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Jeanette: Hello and welcome to the counter-intelligence and security center or NCSC supply chain podcast series. These podcasts highlight the work of supply chain experts and practitioners from government, industry, research and academia with the goal to share information on supply chain security topics. Through these quick segments, we hope to bring awareness of supply chain security and efforts to prevent foreign attempts to compromise the integrity, trustworthiness, and authenticity of critical U.S. supply chains.

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Jeanette: My name is Jeanette McMillian and I serve as the assistant director for the NCSC Supply Chain and Cyber Directorate. Joining me for this podcast is Mr. John P. Leonard, the Deputy Executive Assistant Commissioner for the Office of Trade at the U.S. Customs and Border Protection Agency. Mr. Leonard oversees a diverse portfolio of trade enforcement, security, and facilitation, to enable legitimate trade, contribute to American economic prosperity, and protect against risks to public health and safety.

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Jeanette: Today we discuss supply chain security from CBP's perspectives, highlighting some of the issues CBP sees at the intersection of trade security and supply chain security, with the rise of ecommerce, cyber security incidents, intellectual property rights enforcement, and trade relations with our number one trading partner, China. We hope you enjoy the supply chain conversation. Thanks for listening --

Jeanette: So, John, thanks again for participating in the podcast with me.

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One of the things I always like to start with is a quick definition to set the terms for the dialog. So, when we talk about supply chain, it can mean so many things to so many different audiences, but what does supply chain mean to you and CBP.

John: Great, and thank you, Jeanette, for inviting me on the podcast, I'm really excited to talk to you about about what we're doing and how we collaborate. So, a supply chain in the context of CBP's customs and border protections authority is in our trade missions set really is

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the movement of international goods, commodities, and merchandise into the United States from any foreign country- And this is what we have authority over to regulate and essentially what we were doing is we are carrying out of balancing act of facilitating legitimate goods while protecting the country against unsafe and harmful goods. You got to have the right match, because we we can't slow down good, because that will really harm

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our economy, our economy's so dependent on on this free-flow of compliant trade, but we have to make sure that dangerous goods--

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goods that are elicited, counterfeit, et cetera, are not permitted entry to the United States. So really we are-- the supply chain is something that CBP's trade mission looks after 24/7--

Jeanette: That is definitely a very interesting perspective, and one that I know that pulls into the mission from the NCSC perspective as we're looking at the supply chain and how our foreign adversaries are very familiar with those threat vectors and how they exploit them every single day and knowing that you guys are on that front line

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helping us with that is absolutely critical and that's one of the things that we're trying to make sure that we're better connected from NCSC's standpoint to support your organization with CI and security information --

As we know, those are being used by our foreign adversaries, as we all know, we've all had a front-row seat to the flurry of activity surrounding supply chain security from software to semiconductors, pipelines to peanut butter. Global supply chains are large and lucrative attack vectors and our adversaries know it.

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Jeanette: At NCSC, we approach these issues from a CI and security perspective. To borrow a term of art from our information security stakeholders, we're always looking for the CIA and not the one I used to work at--the one in the IC--but, the CIA in terms of supply chain having confidentiality, integrity, and availability, and I know the CBP missions are a huge part of that for commerce. What are some of the most common mistakes people, and maybe even companies make when developing their supply chain protections, especially from a CBP response.

John: Sure, great question, so

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really --

The critical thing that a company that gets involved in importing needs to implicitly understand is who their suppliers are--

Who is the entity making that good? Where is the factory?

Are they producing legitimate goods in terms of safety, quality, you know, not counterfeit goods etc., and then not only that, but knowing the security of the supply chain from end to end so from foreign factory,

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all the way, through whatever mode of transportation they're using to get here and then onwards to the to the final and delivery point, which could be a store shelf, could be a warehouse, et cetera. But it's knowing that all the different nodes in that supply chain and are the actors and the partners that you're working with, are they legitimate? That's probably the biggest thing that folks need to be aware of.

Jeanette: Absolutely. it's kind of a know your customer mantra all the way through, end-to-end.

John: Correct.

Jeanette: Full life cycle, yeah.

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And as you guys are taking a look on the horizon in terms of helping those folks in those companies, importers, et cetera, to that end, what is one of the biggest challenges for CBP in the near future within the areas of trade facilitation and trade security.

John: Gosh, there's almost too many to mention--

Jeanette: Right, right. Our podcast is only a few minutes!

John: I know, I know, so I'll try to hit the top ones. So, I think one of the big challenges that we face is just the changing nature of

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international trade, so the biggest one, obviously in the last 10 years, has been the rise of ecommerce. We are seeing a dramatic rise in small packages coming to the United States versus twenty years ago, or so, everything was in, you know, largely in large, you know, 20-foot, 40-foot containers --

Normal air cargo type of flows, but now we're seeing small packages come in in all modes. Air cargo, international mail, even in broken up into thousands of shipments in containers, but

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folks want to make use of e-commerce. The platforms have just exploded --

But it's challenging for CBP because we don't get the same information in advance on what what the heck is in these parcels that we do with other other types of modes of transportation. And that's what we're trying to get our arms around right now and getting new information, new authorities, working with the trade community to get better visibility earlier in the supply chain as to what is coming out of a lot of these countries

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in this e-commerce area. Another issue is cyber-security, so we've seen repeated incidences of cyber attacks on big partners in the supply chain, including what we call custom house brokers. They do a lot of the intermediary work on behalf of the orders of filing information to CBP, and there's been a couple of very, very notable cyberattacks just in the past year of two major, major brokers and it's very disturbing, but we're working closely with them.

