different manners than
2 they may have some 25 years ago?

3 MS. AMY MAGNUS: Yes.

4 [Laughter.]

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

7 [Laughter.]

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

20 Foreign trade forwarders, I -- I have
21 a little bit more difficulty with because I don't
22 know who they -- who is controlling them -- who

1 are they licensed by and who are they being
2 controlled by.

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

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

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

14 MR. JAMES HOLBEIN: Say again?

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

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

1 that's doable still?

2 MS. AMY MAGNUS: That's a tough one
3 for me, I can tell you that I am very much on the
4 Northern border, so I deal with the Canadian in
5 particular more than Mexico, and I think we've had
6 a very good relationship for lo these 20-some-odd
7 years under NAFTA. I do think that we have
8 created some difficulties for ourselves, none of
9 which anybody in this room had any responsibility
10 for, but contentious relationships with our very
11 closest trading partners have not done us much
12 good, in my opinion. I think about the steel and
13 aluminum duties, for example, that we've levied
14 against Canada and Mexico. But, that's nothing
15 that any of us can do. We have increased the
16 complexity, however, of dealing with some of our
17 most traded partners -- our most trusted trading
18 partners, the Canadians and the Mexicans, with the
19 232 duties, I think. That's created some
20 problems.

21 How can we do a better job? I think
22 we've done some good things. We have shared with

1 manifest information for many years also. When
2 goods are going to Canada, we're not filing an AES
3 or an export filing, because the data is shared
4 with -- unless it's licensed goods -- the US
5 obtains some of that important data from the
6 Canadians. So, there's a sharing of data between
7 the two nations, because there is a trusted
8 relationship between Canada and the United States.
9 I think that's a very good process, and I think it
10 -- it streamlines, if you will, some of the
11 efforts.

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

17 MS. CYNTHIA WHITTENBURG: Okay.
18 Thank you. Did you have any comments?

19 MS. CANDACE SIDER: Well, I would
20 definitely agree with what Amy is saying. I think
21 there's a lot of opportunity to really harmonize
22 on some of the regulations that are in place and

1 that would facilitate trade, you know, and not
2 create delays in terms of facilitating movement of
3 cargo back and forth. And we have two different
4 sets of regulations, but basically the same
5 commodity.

6 MS. CYNTHIA WHITTENBURG: Thank you.
7 Tim.

8 MR. TIMOTHY SKUD: Thanks, Cynthia.
9 I guess I'll focus on Amy, you're in the middle.

10 MS. AMY MAGNUS: Why is it just me?
11 [Laughter.]

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

14 MS. AMY MAGNUS: Thank you, Tim.
15 [Laughter.]

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

22 So, under the current Customs law,

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

14 MS. AMY MAGNUS: I think that a
15 broker adds value to the transaction, and I say
16 that because of the example that you just gave.
17 Someone could be ordering something online and
18 really not understand that there might be rules or
19 regulations around bringing that good in. It
20 might be a sewn garment, but it could be decorated
21 with feathers of birds that are going to
22 extinction, and how would somebody really know any

1 of that? And the broker may not necessarily know
2 either, but if the broker is involved in the
3 transaction, every broker worth his or her salt
4 will see feathers, and they will immediately say
5 oop, oop, wait -- that could be a Fish and
6 Wildlife issue, or we could see some other
7 product. Now, you might see on the manifest
8 description that it's a garment. But, we may have
9 additional information. So, there is -- I know
10 CBP is working on the entry type 86, and I'm glad
11 about that, because it appears -- though I don't
12 have any insight into exactly what the data fields
13 are going to be when that is rolled out -- but, if
14 it has the kind of data that exists currently on
15 an ACE release, you'll certainly have more
16 information available to you to do your screening
17 and targeting, not just for security, but also for
18 all the other risks like the PGA-type information
19 or other things. Maybe it's subject to anti-
20 dumping and countervailing duty, and who's, you
21 know, do you really think your grandmother is
22 going to know that if she orders a certain kind of

1 plastic bag from China, it might be subject to
2 anti-dumping or countervailing duty? I don't
3 know. I think as brokers, we have access to more
4 information available to us because of our
5 training as well. We might be able to recognize
6 that or certainly have a better chance of
7 recognizing that.

