Veroot Recap

2023 CBP Trade Facilitation and Cargo Security Summit

Customs and Border Protection Annual Meeting

If you missed the CTPAT Annual Trade Facilitation and Trade Summit in Boston a couple of weeks ago, we wanted to give you a quick recap. Lots of information to cover here so we hit the highlights!

Questions? Let us know: https://ctpat.veroot.com

Enjoy!

CPTAT "Breakout Sessions" Covered In This Exclusive Report!

- Forced Labor
- Cargo, E-Commerce, 321 Data Pilot
- ACE 2.0
- Global Business Indicator
- Ports of Entry
- Cybersecurity
- CTPAT Stats 2022
- Money Laundering Prevention
- CTPAT Suspension and Removal
- Smuggling Mitigation
- Mutual Recognition Association (MRA)
- Validations
- CTPAT 2023 Focus
- The Future of CTPAT

Forced Labor – Uyghur Region

Uyghur Forced Labor was the biggest emphasis at this year's CTPAT conference!

There is a presumption of guilt that goods imported from China (or using a Chinese supply chain) are made with slave labor, and it is up to importers to prove otherwise in the eyes of the CBP. *"It's about proving the negative."* The law envisions multiple stakeholders working together to ensure forced labor is not being utilized in the supply chain.

The CBP plans to expand its focus beyond the Uyghur region to capture other regions where forced labor is prevalent, with the goal of reducing forced labor in the supply chain.

You should have a system in place to make sure you Business Partners are not using forced labor!

Forced Labor – Malaysia & Vietnam

CBP is stopping shipments in Malaysia & Vietnam due to the increase incidences of Forced Labor due to movement from the Uyghur Region to avoid detection.

Cotton, Tomatoes and Polysilicon are at a high risk for being harvested and produced with Forced Labor in all countries.

Forced Labor – Canada/Mexico/U.S.A

Additionally, companies must watch out for goods produced in forced labor regions that are then shipped to Canada or Mexico (via transshipment) to circumvent U.S. labor laws, which is still illegal.

The auto-industry appeared to be a compliance challenge. A study by Sheffield Holland University found significant non-compliance with forced labor laws in the auto industry. The Bureau of International Labor has three reports available to the public: Forced Labor, Goods and Products.

Forced Labor – De Minimus Channel

There is a new focus on the de minimus channel (the shipment of small goods and e-commerce) regarding forced labor. While this has been somewhat exempted due to the country of origin not being a prominent focus by the CBP, this is subject to change.

The only thing stopping this is more financial resources to enforce, but the CBP is doing its best to enforce.

Forced Labor – Monitoring

CBP has launched a Uyghur Forced Care Prevention Statistics Dashboard on their CBP Website that is updated quarterly.

https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics

Additionally, there is an app called the "Sweat and Toil App" that allows users to focus on regions known for non-compliance with forced labor laws, which can be a useful resource in supply chain planning.

