

**SUMMARY**  
**CUSTOMS & BORDER PROTECTION TRADE SYMPOSIUM 2004**  
**“SECURITY AND FACILITATION OF TRADE: THE WAY FORWARD”**  
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**FROM: Jim Phillips**  
President & CEO

P.O. Box 929, Lewiston, New York 14092  
716-754-8824

[www.canambta.org](http://www.canambta.org), [canambta@aol.com](mailto:canambta@aol.com)

**SEGMENTS:**

- Overview – CBP Commissioner Rob Bonner
- U.S. Cargo Security Strategy Panel
- Global Supply Chain Security Panel
- Keynote – DHS Deputy Secretary Admiral J. M. Loy
- Internationalizing the Security Strategy Panel
- Open Forum with Customs and Border Protection Senior Managers
- Contingency Plans for Incident Response Panel
- Automated Commercial Environment(ACE)International Trade Data System(ITDS) Panel
- Closing Remarks – CBP Commissioner Rob Bonner

**CBP Deputy Commissioner Spero’s Introduction:**

New Directions-New Strategies. We must Understand Challenges and See Opportunities. Engaged in Issues before us in Partnership. Deputy Commissioner Spero also led and guided the insightful and informative Open Forum with CBP Senior Managers segment.

**Commissioner Bonner’s Overview:**

- Judge Michael Chertoff is a superb choice for Homeland Security Secretary. Pre 9/11 the U.S. was lulled into a false sense of security being protected by 2 oceans. Terrorism is Global in scope. It is our greatest challenge. We must understand the enemy, their desire for separate Moslem domination and their priority to disrupt Global Trade. We must: 1) Go After Terrorists, 2) Mount a Strong Defense and 3) Defuse Hatred (an Iraq Democracy is a key start).
- Customs and Border Protection strategy is to achieve the twin intertwined goals of Security and Facilitation. 25,000 cargo containers arrive the U.S. daily. Containers are the potential Trojan Horses of the 21<sup>st</sup> century. We must Identify, Detect and Deter threats and misuse. The 24 Hour Rule, National Targeting Center, CSI (currently at 34 ports around world, to be 40 ports in 2005 and 50 ports in 2006), C-TPAT (currently 8000 companies participate). Smart Box with imbedded tamper detection and protection have or are in the process of being implemented. All contribute to pushing the zone beyond our border so that Ports-of-Entry no longer become the first line of defense. The Objective is a prosperous America – Open to business – Extend border outward.
- NEXT STEPS:
  - Make C-TPAT “all that it can be” including clearly defined benefits and advantages for those who are compliant participants.
  - Expand and Internationalize CSI. Implement Secure and Smart Box (Container).
  - Expand Advance Information for Targeting.
  - Deliver One Window of information to U.S. Government (ACE and ITDS Link).

**U.S. Cargo Security Strategy Panel:**

- CBP is the operational face of DHS. The National Strategy for the Supply Chain of Trade Must Be Compatible with Business Models. Policy priority is Zero Tolerance for Weapons of Mass Destruction (WMD) and Weapons of Mass Effect (WME – biological and chemical). “Never Again” is our driving force. Thus, strengthening partnerships tracking back to the source of supply with specified requirements to be met; track vessels; secure container stuffing; utilize tamper proof warning devices on containers plus insure reliability. **U.S. soil is the final line of defense not the first/only line of defense.**
- CBP Objectives-prevent weapons and threats / **stop non-known low-risk shipments before they reach the U.S.** / improve efficiency of the trade flow / speed movement of legitimate trade. Threats are real and pervasive and global in scope. CBP is currently risk targeting 100% of all shipments into the U.S. and inspecting 100% of all containers with a non low-risk targeting score (5.4%).
- CBP Operational Approach- Pre-arrival Advance Information all modes / effective Risk Management Targeting / secure transit / seamless connectivity / tamper evident seals / focused inspection and contingency plan for incident recovery. End state is an effective system in ALL NATIONS - ALL PORTS.
- Trade stakeholders need “**Predictability.**” If policy and practice development is done in a collaborative/cooperative partnership, it is not imposed. **International Regulations MUST BE HARMONIZED. “GREEN LANE” (distinct tiers of benefits at the Border, based on C-TPAT compliance) must become a reality.**
- C-TPAT program must insure that competitive advantage benefits become a reality for the companies fully complying to offset their incurred costs.

