

CBP Trade Strategy

An Interactive Session to Engage the Trade in Identifying Initiatives and Approaches to Further CBP's Trade Mission

13-14 April 2011

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Homeland
Security



Goal 1: Facilitate Legitimate Trade and Ensure Compliance

Improve risk assessment and targeting based on advance information to identify and facilitate compliant imports.

Strengthen partnerships with the trade community, other U.S. government agencies and international organizations to ensure compliance.

Expand pre-entry and post-release verification programs to reduce cargo delays at the border.



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13-14 April, 2011



Goal 2: Enforce Trade Laws and Collect Accurate Revenue

Improve risk analysis and targeting through information sharing with the trade community, other U.S. government agencies, and international organizations to identify trade law violations.

Apply consistent and swift enforcement actions to deter and address trade law violations and ensure lawful revenue collection.

Employ trade expertise to set priorities, assist in establishing national trade policy, and verify compliance.



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Goal 3: Advance National and Economic Security

Protect U.S. consumers through the secure and trusted import of safe agriculture and goods.

Protect domestic industry from unfair trade practices related to IPR, textiles, and AD/CVD trade law evasion.

Advance DHS and CBP security priorities and assist other U.S. government agencies with primary concerns.

Strengthen national trade policy by influencing the development of actionable trade laws and regulations that enable CBP to more effectively administer trade policy.



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Goal 4: Intensify Modernization of CBP's Trade Processes

Streamline trade processes and enhance delivery of services to stakeholders through automated, account-based, and paperless processes and technology.

Strengthen trade expertise and ensure a skilled workforce capable of effectively executing CBP's mission.

Ensure organizational preparedness and commitment to change to realize the benefits of modernization.



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Questions

What strategies can CBP use to try to achieve these objectives?

What activities can CBP implement to support these objectives?

What strategies is CBP currently using that actually create obstacles to trade facilitation?

If you could suggest one strategy CBP can use to meet each of these objectives, what would it be?



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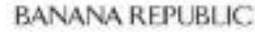
What is RILA?

RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

RILA proudly counts as members:

- 9 of the top 10 U.S. retailers (as reported in the 2010 Chain Store Age magazine)
- 12 of the top 25 U.S. Importers (Journal of Commerce Top 100 Importers and Exporters Special Report)





Here Everything's Better.



From retailers' point of view, how can CBP best achieve its mission?

- The four strategic goals are very good, and are still valid.
- CBP is executing some objectives very well.
- Other objectives should be reconsidered, or the means to achieve them should be revised
- I'll focus on three areas:
 - CBP's partnerships and account-based management
 - Textiles as a priority trade issue
 - Effective enforcement of antidumping and countervailing duty laws



Areas that CBP is doing well

CBP has greatly improved its efforts to reach out to the trade, particularly as compared to other government agencies.

Several RILA members participate in CBP's partnership programs such as the Customs-Trade Partnership Against Terrorism (C-TPAT) and Importer Self Assessment (ISA), and find these are worthy voluntary programs that facilitate their stated objectives and whose efficiencies should continue to be expanded.



Areas that CBP is doing well

Retailers also support the Centers of Excellence and Account Executive pilot projects. These pilots should continue and be broadened to allow more participation.

An important aspect of these pilots should be to promote more consistency among ports, which would enable more efficiencies for both CBP and the trade.

CBP should also continue to work with other government agencies to fully implement an interoperable single-window interface to facilitate trade and reduce delays and misinformation.



Trade Priority Issues

The Trade Strategy includes seven priority trade issues:

- Antidumping/Countervailing Duties (AD/CVD)
- Agriculture
- Intellectual Property Rights (IPR)
- Import Safety
- Penalties
- Revenue
- Textiles and Wearing Apparel



Trade Priority Issues to Reconsider

Most of the seven trade priority issues are appropriate, but two could be modified.

- Textiles
- Retrospective AD/CVD collections



Textiles and Wearing Apparel

CBP's emphasis on textiles and wearing apparel is out of sync with where the industry and marketplace are today.

- All special protections and quotas on textile and apparel trade were eliminated at the end of 2008. This paradigm shift should now be recognized in CBP's trade strategy.
- U.S. textile and apparel producers represent less than 0.2% of U.S. GDP.
- CBP should work with Congress and other government agencies to simplify the rules of origin so they are easier to use and enforce.
- Textiles/apparel should be a priority only within the context of revenue collections (which is a separate priority).



AD/CVD

- In 2010, there were approximately 300 AD and CVD orders in place, covering over 120 products from 40 countries.
- AD/CVD collections under the current US retrospective system are burdensome and resource-intensive because final duty collections generally occur years after a good is entered.
- A Department of Treasury analysis found that CBP's overall duty collection rate exceeds 99 percent. While the collection rate for AD/CV duties was somewhat lower (96 percent), the collection rate for AD duties owed as a result of an administrative review is less than 50 percent.
- Given limited resources, how can CBP be more effective and efficient in collecting AD/CVDs?



