

**Senate Finance Committee  
Hearing on Authorizations of Customs and Trade Functions  
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Mr. Chairman and Senator Baucus. Let me start by thanking the Committee for its continued focus on international trade and competitiveness issues. As you well know, the United States is the largest trading nation in the world for both imports and exports. Every sector of the economy – from agriculture to manufacturing to retail – relies on international trade, particularly cost-effective and efficient waterborne trade.

More than 95% of our U.S. foreign trade with a value exceeding \$1 trillion dollars comes through America's seaports. Every year, foreign ships make roughly 50,000 visits to one of our more than 360 ports. Every day, more than 11,000 containers pass through the ports of Seattle and Tacoma alone. The port of New York/New Jersey sees more than 13,000 containers while LA/Long Beach handles more than 38,000. That gives you a snapshot, but keep in mind that these numbers are rising fast. This year alone, we expect a ten percent increase in container shipments.

Facilitating the movement of these goods and increasing the efficiency of the trading system is a never-ending goal for shippers, ports, and logistics companies. I thank each member of this Committee for their hard work and commitment to focus on these important issues that are critical to the economic success of our nation.

I want to use my remarks today to focus on three areas. First, I want to give the Committee a sense of the complexity of the logistics involved in the movement of cargo. Second, I want to discuss the important role that Customs plays in that process and the need for adequate resources. And finally, I want to stress the importance of addressing these issues in a multilateral way.

To give the Committee a better sense of the logistics involved, let me begin by quickly walking through the movement of a product from manufacturing to final sale. Take the example of a manufacturer in central China who wants to ship products to the United States. The company would first order an empty container from a carrier equipment yard. The empty container would be trucked to the manufacturer for loading. The loaded container would then be trucked to the Port of Shanghai. Once in Shanghai, it might be temporarily stored at the terminal. The container is then loaded aboard a ship, and spends up to 20 days in transport before arriving at a U.S. port. As the ship makes its way to the U.S., it might very well stop at several other ports. Throughout this process, at least 7 different handlers may have had access to the container before it even arrives in the U.S. Every stage in the supply chain creates additional hurdles for monitoring cargo.

So what does this mean? It means that Customs faces huge challenges in collecting data and monitoring shipments. As this Committee well knows, Customs' mission since its inception has been the collection of revenue related to tariffs, duties, and user fees, as well as strict monitoring of cargo to ensure compliance with U.S. trade laws and customs regulations. Since 9/11, that data collection and monitoring is now critical to Customs' dual mission of not only speeding commerce, but also working to keep our international trading system free from a terrorist attack.

Beyond the security implications of an attack, there would be a worldwide economic impact. A weapon of mass destruction hidden in one of the thousands of containers arriving daily could have devastating consequences for international commerce. Every U.S. port would be affected as authorities worked to determine the extent and source of the threat. Governments around the world would experience an unresolvable angst as to whether additional containers within the greater global supply chain might also contain secondary explosive devices. U.S. retailers and manufacturers could face supply shortages and shutdowns. Both U.S. ports and companies could face long-term consequences. For comparison, one need only look at the labor shutdown of America's West Coast ports in 2002, which cost the U.S. economy an estimated \$1 billion per day.

While this Committee will certainly look at prevention measures, it is also critical to have adequate planning in place to manage a maritime security incident, as well as to have a recovery and harbor restart plan established to minimize the inevitable economic impact of such an attack. The U.S. economy can simply not afford to have its ports shut down – even for a short amount of time.

Finally, let me emphasize the importance of looking at this from a global perspective. Increasingly, Customs should continue to look at “expanding our borders” – that is, data collection and monitoring before cargo leaves foreign ports. While the security benefits are obvious, expanding our resources and monitoring abroad also means a faster transition for cargo once it arrives in the United States. To make this a reality, U.S. Customs needs to continue to lead the way in advancing efficient and transparent customs policies around the world, through the venues of the World Trade Organization (WTO), the Asia Pacific Economic Cooperation (APEC) organization, and the World Customs Organization (WCO).

This Committee's work on Customs reauthorization comes at an important time. The Congress has an opportunity – and an obligation – to facilitate trade and ensure the nation's economic security. Electronic data collection and validation of commercial records and business practices throughout the supply chain is a key part of speeding up legitimate cargo, while also ensuring that cargo arrives in our ports without incident.

There is now a strategic opportunity for the Senate to address this issue in a comprehensive fashion, by dedicating the adequate and appropriate resources to Customs and Border Patrol based on their significant responsibilities in facilitating trade and protecting our Homeland from acts of terrorism.

In closing, I want to express both my personal and sincere appreciation for this Committee's leadership and commitment to being a part of this all important solution.