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Follow the Money (over \$3 billion to be exact)

By Kelby Woodard

The 2009 CBP Trade Symposium held recently in Washington, DC, provided a wealth of information regarding the way the agency thinks. As a former employee and bona fide 'groupie' of Customs, I have a tremendous amount of respect for the complex daily and strategic challenges the men and women of CBP face. If you want to understand how the government (or a criminal enterprise for that matter) functions however; you simply need to follow the money. It seems that the only enterprise with cash (credit) to spend these days is Congress. They also are not afraid to spend it on things besides nationalized healthcare. So how will our supply chains be affected by this spending spree? If the proposed Customs Reauthorization Act of 2009 (Act) is any indication, there is plenty to worry about and some things to be pleased about. As with any piece of legislation, much of the Act deals with the mundane business of ensuring the smooth operation of Customs & Border Protection (CBP). At 164 pages, it will more than likely not be read in its entirety by the people who were elected to vote on its merits. There are some important aspects of this bill that can impact the way we partner with CBP to secure our trade lanes and the way our companies interact with CBP, however.

There are much needed reforms in the Act including the recognition of the need for a Trade Advocate to act as a liaison between the trade and CBP. This is important as trade facilitation is the one of the 'twin goals' that often is neglected in favor of its more politically popular twin...security. There is also an increased focus on Intellectual Property Rights (IPR) enforcement that will make many security professionals' jobs a little easier. The Act will strengthen CBP's ability to prevent, detect, investigate, and resolve issues surrounding the import or export of goods that violate IPR laws. Finally, the Act establishes a new Customs Facilitation Partnership Program that provides benefits to importers that have a good history of complying with CBP regulations when bringing their goods in to the country. The creation of this new program is recognition of the fact that the security oriented partnership C-TPAT works. Those of us who fought for this concept soon after 9/11 certainly understand the rich potential when government partners with their industry counterparts to address a common issue.

There are also a few things in the Act that sound good, but upon closer examination are rather troubling. Since 2001 CBP has attempted to replace its aging portal to the trade community with a far-reaching new system called the Automated Commercial Environment (ACE). This program is not unlike many IT restructures that we have seen within our own companies. As is the case with most private-sector IT projects, the goals of the ACE project are to streamline and improve complicated processes. And as can be expected there are often cost over-runs, inflated expectations, and missed deadlines. The Act continues to fund this project in 2010. The problem upon closer examination is that the American Taxpayer has already spent \$2.7 billion on ACE! In a classic case of throwing "good money after bad", CBP will be receiving another over \$300 million next year. All of this for a system that still does not work after 8 years of trying! I have witnessed a few slick IT systems that help multi-billion dollar retailers track the complex process of goods from PO through to customer return. None of the processes ACE purports to simplify are as

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complex as a retailer's global supply chain. Can you imagine a V.P of Information Technology in the private sector daring to ask for anything near \$3 billion to implement a system and then taking 8 years (and counting) to do it?

We all understand the need for the customs function or else we would not be in this profession. When CBP is granted more trade enforcement power and resources, however, the end result often equates to more paperwork and less security. The Act authorizes CBP to increase its enforcement efforts on areas such as Country of Origin verification and other rather routine customs compliance related topics. Importers are already required to maintain mountains of paperwork to verify time cards, production records, shipping schedules, etc. of all overseas manufacturers from whom they purchase goods. That burden on the importer becomes even greater under the Act. The result is a greater need for resources within our companies to manage paper and less resources for such value added areas like import and exporting. One thing is certain. Unlike most compliance programs, our brethren at CBP will not need to worry about budgetary constraints in 2010. They have plenty of resources...and aren't afraid to use them.