



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
Chairman of the Committee on Finance
Hearing on Authorizations of Customs and Trade Functions
Wednesday, April 26, 2006

The purpose of today's hearing is to review the operation of customs and trade functions in the federal government. This review will assist the Committee in preparing legislation to reauthorize those functions. Let's begin with some history. Today's hearing continues almost 200 years of oversight by the Finance Committee over customs. For most of that time, customs authority was exercised by the Department of the Treasury. The Homeland Security Act of 2002 moved the United States Customs Service out of Treasury and into the Department of Homeland Security. This committee retains jurisdiction over the customs and commercial trade facilitation functions exercised by the Department of Homeland Security.

There are other Senate committees with interests in the Department of Homeland Security, particularly when it comes to port security. I look forward to working with my colleagues on this Committee and other committees to develop good legislation that fully addresses our collective concerns going forward. The Homeland Security Act provided that Treasury would retain jurisdiction over customs revenue functions, but that Treasury could delegate some or all of those functions to Homeland Security. That Act also authorized the Secretary of Homeland Security to reorganize the department.

In January 2003, the Secretary announced a reorganization that merged the Customs Service with other functions to create the bureau of Customs and Border Protection. However, the investigative function was taken out of customs and added to the newly created bureau of Immigration and Customs Enforcement. One of the questions before the Committee is how well that division of responsibility to enforce our customs laws is working.

In May 2003, Treasury delegated authority over customs revenue functions to Homeland Security, with certain exceptions. The main exception is that Treasury retained authority to approve certain types of regulations. Another question before the Committee is how well is that delegation of authority working.

In July 2005, the Secretary of Homeland Security announced a second reorganization of the department. As a result, the Commissioner of Customs and the Assistant Secretary for Immigration and Customs Enforcement now report directly to the Secretary and Deputy Secretary of Homeland Security.

That's where we stand today. Customs and trade facilitation are critical to the health and growth of our economy. But that's just one side of the coin. The other side is trade security. The task we face is finding the right balance to ensure that the dual demands of facilitating the smooth flow of international trade and securing our borders are each fully met. The Finance Committee has a long

history of deliberating that balance in its oversight of customs.

Some may think the answer is 100 percent physical inspection of all cargo entering the United States. But many argue that's not feasible. So then, trade security becomes a function of developing the most appropriate data collection and targeting systems. That's also the basis for facilitating the smooth flow of international trade across our borders. Our success in achieving each objective comes down to the reliability of the data that's being collected and the analysis of that data. I'll return to this point in my questioning.

To help ensure that the right balance is struck, the Homeland Security Act provided that there be no reduction in staffing customs revenue functions within the Department of Homeland Security. Yet, between March of fiscal year 2003 and March of fiscal year 2006, staffing levels have declined in key job categories at Customs and Border Protection as much as 16 percent. That's not to say that the management of customs revenue functions can't change over time. But, it does raise a concern that our customs revenue and trade facilitation needs are not being fully met.

Similarly, the time spent on commercial investigations in the bureau of Immigration and Customs Enforcement is projected to be down over 15 percent from fiscal year 2004 through fiscal year 2006. This raises a concern that our trade enforcement needs are not being fully met. Today's hearing presents an opportunity to explore those concerns. We'll also hear from industry experts who'll share their perspectives on these issues.

Separately, we're going to hear from the Chairman of the International Trade Commission regarding the agency's fiscal year 2007 budget request. The Commission's work is very important. Its independent analysis informs our development of good trade policy. The Commission also facilitates a rules-based system of international trade by administering a portion of our trade laws. And in accomplishing its mission, the Commission has demonstrated sound management of its resources. I look forward to the Chairman's testimony.