

UNITED STATES SENATOR • IOWA
CHUCK GRASSLEY
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

<http://grassley.senate.gov>
press_office@grassley.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

Opening Statement of Senator Chuck Grassley
Finance Committee Hearing, "Homeland Security and International Trade"
Tuesday, July 16, 2002

The creation of a department to oversee homeland security is a tremendous undertaking for the White House which presents multiple challenges. This is certainly true in the context of incorporating the U.S. Customs Service into the new department, which will be the focus of today's hearing.

The U.S. Customs Service is one of the oldest agencies in the U.S. government. Created in 1789 to enforce U.S. tariff policy, the agency's mission has continually adapted to meet the changing needs of our nation. Most recently Customs has been at the forefront of our counter-narcotics efforts. Today, it is one of the most modernized agencies in the U.S. government, responsible for managing over 23 million entries and 472 million passengers a year. It collects over \$23 billion in duties and fees and is responsible for seizing millions of pounds of contraband narcotics every year. The Customs Service is a vital component of our government.

Given the importance of the agency, I am pleased to have an opportunity to publically discuss the challenges we face in moving the Customs Service to the Department of Homeland Security. I believe we have no choice but to strengthen our national security, and I appreciate the President's commitment to doing so. If a new Department of Homeland Security is the answer, I'll do everything I can to enhance the effectiveness of this new department.

However, there are a number of issues which I would like to raise today. Some of these issues apply more generally to the Department of Homeland Security as a whole. Others relate specifically to international trade and to the longstanding mission of the Customs Service in promoting the efficient movement of goods into the United States and its counter-narcotics efforts.

First, more generally, I'm concerned that whistleblowers won't be adequately protected under the legislation currently being considered. Let me be clear. I will only be able to support a Homeland Security bill that includes strong and specific protections for whistleblowers. Any bill to create a new agency without whistleblower protections is doomed to foster a culture that protects its own reputation rather than the security of the homeland.

Second, I am concerned that the Office of Inspector General won't have sufficient independence to aggressively oversee the department. The new department needs independent oversight. An aggressive, completely independent Inspector General will ensure that agencies will perform their mandated duties in the most efficient and cost-effective manner. A strong Inspector General will be critical to the success of the new department.

We also need to make sure that the new department is not plagued with redundancies and waste. In the name of good government and fiscal responsibility, the Administration needs to pledge that it will not allow agencies to replace personnel or resources that they send over to Homeland Security. This is about national security, not job security. This cannot be an excuse to grow government or hold onto turf that really belongs in Homeland Security. Over the long-term, I expect to see some reduction in government and streamlining, and I intend to hold the administration to this.

I also have a number of concerns which are more specifically related to the Customs Service. At the top of the list is ensuring that the U.S. Customs Service continues its traditional role in facilitating international trade and fighting illicit narcotics.

First on drug smuggling. One year ago, one of the primary missions of the Customs Service was the detection and interdiction of illicit narcotics. Today, the mission of the Customs Service has shifted to homeland defense. As a result, the level of resources devoted to interdicting illicit narcotics have necessarily fallen as more resources are shifted to homeland security activities. Fighting the drug trade and money-laundering are important in their own right, but also because they both support terrorism. I agree with the Office of National Drug Control Policy that terrorists often get their funds from illegal drugs, whether it's the coca fields of Colombia or the poppy fields in Afghanistan that produce heroin. We must be sure that this mission, along with that of trade facilitation, is not lost.

Some have suggested that the only way to ensure that Customs maintains its traditional functions is to divide the agency, with the Department of Homeland Security taking the enforcement arm of Customs and the Treasury Department keeping the trade compliance and revenue functions. While I have not completely dismissed this idea, my initial feeling is that this would be a mistake. I am afraid that dividing the agency might create a dual regulation and dual inspection process, one for security and one for compliance.

I also believe that the international trade and enforcement functions of the Customs Service are closely linked. Today, the Customs Service relies upon relationships built over time with the business community. By understanding how international trade actually works, the Customs Service is much more adept at identifying anomalies in trade patterns that often point to illicit activity. Moreover, a strong sense of cooperation and partnership has developed between the Customs Service and the business community. The Business Anti-Smuggling Coalition and the Customs-Trade Partnership Against Terrorism are good examples of that partnership. We do not want these tools to become lost with the transfer of the Customs Service to Homeland Security.

Part of the key in maintaining this traditional cooperative relationship is to maintain the advisory elements on which they are built. This means carrying forth such committees as the Treasury Advisory Committee on the Commercial Operations of the Customs Service, or COAC, and the Trade Support Network to the new Department of Homeland Security. We need to make sure that these trade advisory councils move along with the agency. Another important element is continued application of the Administrative Procedure Act to the Customs Service. Through the APA, the business community and other interested parties are able to participate fully in the rule-making process, thereby enhancing the final product.

However, even with these procedural safeguards, I am somewhat concerned that the attitude could prevail over time in which the trade functions of the Customs Service become nothing more than a tool for the enforcement functions. I do not think this is an insignificant concern. Today, Customs operates under the umbrella of the Treasury Department, whose core mission it is to serve

as a steward of the economy. Moving an agency that has been an integral part of the Treasury Department's core mission to Homeland Security could fundamentally alter the traditional mission and culture of the U.S. Customs Service, and perhaps even of the Treasury Department as well. As the ranking member of the Finance Committee, I plan to exercise my oversight function diligently to make sure that this does not happen.

I also think we need to make sure that the international trade functions of the Customs service continue to receive adequate resources to continue their work. A good example of this is the continued construction of the Automated Commercial Environment, or ACE. Currently, the Automated Commercial System is the only comprehensive mechanism to monitor trade flows, yet it is antiquated and subject to periodic slowdowns. We must do better. That is why I strongly support rapid and efficient deployment of ACE, the Automated Commercial Environment. The ACE system will be key to facilitating economic trade in the future. We must make sure that, even in these times of tight budget constraints and intense focus on homeland security, we continue to provide Customs with the funds needed to get the ACE system up an running.

As we move forward in enhancing our border security efforts, it is important to keep in mind that a large part of homeland security is economic security. And, international trade is a critical component of our economic security. Exports alone accounted for 25 percent of U.S. economic growth from 1990-2000. Exports alone support an estimated 12 million jobs. Trade also promotes more competitive businesses – as well as more choices of goods and inputs, with lower prices. If we impede trade, we impede our own economic growth and our own well-being.

A concrete example can be found by looking at one sector of the economy immediately following the events of September 11th. Just 36 hours after the attacks, Daimler-Chrysler announced that it would close one of its assembly plants because it could not get the parts it needed from Canada to continue operations. Similar circumstances caused Ford to lay idle five of its assembly plants – each producing an average of one million dollars worth of cars per hour – for a week.

Events like this make it clear that the United States must be at the forefront in developing the border technologies and enforcement methodologies which will enable our economy to prosper and grow in the post-September 11th world. We cannot afford to do any less. A nation which masters the competing goals of international trade facilitation and border security will be a nation which can confidently embrace globalization. It will be a nation which prospers in this new millennium. I stand ready to work with you, Mr. Chairman, and President Bush to make sure our nation rises to meet this challenge.