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

14 MS. CYNTHIA WHITTENBURG: Thank you.
15 Anyone else?

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

19 [Laughter.]

20 MS. CHRISTA BRZOZOWSKI: That gray
21 color. I like that. Maybe -- maybe for actually
22 any one of you. So, I heard several comments --

1 and I think it's been a theme through as long as
2 I've been here this afternoon -- the value of a
3 whole government approach. So, the PGA is, of
4 course, the jargon, but in making policy and then
5 certainly implementing whatever -- whatever it
6 happens to be. So, that's great. It can be hard
7 to do. There are several bodies, some in -- in
8 law, some in administrative policy like executive
9 orders, what's -- what's your recommendation?
10 What are the most appropriate forms, and how can
11 we do better? How can DHS -- how could Customs do
12 better in this regard? What other tools could we
13 potentially explore for actually making this
14 happen in reality?

15 MR. JON GOLD: I think as a starting
16 point, it was brought up earlier, I mean, the BIEC
17 is a prime opportunity where you've got PGAs that
18 are kind of cooperating together. I think
19 starting from that point, trying to figure out
20 what the -- the end goal is. Obviously, you've
21 got different missions from different agencies,
22 but at the end of the day, what are we trying to

1 do? Let's put that up on the board and figure out
2 how do we get there. So, you're talking data.
3 What is that appropriate amount of data that is
4 needed for each of the agencies to do their risk-
5 based targeting? Let's focus on the risk-based
6 targeting. Let's not just throw all the data out
7 there and say we need everything to look at,
8 because you don't need everything to look at.
9 It's an exercise we went through as you were
10 talking ISF. You've got thousands of data
11 elements out there. Let's narrow it down to what
12 is the minimum that we need to be able to identify
13 the security threat that's there. So, in this
14 environment as well, that's an opportunity to look
15 at to try to figure out from all the agencies,
16 where is that core data set that's needed to be
17 able to do the risk-based targeting going forward.
18 I mean, the BIEC, obviously, is the starting point
19 for that. You've got agencies at that are the
20 table, but it's got to come from leadership down
21 to figure out how to do this going forward,
22 because obviously, CBP isn't the only agency

1 that's taking a look at E-commerce right now.
2 CPSC is looking at it as, you know, Rebecca
3 mentioned earlier, as well as other agencies. So,
4 it's a growing effort, and if we don't get in
5 front of it now, it's going to be too late down at
6 the end of the road. So, I think starting with
7 the framework and trying to work with the other
8 agencies so that you all have, I don't want to say
9 a common mission, but at least we're all working
10 together to figure out how do we work
11 collaboratively together between the agencies and
12 industry, because we all want to work with you.
13 You know, this only works if we all work together
14 to identify the right steps. We all want to keep
15 the bad things out. But, if we're not working
16 together in a collaborative effort, we're going to
17 fail miserably.

18 MS. CYNTHIA WHITTENBURG: Thank you.
19 Jennifer is passing. Lee --

20 MR. TIM PERRY: If I might say --
21 Cynthia, if I may.

22 MS. CYNTHIA WHITTENBURG: Sure.

1 MR. TIM PERRY: I want to commend
2 this panel whether it be Treasury or Customs or
3 any other -- ITS or Customs -- groups for having
4 public meetings like this. Not only this public
5 meeting when we're here, but with the TSN, COAC,
6 the CSAC, all the different opportunities that you
7 have -- the ITBS board meeting where the folks
8 meet with not only with PGAs but the COAC is there
9 representing the industry and other members of
10 industry. I think if one was to look at the
11 government budgets in different departments, there
12 is very little in each department, whether it's --
13 I'm just going to pick -- housing or energy or
14 whoever, but Customs allocates a significant part
15 of the -- of their budget to host events like
16 this. And so, this isn't to shout out to say this
17 is a great -- great to have event, but to talk to
18 people from the trade and whether it's the NCBFAA,
19 events around the United States, or it's events
20 like this, or it's a trade symposium you had
21 recently -- I think it was in Atlanta. This is --
22 I must say, this is something that is not done in

