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**COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON TRADE  
UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairman Tanner, Representative Brady, Members of the Committee, it is a privilege to appear before you today to discuss U.S. Customs and Border Protection (CBP) and the important work we do to protect the American public while facilitating international trade and travel. I welcome this opportunity to discuss our efforts to secure the flow of people and goods across our borders. We take our role in expediting legal commerce seriously and believe it is critical to diminishing the cost of doing business and ensuring that our country remains competitive in an era of economic globalization. CBP has made important progress in this area, but much work remains to be done.

Our work is of critical importance—we must be constantly vigilant about the security of our borders and the enforcement of trade laws, yet we must accomplish these tasks without stifling the flow of legitimate trade and travel that is so critical to our nation's economy. CBP is at the frontline of, among other things, identifying and stopping terrorists and criminals attempting to enter the country, interdicting illicit drugs and goods, and keeping out unsafe products and agricultural pests. We do all this while collecting revenue, enforcing intellectual property rights and other laws at the border, and minimizing delays for lawful commerce and travel.

CBP has made tremendous progress with our security mission, and now is the time for us to take those abilities and apply risk segmentation strategies, which will allow us to move low-risk trade and travel across our borders more efficiently, expeditiously, and securely. Risk segmentation allows us to focus our resources on the people and goods that we know are dangerous, or about which we know the least, and in turn to facilitate the movement of low-risk people and goods.

Four goals underlie CBP's trade strategy: (1) facilitating legitimate trade and ensuring compliance; (2) enforcing U.S. trade laws and collecting revenue; (3) advancing economic security; and (4) modernizing CBP's trade processes. Within these guidelines, CBP is moving forward with new partnerships and enforcement techniques, which I will outline today. By applying the right combination of personnel, technology, and infrastructure, and implementing sound strategies, we can both increase our security and facilitate legitimate trade and travel across our borders.

I am dedicated to engaging the private sector and trade communities as partners in this effort. For CBP, this partnership means providing an environment built upon transparency and consistency in the importing process. For the trade community, this requires exercising reasonable care in customs matters, providing more information so CBP can do a better job assessing shipment risks, and investing in the resources necessary to keep up with current requirements. We must be partners, and to that end, both government and industry need to modernize our processes for the overall facilitation of trade. Additionally, I would like to see us enhance our Anti-Dumping Countervailing Duty (AD/CVD) and Intellectual Property Rights (IPR) enforcement efforts. These efforts rely on advance information and intelligence, risk assessment and modeling, targeting, and leveraging partnerships.

### **Facilitate Legitimate Trade and Ensure Compliance**

Risk management and advance targeting approaches enhance CBP's ability to identify and expedite trade, and expanding partnerships with the trade community is vital to this facilitation effort. CBP currently operates four trusted traveler programs—Secure Electronic Network Traveler Rapid Inspection (SENTRI), Free and Secure Trade (FAST), Global Entry and NEXUS—and brings the same concept to the shipping world with the Customs-Trade Partnership Against Terrorism (C-TPAT) program. More than 700,000 enrollees have joined these programs since their creation. These programs expedite lawful traffic and make us more secure by allowing us to pre-screen low risk shippers and travelers and focus most of our efforts and resources on those we know the least about. Our partnerships with the private sector and the trade community are essential to the success of these programs. In exchange for more information, which helps us segment risk, we will deliver on two promises: we will expedite the movement of cargo and passengers for those who participate, and we will safeguard the confidential information that members provide and only use it for the stated purpose.

C-TPAT provides an example of how we can obtain high levels of both cargo security and facilitation through close cooperation with participants in the international supply chain, including importers, carriers, consolidators, licensed customs brokers, and manufacturers. C-TPAT is a voluntary government-business initiative that provides incentives to importer partners in return for proof of strong supply chains. Today, C-TPAT has over 9,800 members who benefit from a tiered incentive system that includes: the potential for a lower targeting score; the potential for an expedited inspection; the assignment of a Supply Chain Security Specialist (a direct point of contact in CBP); access to security training sessions; and dedicated lanes on the southern and northern borders.

C-TPAT members are also eligible to join the Importer Self Assessment (ISA) program. The ISA establishes and validates trade compliance standards to identify low risk importers. Currently, ISA has only 206 members. We need to look at programs like this and take them to the next level—which will include evaluating and adjusting incentive structures; looking at how we attract good corporate citizens to these programs; and identifying additional information we need so that we can process cargo more quickly. I look forward to working with our trade stakeholders on refining, improving, and growing this program and others like it.

### **Enforce U.S. Trade Laws and Collect Revenue**

CBP's enforcement techniques leverage targeting through expanded information sharing with the trade community, which allows for swift, consistent enforcement actions to address and deter high-risk trade law violations. Our multi-layered enforcement approach for AD/CVD is similar to our technique for addressing security concerns, using available advance information and intelligence, risk assessment, modeling, targeting, and leveraging partnerships. Our AD/CVD priorities are:

Extending the Border Through Cooperation and Partnerships: CBP is addressing circumvention of trade laws, such as transshipment before the goods arrive at the

U.S. port of entry, by expanding its international partnerships. For example, the CBP Attaché in Singapore obtained information that a manufacturer was commingling Chinese shrimp with Indonesian shrimp to avoid paying anti-dumping duties. As a result of the Attaché's findings, CBP targeted one importer for an audit and subsequently collected \$2.5 million in additional duties.