https://www.dol.gov/general/apps/ilab
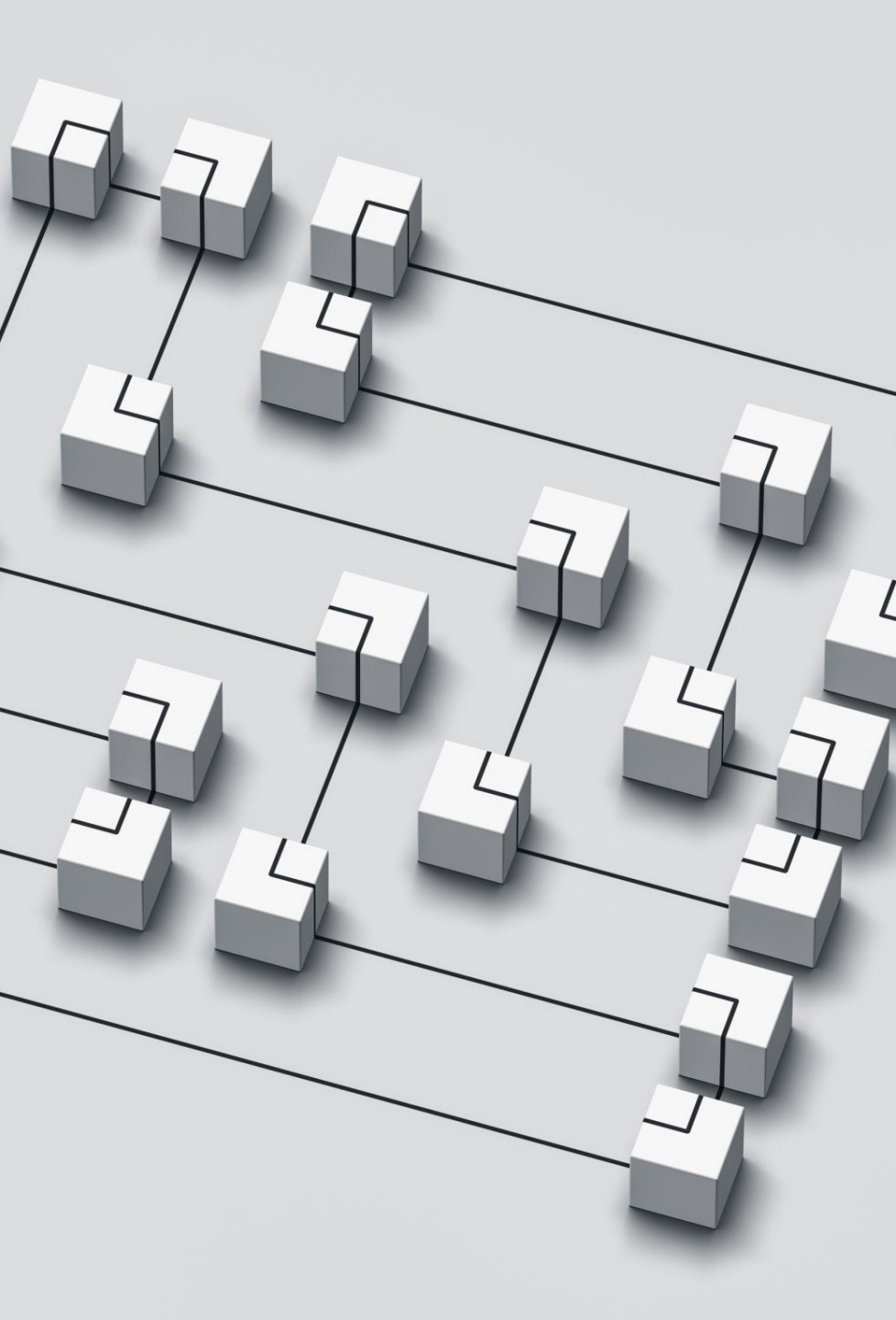
Forced Labor – Due Diligence

If CBP detains a shipment, partners must go back to the Importer and prove the product was not made with forced labor.

Mapping of the entire Supply Chain to prove that forced labor was not used at any point in the production of the product.

Monitor your Supply Chain and know all your Business Partners. Get "Not made with Forced Labor" Signoffs. (Veroot can help with this!)

Forced Labor will ALWAYS remain in your CTPAT file – so stop from the beginning!

Cargo, E-Commerce, and 321 Data Pilot

There is a goal to launch what is being called a "321 Data Pilot and Expansion," which will go beyond ACE and provide more information to the CBP on regular and small package (de minimus) shipments. The 321 Data Pilot goal is eventually going to tie every shipper to a "MID" or Manufacturer ID and get this data point or primary key into the shipment data reported on the manifest or ACE entry. There may be additional data points defined as well.