1 many other agencies. And so the culture at
2 Customs and Treasury is -- is to listen to the
3 customer -- listen to the people who they
4 regulate. So, I would just commend the committee
5 on that, and that's where you will hear a little
6 bit more pointed feedback on what needs to be
7 changed.

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

12 [Laughter.]

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

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

21 MS. AMY MAGNUS: I think I've already
22 made my recommendation. I think that the data

1 that's transmitted in the ACE release is important
2 data, and I would champion that we look at that
3 very closely, because it has more information than
4 just manifest data. But, I understand that there
5 may be some very low-risk and Trusted Traders that
6 might be able to transmit much fewer data fields
7 because they've vetted in some other process. So,
8 I can understand that. But, there is so much
9 coming into the United States right now that I
10 think we need to take a close look at it.

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

22 MS. CYNTHIA WHITTENBURG: Thank you.

1 I have a question for Tim. What are some of the
2 biggest changes you foresee in the ocean cargo
3 environment that we should be cognizant of?

4 MR. TIM PERRY: Well, I would say
5 thank you very much for the question. I think in
6 my few years with American President Lines, when I
7 got on, the ships were about this big, and now
8 they're really big and they're shared. And so,
9 one of the challenges we have is collecting the
10 amount of information that's required by various
11 governments around the world, not just Customs in
12 the United States, but Mexico and Canada and
13 France and China and Indonesia and Australia and
14 New Zealand. Everybody seems to have the need --
15 everybody does logically have the need to collect
16 manifest information regardless of the size of the
17 ship. I would suggest that the largest challenge
18 was have is coming to understand what --
19 recognizing that the importance of business is
20 keeping the cargo moving -- it's cargo velocity --
21 is getting the right amount of data -- getting
22 whatever all these parties need and getting them

1 that data. If you can imagine an ocean carrier
2 collecting 120 pieces of data that would satisfy
3 everybody's desire in the world of where that
4 cargo is going.

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

21 MS. CYNTHIA WHITTENBURG: I have one
22 -- one last question, and Amy's taught me to ask a

1 compounded question. So, this is for you, Jon.
2 How do you work with your members to, I guess,
3 facilitate their compliance and where do you see
4 their internal compliance programs changing in the
5 future when they have threats such as forced labor
6 entering the supply chain?

7 MR. JON GOLD: Sure. So, I think the
8 role of these associations, we provide as much
9 information as we can to our member companies to
10 let them know what the new changes are and let
11 them work through their internal processes for how
12 we do their compliance. Obviously, compliance is
13 becoming more and more complex, as more and more
14 of these issues are coming to the front of the
15 line, whether it's forced labor or whatever the
16 next thing is going to be. So, I think we provide
17 kind of the clearinghouse to provide members the
18 information, let them talk to each other through
19 different avenues, whether it's conference calls,
20 benchmarking surveys, so they can figure out what
21 they can do, provide options for CBP and other
22 agencies to provide updates and kind of where the

1 rules are going. So, I think that's the role we
2 play, and we're always open and willing to share
3 any all that information with members to allow
4 them to make the best decisions they can for how
5 they are going to do their compliance programs.

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

9 MR. JON GOLD: No, not enough.

10 [Laughter.]

