

Customs Modernization

Disclaimer: Information provided in this document reflects customs modernization initiatives up until March 2022; this is an ever changing and evolving topic that requires additional research to fully grasp it's concepts and goals.

Historically, customs has played a narrow role in trade, focused primarily on the collection of duties and taxes on imported goods. However, over the past several decades, the global trade environment has evolved even more significantly, driven by rapid technological changes, the continued expansion of the global marketplace, and the rise of e-commerce; this has caused customs of imported goods to evolve as well. ([USITC, 2017](#)) Numerous pieces of legislation and initiatives have been proposed and implemented in recent years, focusing on the next era of trade facilitation and customs modernization in the United States.

On July 23, 2019, CBP published a notice in the Federal Register introducing a voluntary **Section 321 Data Pilot**. Section 321 of the Tariff Act of 1930 authorizes U.S. Customs and Border Protection (CBP) to provide an administrative exemption to admit free from duty and tax shipments of merchandise imported by one person on one day having an aggregate fair retail value in the country of shipment. ([CPB, 2019](#)) The purpose of this data pilot is to improve CBP's ability to target efficiently and assess the security risks posed by section 321 shipments. ([Federal Register, 2019](#))

Over the past two years, the U.S. Customs and Border Protection developed the **21st Century Customs Framework** in order to achieve end-to-end supply chain transparency, drive data-centric decision-making, and identify and allocate risk to appropriate parties. The task force consists of many key actors including but not limited to brokers, importers, exporters, express carriers, stakeholders, and major trade associations. Today, the 21CCF is aiming to enable a new world of trade through enhanced facilitation, seamless data sharing, increased visibility and accountability, timely and effective enforcement, and secure funding. ([CPB, 2022](#)) In November 2021, the first significant customs modernization legislation in nearly 30 years came out of the office of Senator Bill Cassidy (R-LA) when a draft of the **Customs Modernization Act of 2021** was released that has been considered as part of its 21st Century Customs Framework. ([S,T&R,2021](#)) The bill is designed to address changes to the international trade landscape which has "shifted significantly" over the past three decades. The Act aims to both expand CBP's authority to collect and use information from importers

and exporters and to bolster CBP's enforcement capabilities. ([Coopersmith, 2021](#))

In February 2022, the House of Representatives passed the **America Competes Act**, in an attempt to catch up with the Senate's **United States Innovation and Competition Act** (USICA) that was passed months earlier. The goals of the America Competes Act are to fund domestic semiconductor chip manufacturing and re-orient the United States' international posture towards competition with China whilst the goals of USICA are to boost U.S. semiconductor production, development of artificial intelligence, and so on. Recently, the House and Senate have been attempting to draft a final bill that meets the needs of both sides. ([Akin Gump, 2022](#))

Key Takeaways

- Legislation is moving towards accomplishing CPB's overall e-commerce strategy of advancing trade enforcement while preserving the facilitation of low-value shipments
- There is a shift into providing a more transparent and accountable customs policy towards data sharing and overall facilitation
- The overall mindset is focused on rebuilding the foundation of the United States customs foundation as opposed to relying on other countries for guidance or aid

Although there are many criticisms and potential faults to the creations of change mentioned, it amounts to an immeasurable leap in bringing trade facilitation and enforcement and customs as a whole into the 21st century and beyond.

Discussion Questions

- Are these pieces of legislation on the right track to productively modernize customs or will they leave the United States in the same rut in need of an upgrade as the Tariff Act of 1930 and Customs Modernization Act of 1993?
- How are the new provisions to the Customs Modernization Act of 2021 going to affect businesses in the United States and abroad?
- In what ways does the new bill—The Customs Modernization Act of 2021—proposed by Bill Cassidy attempt to meaningfully modernize customs law in the United States?
- What is timeline for USICA/COMPETES conference bill?
- What about the section 321 de minimis \$800 exemption from duty provision?