During a small 321 Data Pilot trial, 14% of shipments were found to be in violation and were stopped in the foreign country before U.S. entry. This was a huge surprise to the participants!

Cargo, E-Commerce, and 321 Data Pilot

For those familiar with Type 86 regulations, these will eventually be augmented by the 321 data elements. The customs broker will ultimately be responsible for making sure that the new 321 data requirements are followed.

Based on what we have heard, the 321/Type 86 migration is something that will likely be finished up in 2025, but there is still a long runway for implementation, and it may take several more years to be incorporated into the regulations, ACE (ACE 2.0), etc.

ACE 2.0

The CBP is planning for ACE 2.0, a more robust version of ACE with new APIs, development tools, and the ability to implement natively into logistics software. ACE 2.0 will include the ability to tie the GBI code primary key, and the TSM Working Group session for ACE 2.0 will commence in 2024. The CBP has released funding to study ACE 2.0 with a goal of prototyping by 2025.

Veroot's opinion is that ACE 2.0 will probably not be live until 2027-2028.

GBI – Global Business Identifier

Although the audience groaned a bit when this was discussed, the CBP is currently experimenting with the GBI, which stands for "Global Business Identifier." This identifier is like the MID, but it serves as a unique primary key for all importers, manufacturers, and business partners in the global supply chain. However, the biggest challenge is its worldwide nature.

Eventually, the CBP hopes that the GBI will be used in all filings and shipments.

GBI – Global Business Identifier

Currently, ten member countries are participating in this study with CBP, with a goal of having a single number to identify all companies.

As part of the study, the CBP is using the LFI, GLN, and DUNS numbers or codes. Companies can work with these organizations to sign up for the Global Business

Identifiers at a reduced rate if CBP is mentioned in conjunction with the effort. For more information on this project and access to the companies working with the CBP to provide GBI numbers, email gbi@cbp.dhs.gov.

Ports of Entry

The CBP Port Director is responsible for overseeing over 30,000 employees. Resourcing the ports is always a challenge due to budget constraints. For instance, since the COVID-19 pandemic, ports in Boston and surrounding areas have seen a significant increase in traffic, with a 194% increase in air and an 84% increase in rail shipments. To handle this increased volume, CBP is looking to implement more biometric capabilities to improve efficiency. Since there are more shipments than CBP personnel, the use of AI, biometrics, and other technologies will be necessary to target high-risk cargo in the future.

Many ports are utilizing large, multimillion-dollar grants from Congress to repair aging infrastructure. However, in the CBP's view, more funding is needed to ensure ports are adequately resourced. The goal is to increase the container, trailer, and truck scan rate from the current 40% to 70% at ports.

Cybersecurity

There are 6 Trillion dollars worth of cybercrimes per year.
- Malware is causing a cost of 1 billion dollars.

CBP is anticipating a 300% increase in cyber breacher in 2027.

Notify CBP within 72 hours of data breaches,
- CBP prefers if they are notified immediately
- Cyber Incident CBP Hotline: 703-921-6507

After you notify CBP, reach out to your ACE Client Representative.

Out of the 13 Cybersecurity MSC Criteria 10 are a MUST. (Veroot has a Cybersecurity team if you need help in this area!)

CTPAT Impact Report 2022

CTPAT has 6 Field Office across the U.S

- Across those 6 Field Offices are a total of 169 Supply Chain Security Specialists (SCSS), Supervisors and Directors

There are currently over 11,000 CTPAT participants, representing over 50% of the cargo imported into the U.S.

CTPAT Certified Members saved over 53 million dollars in reduced fees.

Results of the CTPAT 2022 Survey

A "benefits" dashboard is coming for each Trade Account in the CTPAT Portal illustrating the benefits a company received for being part of the program.
(Phase 2 of the new portal and not for a few years)

- Cost Savings
- Exam Fees
- Reduce Fees
- # of Shipments
- # Shipments Examined

Per the survey, 90% of companies do not want to leave the program once CTPAT Certified due to the benefits received

CTPAT Mutual Recognition Agreements

CBP signed new Mutually Recognized Arrangements ("MRAs") with Columbia and Guatemala, which is a significant achievement for the CTPAT program.