Prospective AD/CVD Collections

The Government Accountability Office (GAO) has repeatedly recommended that the United States switch to a prospective system to collect AD/CV duties.

- Most recently in March 2011 GAO report titled *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*.
- All other countries have a prospective system for AD/CVDs.
- Under a prospective normal value system, the import price is compared with a fairly traded price **at the time of import**, and the importer is charged a dumping duty if the import price is lower.
- A real time comparison would eliminate the need for CBP to chase down importers to collect duties years after goods are entered.
- Importers would be able to make informed purchasing decisions and avoid unfair trade.

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Global Trade Management solutions for multi-national organizations

Enables companies to:

- Automate import/export compliance across the world
- Connect to regulatory agencies and trading partners
- Access regulatory requirements for over 140 countries



CBP Trade Strategy: Accomplishments & Challenges

- Automation
- Management by Account
- Small and Midsize Enterprises (SME)
- Human Capital



Objective 4.1: Streamline trade processes and enhance delivery of services to stakeholders through automated, account-based, and paperless processes and technology

ACE / ITDS

- Over \$ 3 billion spent and over 8 years of design and development
- Delays with ITDS have resulted in some OGAs developing their own systems
- Designated as a high-risk IT project by OMB and the White House in 2010
- Diminished engagement with the trade (e.g., TSN)

Going Forward

- Appointment of an Executive Director of the ACE Business Office
- Renew engagement with the trade
- Timely communication of timelines & requirements is critical



Management by Account

- Concept goes back as early as 1994 as key driver for commercial compliance with large importers.
- Some partnership programs are based on account-based views (e.g., C-TPAT, ISA).
- COAC White Paper May 2009 re-emphasizing need for account-based processing.
 - COAC Trade Facilitation Subcommittee begins work in 2010
 - Centers of Excellence and Expertise Pilot
 - Account Executive Pilot
 - Next steps to focus on are Entry Simplification and Financial Processing



Objective 1.2: Strengthen partnerships with the trade to ensure compliance

Strategy: Identify approaches to promote self-governance to small and medium-sized importers

Centers of Excellence and Expertise

Provide improved access for SMEs to information services and subject matter experts

Partnership Programs (e.g., ISA, C-TPAT)

Limited participation to date

Consider hybrids of these programs to encourage SME participation

Consider additional benefits that would apply to SME business model (e.g., LCL/LTL cargo)

CBP Website Redesign

“Role of the Broker”



Objective 4.2: Strengthen trade expertise and ensure a skilled workforce capable of effectively executing CBP's missions

International Trade Optimization Curriculum Working Group

- Cooperative effort between trade, CBP and four major SOCAL universities
- Develop curriculum in trade regulation to improve the level of expertise to increase both security and economic competitiveness
- Long term potential benefit for both CBP and trade

Centers of Excellence and Expertise

- Expand CBP's knowledge base of specific industries
- Partner with trade to build expertise
- Enhance internal/external training, raise awareness, uniformity and compliance



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Shell Oil Company



- Affiliate of Royal Dutch Shell based in the Hague, NL
- Multi-billion dollar importer of petroleum/petrochemical products.
- Primary modes of transportation – bulk marine, pipeline, rail, truck
- Multiple related companies and J.V.s focused on downstream (trading, refining and marketing) and upstream (exploration and production) activities
- C-TPAT Tier II, ISA Participant, ACE user
- Foreign-Trade Zone, Drawback, Free Trade Agreement/TPP user



Goal 1: Facilitate Legitimate Trade and Ensure Compliance – Shell Oil

Uptick in bills, requests for information, entry reconstructions, result of targeting driven by highest imports by value ranking;

Improved proactive stance of and cooperation with the National Account Manager.

Industry selected for Centers of Excellence & Expertise, pharmaceuticals, has helped move “FDA Hold” issue forward.



Goal 2: Enforce Trade Laws and Collect Accurate Revenue–Shell Oil

Results of risk analysis and targeting appears to be geared towards larger importers by value.

Lack of uniformity of practices between different ports; CBP OIT is aware and working to improve this and coordinating with industry.



Goal 3: Advance National and Economic Security – Shell Oil

C-TPAT has been a successful partnership for Shell.

Problem - Residual materials on Instruments of International Traffic

Petroleum industry goal: Business Certainty



Goal 4: Intensify Modernization of CBP's Trade Processes – Shell Oil

Management By Account concept is a good start.

Better experience for all involved when CBP and importers interact from position of understanding.

Prioritize transition to ACE – work data integrity issues.



Thank You!