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Trying to mitigate that --

Other challenges are intellectual property right enforcement. This is counterfeits. You know, we seize almost between twenty-five and thirty thousand shipments a year and any one shipment can have thousands of items it--everything for pharmaceuticals to consumer goods to anything you can buy, really, and IP are also concerned about health and safety, especially in a pharmaceutical area, and then, Lastly, is our--

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Our growing issues with China --

From a forced-labor standpoint, other anti competitive practices that that we're concerned about, they're our number one trading partner in terms of exports to the U.S., no big, surprise there, so it's just a matter of getting our arms around that issue as well, so a host of challenges in international trade.

Jeanette: That is absolutely truly insightful and again, the breadth and depth of what you guys are dealing with on a daily basis,

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it can't be understated and, of course, China, we all know we seen from the Chinese government that is a very prolific and consistent threat- And it's in that, one of that Gray Zone with regards to how we best protect the U.S. supply chain, and as you stayed before, cybersecurity, especially that cyber supply chain. In fact, back in 2018 NCSC had warned that China will continue to be a threat to the U.S. proprietary technology and intellectual property through cyber-enabled means or other methods.

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If this threat is not addressed, it could erode America's long-term competitive economic advantage, so I'm sure that that's in the forefront, as well as we're as we're combatting these issues, and in fact just this past summer, FBI director Ray said that, FBI field offices were opening China CI investigations at a rate of one every 10 hours. So that is a very compelling statistic for us to realize exactly how prolific that particular threat is. One of the best things

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that we can do is message and educate the consumers and businesses that must participate in the global supply chain and your intellectual property rights

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enforcement is something that I think folks really need to learn about, and how does U.S. customs border protection enforcement those rights and what are some of the initiatives that CBP has championed in this regard.

John: Sure, so--

IPR is a big concern, especially with this rise of e-commerce a lot of our counter-- frankly, the majority of our counterfeit seizures, I mentioned that just last year, our fiscal year, twenty-one, we had twenty-seven thousand shipments were seized for IPR, for intellectual property rights infringing goods, counterfeits, essentially --

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The great majority those happened in that small package environment, so folks who were ordering online really have to be aware of --

Who they're buying from, you know, is it a legitimate company? Oftentimes if the price is, is inordinately low? Very much want to question, you know, that that brand and is it legitimate or not only from a brand look kind of thing and on the consumer goods, but really from a safety standpoint to goods that pertain to that.

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But it's a huge enforcement issue for customs and border protection. We track this, not only by shipment numbers, but also by manufacturers suggested retail price. So what would the goods be worth if they were legitimate? That is the way we track it so --

In fiscal year twenty one, our fiscal year that ended on September 30 of --

Twenty-one, we had a total MSRP value of over three point three billion

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USD, which is just immense, and you can see the effect that has on legitimate producers who put in all that work. All that --

Money into--

It's their intellectual property, it's their brands, and they're, the ones that are being --

Being defrauded and that just have a ripple effect of the economy, on the US economy, so it's a it's a big issue. You know, we kind of hit it in three sort of targeted areas. Uh. First of all, we have a very sophisticated --

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IT system, it called the automated commercial environment and part of that is a targeting feature which allows us to target shipments in advance. So when we get, we get information, oftentimes before a shipment has left a foreign country and we can start to kind of rack and stack the risk. Do we want to look at this? Do we want to open that container? Open that small package? Et cetera. So the targeting is key. We work with industry very very closely, all the the brands --

They train our officers; they they show us how to look for counterfeits in certain industries, work with the U.S. Chamber of Commerce.

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In fact, we signed a memorandum of understanding with them last year, where, by we, we get--

Kind of advance information in intelligence from three major companies that are in our initial pilot --

Including Apple, the clothing manufacturer Burberry is another one, and so we're getting some really good intel from them. And then, finally, a consumer education campaign that we have been running for a number of years that we call "Truth Behind Counterfeits," which is sort of a public awareness campaign that we do online.

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Jeanette: That's awesome. And also to be able to get those MOUs, that must be a significant amount of trust with that change, with those [unintelligible] Commerce that they're coming in and and helping with the right thing, that is absolutely excellent and, in addition to those resources, you know what what other resources potentially are available to those businesses who may not necessarily be an MOU arrangement but want to make sure that they are, you know, abiding by those particular terms that also can --

benefit from some of the things that you guys are doing for those other companies?

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John: Sure, so we have a a number of resources online right at our public facing site, which is CBP dot GOV. Charlie, Bravo, Papa, dot G-O-V and including a --

Messaging service, we called the Cargo Systems Messaging Service, which --

Depending on your level of sophistication in the supply chain and and how how deep you are in terms of interaction, it really provides a wealth of information on initiatives that we're doing, changes that we're making, et cetera, so that CSMS Cargo Systems Messaging.