Targeted Enforcement: CBP is using risk-based criteria to more accurately target shipments for examination. CBP's targeted enforcement approach includes using laboratory resources to identify suspected transshipment. For example, using laboratory analysis, CBP detected transshipped Chinese honey through Russia, which led to investigations by ICE and the arrests of two corporate officers.

Post-Release Verifications: CBP is verifying the country of origin, classification, and valuation of goods subject to AD/CVD orders.

Partnerships and Facilitation: CBP partners with our trade stakeholders and government agencies, such as the Department of Commerce and DHS' U.S. Immigration and Customs Enforcement, to enforce AD/CVD orders. For example, based on allegations from the domestic industries, CBP conducted two special operations centered on the porcelain on steel cookware and petroleum wax candle orders. As a result, CBP immediately recovered approximately \$5 million in anti-dumping duties.

### **Advance National and Economic Security**

International trade is essential to the U.S. economy. CBP protects U.S. consumers and industry by preventing unsafe imports and unfair trade practices. We have increased communication between CBP and FDA to coordinate joint operations, share laboratory methodologies and procedures, and coordinate regulatory and operational initiatives. Our collaborative efforts with the Consumer Product Safety Commission (CPSC) have resulted in the development of a voluntary product safety partnership program, the Importer Self Assessment – Product Safety (ISA-PS) pilot, which allows us to facilitate legitimate consumer products and focus our efforts on harmful goods.

Similar risk management and collaboration efforts are underway to protect IPR. In fiscal year 2009, CBP seized almost 15,000 cargo shipments, but more work remains. CBP aims to partner with the trade community and obtain advance information; improve IPR targeting models; expand training for enforcement personnel; increase IPR audits; and levy fines and penalties to deter future violations. To ensure maximum coordination of enforcement efforts among the many federal agencies involved in addressing IPR theft, CBP is one of the founding members of the National Intellectual Property Rights Coordination Center (IPR Center). The IPR Center operates in a task force model to enhance information sharing between federal agencies to protect U.S. consumers, our economy, and the federal and military supply chains. CBP holds one of the Deputy Director positions at the IPR Center and uses this position to actively exchange valuable seizure, targeting and intelligence data with the other partners to provide a more focused

U.S. government response to the threat. We will continue to work closely with other federal agencies and the private sector to identify and address threats to intellectual property.

### **Intensify Modernization of CBP's Trade Processes**

Modernization promises to streamline trade processes and enhance delivery of services to stakeholders through automated, account-based, and paperless processes and technology. To this end, we are committed to the Automated Commercial Environment (ACE), which will deliver an account-based, electronic processing system for imports. This will be delivered in a secure, paperless, web-enabled environment that vastly improves the efficiency of processing imports and exports, as well as the targeting and selectivity of imports.

Although ACE has faced some challenges, there have been eleven successful releases to date. The most recent release was the deployment of ACE portal and Electronic Data Interchange (EDI) capabilities specific to the filing and processing of anti-dumping/countervailing duty entries and case management. Work on rail and sea manifest processing continues; work on post summary correction functionality has begun; and a request for proposal for EDI Imaging that will allow for the electronic transfer of paper images has been issued. In FY 2011, ACE will transition to a steady-state operations and maintenance phase. Further development will be deferred while the remaining business and technical requirements are clearly defined. The process of defining requirements will be a collaborative effort between CBP and ACE stakeholders and will take into account stakeholder needs as well as security, compliance, and facilitation considerations.

I am aware that some members of the trade community have been concerned in the past that CBP has not adequately consulted with them or been transparent in its decision-making. I want to be clear that I am sensitive to these concerns, and I am committed to working with the trade community. We have asked the trade community to assume its fair share of the burden, and we need to make sure that CBP is fulfilling its share as well.

### **Conclusion**

As I begin my tenure as Commissioner, CBP must adapt to the current fiscal environment. We must expand our capabilities by more carefully aligning our resources with our mission requirements, leveraging advances in technology, and building partnerships. In short, we need to work smarter. CBP's twin missions of security and trade facilitation are not in conflict but are complementary. As CBP's investments in security are maturing, we are also committed to facilitating the legitimate trade that crosses our borders by maximizing predictability and transparency, and minimizing cost to the importing community. All of this must be done while ensuring that we enforce trade laws, especially those that protect the safety of the American public and intellectual property rights. In order to accomplish these goals, we are leveraging our current

resources, building new capabilities, and collaborating with partners inside and outside of government.

Thank you again for the opportunity to appear before you today. I look forward to answering any questions that you may have.