

House Ways and Means Committee
Trade Subcommittee Hearing on
Modernizing Customs Policies to Protect American Workers and Secure Supply Chains
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Statement of Brenda B. Smith
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Mr. Chairman, Congressman Blumenauer, and Members of the Subcommittee:

Thank you for the chance to testify before you today. My name is Brenda Smith and I currently work as the Global Director of Government Outreach for Expeditors International of Washington, Inc., a global logistics, freight forwarding, and information company. Previously, I served for seven years as the Executive Assistant Commissioner for Trade at US Customs and Border Protection, during my thirty-five-year career with the federal government. The views that I express today are my own and do not necessarily reflect the official policy or position of my current or past employers.

I would like to highlight four areas of opportunity for Customs modernization, that will support both better trade facilitation and stronger trade enforcement:

- Leveraging trusted traders to manage risk
- Digitization and Single Windows
- Supply Chain Resilience and
- Coordination of government agencies operating at the border

Context

The global pandemic laid bare the weaknesses and gaps in the complex, global system that transports goods from farmers and manufacturers to consumers. In the forty years that I have worked with trade issues, the volume of global imports and exports has grown from \$854 billion in 1984 to a record-breaking \$32 trillion last year. This staggering growth has been accompanied by an overlay of new trade agreements, expanded parties in the supply chain, and increased consumer expectations.

Challenge

Customs administrations have evolved significantly over those same forty years, but mostly in response to significant border security challenges. This security-driven evolution has often left trade modernization efforts at the 75% completion stage, thereby missing the chance to deliver critical benefits for both private and public sectors. Incomplete modernization efforts have resulted in:

- Paper or .PDF documents remaining part of government processes
- Multiple systems needed for document/data submission, even where Single Windows exist
- Few purpose-built processes or bespoke physical infrastructures that allow for frictionless, low-risk trade

- Little recognition of Authorized Economic Operator status outside a “home” country and
- Poor regulatory and operational coordination between Customs and other government agencies

Action

In my work on the U.S. Single Window, I learned the importance of having a clear vision for the effort and then translating this vision into the relevant legal, operational, and technology frameworks. My own “statement of principles” underlying a vision for Customs Modernization would include these provisions:

First, leveraging trusted trader investment to share risk information and truly streamline entry and compliance procedures by all government agencies. Make a “Green Lane” a reality across all types of shipments and all trade processes. This approach should extend to expansion and full implementation of AEO Mutual Recognition Agreements.

Second, digitizing all government agency requirements for supply chains, to include a continued commitment to the US Single Window and a full review and rationalization of data requirements to minimize redundancy and focus on collecting only the most important data at the right time from the right party. More data isn’t always better; quality is more important than quantity.

Third, planning and practicing a response to supply chain disruptions across all government agencies and their supply chain partners. Further, resiliency will be greater if potential regulatory and operational flexibilities are determined in advance and recognize the lower risk associated with trusted traders.

Fourth, and finally, a single process across all agencies with requirements for goods crossing borders, to include alignment of regulatory requirements, operational processes, trusted trader programs, and commitment to using the Single Window for the collection of all data or documents.

Most of these concepts are not new . . . and this Committee gave guidance in these areas during the passage of the Trade Facilitation and Trade Enforcement Act. However, meaningful change takes time and investment and requires that all stakeholders involved prove the value, get feedback, and then iterate. If we capitalize on the opportunities that still exist in these areas, US businesses would be more competitive, US consumers would benefit, and US government agencies would be more successful in enforcement of laws that protect US consumers and businesses.

What will it take to implement this vision? There are many things that should be included, but I would like to highlight two specific areas: (1) investment in Customs personnel and technology; and (2) collaboration with stakeholders.

First, implementation will require ongoing investment in “softer” parts of Customs infrastructure, specifically expertise and technology. Customs needs sufficient trade personnel to enforce trade rules, but also needs the bandwidth to create and implement new approaches for facilitation and enforcement. Aside from tremendous investment in forced labor capabilities, the level of CBP’s non-uniformed trade personnel has not materially increased since CBP was established in 2003, nor has it been able to successfully transition to a modern Global Trade Specialist position. In addition to ensuring that there is enough personnel to handle the growth in trade and complexity, these personnel need to be well trained and expert in both modern business practices and in traditional competencies such as classification, valuation, and Customs enforcement, with a dedicated Trade and Cargo Academy and regularly updated curriculum

Investment in technology is also an integral part of developing a common Customs process and makes it possible to support the data collection, transmission, and analysis around compliance with common rules. Technology investment must prioritize the continued modernization of the Automated Commercial Environment. Today's emerging technologies can help supply chain visibility and a targeted risk management approach that facilitates trade, improved revenue collection, compliance, and security in ways not possible even five years ago.

The second key requirement for modernization is collaboration with stakeholders. During my tenure at CBP, I worked extensively with the trade community in the Commercial Operations Advisory Committee, the Trade Support Network (TSN), trade associations, and with individual companies. I valued interagency forums like the Border Interagency Executive Council (BIEC), which allowed frank discussion and consensus-building between agencies. Expanding private sector engagement with the Partner Government Agencies through the BIEC and driving more active regulatory, operational, and technology coordination through forums like COAC, the TSN and the BIEC would result in better problem solving and a trade environment that meets the needs of both government and the private sector.

Results

Multinational traders face the challenge of meeting compliance and service obligations while managing the cost required to deliver value to the market. Global security concerns, economic uncertainty, and varying Customs and other government agency processes represent real business challenges. Trade can be a tremendous engine of economic growth – more so if the pieces and parts of the trade process are aligned. These processes and the expertise, technology and collaboration that underpins them must keep up with the pace of change happening in the global economy. When private and public participants work together, the outcome should lead to predictability and consistency, improved compliance and security, better revenue collection, reduced supply chain costs, and improved performance overall.

Conclusion

Modernization efforts should begin with a shared vision which should include four key elements:

- Leveraging trusted traders to manage risk
- Digitization and Single Windows
- Supply Chain Resilience and
- Coordination of government agencies operating at the border

We should then use a staged approach, developed through private and public sector collaboration, to develop and implement the legal framework, operational approach, and automation. This will enable the trade community and government alike to take full advantage of the opportunities of modernization and to validate over time that the government's trade processes have been simplified and that inefficiencies or variables that were previously manual and subjective are not exacerbated through automation. We must review and test the policy, regulations, process, and technology at each stage in a controlled manner across regions and government agencies to assess whether the new technology is an improvement.

I thank this committee for the opportunity to advocate for customs modernization. Much work remains to be done, but I strongly believe that it is work worth pursuing, as we support opportunities for businesses and consumers as they engage in the global marketplace.