**Global Supply Chain Security Panel:**

- Supply Chain involves: Logistics- containers, carriers, facilities; Information- financial flow, transactions; Participants- foreign manufacturers, shippers, carriers, importers, brokers; Governance- at all levels and stages. Security- from true point of origin, visibility, intermediate stops/steps, transparency. Key is to extend our borders out.
- FUTURE NEXT STEPS: Advance Trade Data Initiative (ATDI); Achieve single portal (ACE/ITDS); improve Targeting capabilities; achieve Common Terminology/Data Elements; Smart Box; expand CSI; take C-TPAT to next level; Internationalize practices and finalize a Continuity of Trade Plan.
- Described National Targeting Center focus on rules and engines performed by a staff of 130. Described the function of the ACE targeting capability to record and target using link analysis, pattern definition and data mining. Highlighted

for REPORTING OBSERVED RISKS/TIPS TO CBP

\*\*\* 24/7 THE TRADE SECURITY HOTLINE (1-866-324-9169)

- Transport Security Agency (TSA) focuses were described. Prevent Transport from being a target. Prevent Transport from being used to deliver a weapon. Enhance Supply Chain domain awareness and view as a part of an integrated system.

- GM Purchasing transmits directly to CBP supplier details of individual products/items each provides down to HS code level. GM just did their one millionth FAST shipment. Reviewed International Supply Chain realities: many legitimate movements have no Purchase Order; numerous terms of sale have differing stages of responsibility; use of paid Logistics Providers therefore, some links and stage detail are often unknown.

### **Richard Falkenrath's Predictions for the future:**

CBP will head implementation of a defense system for Global Trade and revolution of Border Management (5-10 years).

- 1) Incentive/mandatory telematics on international goods, containers and vessels (electronic bread crumbs). TSA to do the same domestically. Global Standards for telematics to integrate manifest and entry data.
- 2) Increased attention on Air Cargo including supplier assurance.
- 3) Non-intrusive radiological testing on **All** items. Technology needed for Chemical and Biologicals (when technology fully operational will also test all items).
- 4) **U.S. Northern Border with Canada inspection processes by both countries should be replaced to a large degree by both Governments agreeing to requirements and practices resulting in securing their PERIMETER jointly with offshore interdiction. Canada must get tougher in certain areas on who and what can enter their country.**
- 5) Internationalization- Countries understanding the right way to manage their own borders versus viewing the U.S. with annoyance or seeing these needs as just U.S. demands. All countries must: do Risk Management; adopt the National Targeting Center model; agree to harmonize universal identification checks on crew members.

DHS institution and missions will continue.

### **Jim Loy, Homeland Security (DHS) Deputy Secretary - Keynote Address:**

Admiral Loy led the Coast Guard, then TSA before becoming HS Deputy Secretary.

- Must hold on to U.S. Freedoms, Liberties, Quality of Life and vibrant Economy.
- Commissioner Rob Bonner's wisdom and vision have accelerated U.S. progress.
- Maritime security is 228 years old in the U.S. Treasury Secretary Alexander Hamilton went on the offensive against pirates by creating the U.S. Customs Service and the Revenue Cutter Service (now the Coast Guard).
- President George Washington said "to have peace we must always be ready for war"
- Admiral Loy reiterated "Never underestimate the enemy." "Protection of Commerce and Economic Well Being is essential."
- Understand spectrum of operational realities. Be aware of enemies and their capabilities. "Must not be unprepared. Must prevent threat occurrence." Protect territory, assets and economy. Insure effective response (to natural disasters as well). Achieve organizational excellence. Have all key players at the table (partnerships).
- Trade Sea Lanes -- are key to prosperity and economies.
- CSI, C-TPAT, 24 Hour Rule, NTC, resource support, Smart Box and Port Security Grants are elements in the End Game.

- Important Fundamentals: Push Borders Out (U.S. Ports become last line of defense); Risk Management approach; Zero Tolerance for WMD and WME; National Cargo Security Strategy Framework; Admissibility Decisions (access control) and Domain Awareness (all aspects).
- Trade Input: Buy-in to develop a comprehensive strategy; **Private Sector input is highly valued**; End Game will be an over-time solution (methodical and systematic); Clarity, Stability and Sustainability are paramount; Incentives for complying must be clearly stated to allow cost/benefit analysis for technology investments made. Goals and Roles must be clearly stated.
- There is more to be done: Aviation Cargo; improve existing programs; **challenge is to be effective Agents of Change.**

#### **Internationalizing the Security Strategy Panel:**

- World Customs Organization (WCO) operates on 5 Continents, has 164 Countries as members and is a non-binding organization working on consensus. **Harmonized rules are key**, must insure non-corrupt organizations and open exchange of information. **Trade is a Global good. War has been declared on Terrorist Organizations. Information Technology (IT) is a strategic enabler.**
- CSI. C-TPAT principled framework of standards for Global Supply Chain improvement, approved by the WCO Policy Committee in December 2004, to be voted on for approval by the 164 member Countries in June 2005.
- Described the International Ship and Port Facility Security Code (ISPS) role in protecting the U.S. economic vitality. In this and WCO matters, it is imperative that there be consistency by Company, State and Country. One certification worldwide is imperative.
- C-TPAT -treatment of company should be tiered by its level of compliance. The right question for a company to ask itself is "Can it afford not to be C-TPAT certified?" C-TPAT participating companies now are examined (1 in 300) shipments where prior to C-TPAT participation they were examined (1 in 47) shipments.

