



# Committee On Finance

Max Baucus, Chairman

---

**NEWS RELEASE**

<http://finance.senate.gov>

For Immediate Release

Tuesday, July 16, 2002

Contacts: Michael Siegel, Lara Birkes

202-224-4515

## **Statement of Chairman Max Baucus Committee on Finance Hearing on Homeland Security and International Trade**

Today, the Committee hears testimony on the subject of homeland security and international trade. Specifically, we are interested in the President's proposal to remove customs functions from the Department of Treasury and integrate them into a new Department of Homeland Security.

There is a critical need to reorganize our agencies to improve homeland security. At the same time, the creation of a new Department will be successful only if we take the time to do it right. For this committee the main issues relate to the Customs Service, as the operations of the Customs Service are critical to homeland security.

At the same time, the processing of imports and exports are at the very heart of Customs' mission. In fact, the collection of duties on imports is one of the oldest functions of the Federal Government. It was authorized by the second act of the First Congress, in July 1789, to help the new nation generate revenues and pay off its debts. The first collection of import duties occurred on August 5, 1789, when the ship *Persis* arrived in New York harbor with cargo from Italy. The total bill was \$774.41.

Since then, Customs' job has grown immensely more complex. In part, this is due to the rapid growth in trade. In fiscal 2001, the Customs Service processed over 25 million formal entries of cargo — a 60% increase from only five years earlier. The cargo that was processed had a value of over \$1 trillion. Customs collected about \$20 billion in duties, taxes and fees on that cargo. That makes the customs duties the second most important source of revenue to the U.S. Government after income taxes.

Moreover, Customs' job has grown beyond the collection of duties — a complicated process in itself. Customs must enforce a multitude of commercial and other laws, on behalf of itself and over 40 other Federal agencies. For example: Customs is responsible for enforcing reciprocal trade agreements, such as NAFTA. It's responsible for protecting intellectual property rights. It's responsible for enforcing environmental laws, such as restrictions on trade in endangered species. It's responsible for enforcing laws restricting trade in products made with prison labor and the worst forms of child

labor. Customs also is responsible for activities related to exports, including the enforcement of anti-money laundering laws and restrictions on export of certain defense-related technology.

As with any agency, the most valuable resources of the Customs Service are the people. In performing its many functions, Customs relies on a skilled staff with highly specialized areas of expertise. Collecting duties alone requires personnel with knowledge of the complex classification rules in the Harmonized Tariff Schedule, as well as expert appraisers. Customs also relies on a legal team with knowledge of an arcane web of rulings and regulations. Other critical personnel include inspectors, auditors, computer specialists, entry specialists, and many many more.

Taking all of this into account, as we plan a major reorganization for homeland security, we should try to keep expert personnel. We also should be mindful of valuable working relationships that have developed over time between Customs and other agencies within the Department of Treasury. This is well illustrated by coordination on anti-money-laundering efforts, which involve no fewer than five Treasury agencies, including Customs. We should give very careful consideration to the impact that splitting Customs off would have on such operations.

Finally, we must keep in mind that the proposal under consideration would move Customs from a Department whose primary mission is stewardship of the national economy to a Department whose primary mission is protection of our territory. The significance of that shift is profound. In deciding whether it is wise, we must give careful consideration to its implications for both the commercial functions of Customs and our national security. I hope that today's hearing will shed light on some of those implications.

I want to take a moment to extend a special welcome to a fellow-Montanian appearing before the Committee today — Ms. Mary Ann Comstock with UPS Freight Services of Sweetgrass, Montana. We look forward to hearing from her and all of today's witnesses.