To Date a total of 18 MRA agreements have been signed with the following countries:

Brazil	Mexico	Canada
Uruguay	Israel	New Zealand
India	Taiwan	Colombia
United Kingdom	European Union	Guatemala
Peru	Korea	Dominican Republic
Japan	Singapore	Jordan

CTPAT Smuggling Mitigation

CTPAT has updated the MSC requirements for in efforts to prevent Smuggling

- 7-8 Point Container Inspection

- 17-18 Point Truck & Trailer Inspection

- Seal Security – VVTT Test

CTPAT Suspensions & Removals

In 2022 there were 213 Members Suspended or Removed from the program:

98% of total Suspensions and Removals were due to non-compliance with Annual Reviews and Validations.

30% of all Suspensions were due to Security Breaches or Money Laundering

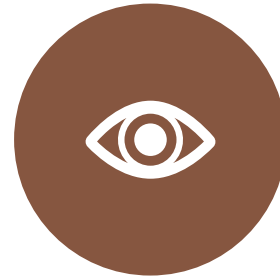30% of all Removals are due to partners not completing Annual Reviews
- Not completing by due date.
- Not responding to SCSS request to submit after due date is missed.

CTPAT Validations

Initial validation may be done within 1 year of acceptance into the CTPAT Program

Revalidation – Once every 4 years (can be more often if warranted)
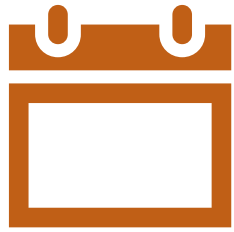
Validation locations are chosen based on level of risk, dollars, and volume

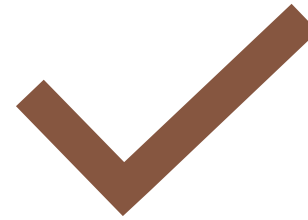SCSS will notify CTPAT Partner 30 days in advance of Validation date so they can prepare

CTPAT Validation Length

Plan on the Validation Visit lasting 3-8 hours for 1 U.S. location (can go into 2 days)

With a U.S. and a foreign location, it can take 2-3 days

Preparation is the key to reducing the length of a Validation

MUSTS are MSC's that you must do at bare minimum. SHOULDs are recommendations for Best Practices and can increase your Tier Rating

CTPAT After the Validation

SCSS has 90 days to prepare Summary Report after the visit and the Partner has 90 days to respond the Summary Report

SCSS may schedule another visit to verify that Summary Response actions are in place

If you do not respond to Validation Summary within 90 days:

- CBP will issue a Suspension Warning via email 14 days after 90 days
- The SCSS will initiate the Write Up to Suspend and forward to Supervisor

Future of CTPAT

New Portal coming out in the Fall.

Online Training by CBP will be provided.

Once new portal is up: Imports, Exporters, and Foreign Manufacturers will be required to sign new Forced Labor Statement and upload support docs.

Adding E-Commerce as an entity for CTPAT Partnership.

Current issues are small packages with volume control issues.

Non-Asset Based 3PL – Eligibility discussions will be had by the CBP!

Conducting Study of Cost Savings for CTPAT members.

Conclusion

The CTPAT conference discussed a myriad of essential topics, including Forced Labor, E-Commerce, Ports of Entry, new MRAs, Cyber Security, E-commerce, and ACE 2.0, etc.

Changes continue to come down the line to enhance CTPAT's value and enforcement. Over 50% of the cargo (and growing) is imported by CTPAT certified companies.

Companies that ship and import goods into the U.S. must stay up-to-date with the latest updates from the CBP to comply with the new regulations and ensure smooth supply chain operations.

Thanks for Reading!