#### **Contingency Plans for Incident Response Panel:**

- Predictability is needed. TERRORIST THREAT IS REAL AND SIGNIFICANT. Requires Focus and Security effectiveness for prevention. Presidents Bush's Directive 5 assures unified system to PREVENT, PREPARE, RESPOND, RECOVER. It is a national Plan involving Federal, State, Local Governments and the Private Sector. The Objective is to "INSURE CONTINUITY OF TRADE" in a seamless and coordinated manner.

- Described example of Maritime after an attack. Assess specifics (event driven). Analyze prevention of additional occurrence (situations and issues). Key principles are: Prevention; AVOID SHUTDOWN; Restore. A specified Restart Process is essential built on risk based priorities. This is based on Target and Risk scoring, C-TPAT participation, CSI, ISPS, MTSA and includes logistics of diversion. Communication process is "key" (both need and mechanism).
- Maritime is being done as first priority. Then Air, Rail, Truck, Public Transit etc. until every mode is completed.
- Must prevent occurrence and limit effect on the economy. In the plan the **ROLE AND AUTHORITY OF EVERY PARTY MUST BE CLEAR.**

#### **Automated Commercial Environment(ACE) InternationalTradeDataSystem(ITDS):**

ACE is: a secure cargo facilitated trade environment; the single window for providing information to the Government; ITDS link, common set of data elements and risk based rules. 26 Government Agencies are currently signed on including FDA, EPA, Census, USDA and DOT. It will take almost 9 years, cost \$3 billion and is scheduled for completion in FY 2010 (2011)..

- Release 4 Truck E-Manifest is being field tested. When Release 4 is fully operational and functional TRUCK E-MANIFESTS WILL BE MANDATORY. Release 5 Post Release and Revenue Summary is scheduled for FY'07. Release 6 Multi-Model manifest etc. is scheduled for FY'09. The final Release 7 involving Free Trade Zones, Drawback etc. is scheduled for FY'10. ACE originally was scoped prior to 9/11 and has had to have required security added for Screening and Targeting. New Release S1 Screening Foundation is scheduled for FY'05. Release S2 Border Targeting is scheduled for FY'06. Release S3 Risk Profiling is scheduled for FY'07. Release S4 Full Functionality is scheduled for FY'09. ACE full deployment by 2011 and is funded for \$305 million per year through year 2010.
- The very positive announcement was made that CBP HAS DE-LINKED ACE AND C-TPAT. COMPANIES MAY NOW PARTICIPATE IN ACE, WITH ALL ITS BENEFITS, WITHOUT HAVING TO BE C-TPAT APPROVED.

#### **Commissioner Bonner's Closing Remarks:**

-CBP will clearly define C-TPAT security criteria and benefits to accrue to participants.

For starters, current participants are having 4 times less compliance exams and their shipments at the borders are 6 times more likely to move out without examination.

C-TPAT is an agreement between partners and benefits must be defined.

-Revolutionary systems are now operational to Secure Trade and enhance the Nation's Safety. PLEGGED "GREEN LINE" FOR KNOWN LOW-RISK WILL BE

OPERATIONAL THIS YEAR. CBP'S focus is on FACILITATION OF KNOWN LOW-RISK WITH SECURITY.

-Announced the introduction of Seminars focused solely on Trade Compliance matters.

## APPENDIX: ACRONYMS DESCRIPTION

ACE	AUTOMATED COMMERCIAL ENVIRONMENT
ATDI	ADVANCE TRADE DATA INITIATIVE
CBP	CUSTOMS AND BORDER PROTECTION
CSI	CONTAINER SECURITY INITIATIVE
C-TPAT	CUSTOMS & TRADE PARTNERSHIP AGAINST TERRORISM
DHS	DEPARTMENT OF HOMELAND SECURITY
DOT	DEPARTMENT OF TRANSPORTATION
EPA	ENVIRONMENTAL PROTECTION AGENCY
FAST	FREE AND SECURE TRADE
FDA	FEDERAL DRUG ADMINISTRATION
GM	GENERAL MOTORS
HS	HARMONIZED SYSTEM
ISPS	INTERNATIONAL SHIP & PORT FACILITY SECURITY CODE
IT	INFORMATION TECHNOLOGY
ITDS	INTERNATIONAL TRADE DATA SYSTEM
MTSA	MARINE TRANSPORTATION SECURITY ACT
NTC	NATIONAL TARGETING CENTER
TSA	TRANSPORTATION SECURITY AGENCY
USDA	UNITED STATES DEPARTMENT OF AGRICULTURE
WCO	WORLD CUSTOMS ORGANIZATION
WMD	WEAPONS OF MASS DESTRUCTION
WME	WEAPONS OF MASS EFFECT (BIOLOGICAL, CHEMICAL)