11 MS. CYNTHIA WHITTENBURG: I think
12 time is up.

13 MR. JON GOLD: Cynthia, if I can.
14 It's not just the associations. I think there's
15 so many different avenues that the government can
16 take now to get information out to the public
17 whether it's through the associations, through
18 social media, through the local ports that are
19 there, through the brokers. I mean, there's so
20 many different avenues that the government can
21 take advantage of opportunities to get the
22 information out. And it's, you know, having the

1 website that's clear and concise the folks can
2 find -- can easily find things they're looking for
3 is another part of that. So, I think there are
4 different ways they can do that. Obviously, all
5 the associations for all the different entities
6 that are here play a vital role in helping to
7 provide and push that information out. We can't
8 control what our members do with that information
9 at the end of the day. We can just provide the
10 opportunity to give them the information for what
11 they need and provide you the platform to give
12 that information out, and we're always happy and
13 willing to do that.

14 MS. CYNTHIA WHITTENBURG: Thank you.

15 MR. BRADLEY HAYES: Okay. I think
16 we'll let the record reflect that Tim's comments
17 end as a piece of praise with the last comments of
18 this panel -- I'm kidding Jon. Thank you for
19 those. I think that was a good discussion. So,
20 we'll open it up now. You know, we're pushing up
21 on 4:00, but I want to open up the floor for
22 public commentary. Again, same procedure. The

1 plan is to approach the mic. Just make sure you
2 introduce yourself before you comment. We
3 recognize, go ahead and introduce.

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

12 So, in my last role, I happened to be
13 the Chair of the BIEC. Two individuals on the
14 dais were on the BIEC. We could never get
15 agreement on advancing the single window except
16 for when we had to exercise Ms. Brzozowski, who
17 was actually at the time representing the White
18 House. To bring the issue to the White House to -
19 - actually, she gets a lot of credit for issuing
20 the Presidential Executive Order, which is an
21 exception. Then you fast forward, and one of the
22 greatest successes that's touted as collaboration

1 is ACAS, and Mr. Wenkowsky always used to remind
2 me about it and Mr. Mullen always used to remind
3 me about it and said where's the regulation for
4 ACAS? It was a real threat. There were
5 explosives in printed cartridges, and the industry
6 partnered with CBP to address it in a matter of
7 days and weeks. Mr. Mullen reminded me. It took
8 seven years to get the subsequent regulations put
9 in place.

10 So, it's always troubled me that I
11 was never in my position being able to change the
12 regulatory process -- the rule-making process, and
13 it culminated earlier in the week when we were at
14 COAC, and they were addressing the regulatory
15 process. And I think many people talked about
16 their work on that process to include reading the
17 regulations twice. I personally thought I didn't
18 have a life, but apparently some people may not
19 have a life either. And there must have been some
20 ambiguity because Mr. Feldman eloquently
21 summarized that there are over 400 regulations
22 that were identified over several years of work

1 and thousands of hours of labor. Think of the
2 opportunity cost that expended. And not one of
3 those 400 plus -- as Mr. Mullen I don't think was
4 criticizing but was just making an appropriate
5 observation -- were ever rescinded.

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

12 MS. CYNTHIA WHITTENBURG: Thank you.

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

1 [Applause.]

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

11 All right. Well, I guess we solved
12 it all then with the industry help. So, with
13 that, again thank you everyone for attending
14 today's hearing. Obviously, I think it was
15 incredibly productive. We got a lot of good ideas
16 that we'll take back internally and work with our
17 PGA and our partners. So, before we conclude for
18 the afternoon, let me turn it over once more to
19 the Chair of our panel for this afternoon, Deputy
20 Executive Assistant Commissioner, Cynthia
21 Whittenburg, for any closing remarks and to close
22 us out.

1 MS. CYNTHIA WHITTENBURG: So, I just
2 want to thank everyone. Today was a pretty robust
3 day, it was a long day, and I appreciate you all
4 who hung in there to the end -- to the finish
5 line. And we look forward to working with you all
6 in the months coming -- hopefully not many, many,
7 many years to come. With that said, thank you,
8 and have safe travels home.

9 [Whereupon the proceeding was concluded.]

10 [Off the record.]

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I, DEIDRA b. DELISSER, Court Reporter and Notary Public of the State of Maryland at Large, do hereby certify that forgoing 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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