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Service is a great listserv that people can sign up for and get e-mails about what's going on. Definitely, definitely recommend that. We also, again, put out quite a lot of information in our dot G-O-V site, in our trade section --

Including in the IPR enforcement area, but any area of international trade enforcement that we do we, we have up on there, so that's are really good way to stay in touch with what's going on --

Jeanette: That's great, that's great. So if a particular

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person or company suspects that his business is using a foreign-based supplier, for example, that may be connected in some sort of way to a prohibited or restricted source, is he able to confirm this origin through normal due diligence, and they can't really get a handle on it, is there an opportunity for them to reach out to CBP?

John: Yes, and thank you for asking for that --

We have a really robust program called "e-Allegations." Electronic Allegations Program, and it's on our website

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and folks can submit anonymously, if they prefer, any allegations of illicit trade going on. So so we get --

Hundreds of them. Thousands of them, but they're all vetted, and all looked at. It is not going into a black hole. We put a lot of work looking after this e-Allegations system, but it's on the website in the Trade section, under e-Allegations. That's the best way to report trade fraud to CBP.

Jeanette: Awesome, awesome. And if, for example,

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if you know that's kind of on the front end, if this person, you know, hasn't actually taken possession of a particular item. What happens is someone does take possession and they're now concerned that that has come from a prohibited or restricted source? What could that company do?

John: Yeah, so, again, there are legal means for folks to protect themselves in that instance, and this goes really for any, whenever a company becomes aware that they are caught up in something that that may be

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against regulation, illegal et cetera. We have a system called prior disclosure where they can make us aware that something's happening, and they are afforded very good legal protections if you make use of this prior disclosure versus us catching it and coming to you, that's worse.

Jeanette: Almost like a safe haven sort of example.

John: It is, to a certain extent.

But but the prior closer program is available for folks to kind of let CBP know and and we'll be afforded certain protection there

Jeanette: Excellent, excellent. And then, again, hotlines..

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That's another opportunity as well. Does the CBP have a hotline where you can also call and report violations?

John: Yeah. So I mentioned our e-Allegations portal, and that's that's a great way to do. There also is a phone number that we we have, together with our sister agency, Immigrations and Customs Enforcement, ICE --

And that is one-eight-six-six, D-H-S-2, I-C-E.

To report threats to public health and safety in the importing sphere.

Jeanette: Excellent. We'll make sure that link both of those, all of those links as well as that phone number in our in our podcast notes.

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That would be great --

John: Thank you.

Jeanette: So, new challenges sometimes equals new authorities, but the list of toolkits CBP can offer to protect U.S. businesses and protect U.S. IP is absolutely impressive and, in fact, some of the notions, then, we're talking to other business leaders in industry when they're weighing the risk of doing business in other countries that don't have such protections, like China. I hope that folks are taking those into considerations when they are looking at what the risk is to their own IP,

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and what it takes to actually have a true fundamental benefit to a free and open trade environment, and you guys are truly part of that process. As a recovering attorney, I'm always about authority.



I know the value of having a strong statutory foundation for taking swift and decisive action, especially if such action is needed to protect against threats to national security interests, ensuring additional resources and legislative authorities is absolutely essential and we found that there is a couple of those things that we've done in the supply chain arena that could certainly help to benefit and advance CBP mission. One of those is, for example, the Secure Technology Act is

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now under the [unintelligible] of the Federal Acquisition Security Council, so in tandem with the authorities that you guys have with trade enforcement there's now also a mechanism where, from a procurement standpoint, from a federal procurement standpoint, we are able to evaluate risky vendors, make sure that federal department acquisition and security processes are compassing supply chain risk management ideas and criteria. Also promulgated by the federal acquisition security Council. Also able to share information with regards to different vendors and things of that nature, and to fully make sure that a national level we're protecting the federal supply chain especially when it comes to the cyber supply chain, or we say, the ICTS, information communication technology

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While this is a new law, and it's focused on federal procurement, through the global supply chain they're could be some parallels there to trade-security environment. So, are there updates to the CBP authorities that could parallel the Secure Technology Act framework or things that we probably want to make sure, are moving in that right direction from your standpoint from the authorities that you guys have now.

John: Yeah, I think so, and the Secure Technology Act is exciting, and I think that's where the government needs to be. Where we are looking into --

Actively pursuing, actually, similar related type of efforts, in particular

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an effort we call the twenty-first century customs framework. So, you may not be aware, but a lot of the laws that we oversee in this space in international trade literally go back to 1789.

Jeanette: Wow.

John: Customs was the, one of the first federal agencies created after we became a country. It was the fifth Act of Congress, and a guy called George Washington signed it. We've got to have a Customs administration, because they needed to pay down the the Revolutionary War debt. We were broke.

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So we needed income and and us collecting duties can can do that, but a lot of those basic sort of concept statues remain today, all those hundreds of years later we and we need to update them. Not that we haven't updated in the past, but the last major statutory update in the trade enforcement area, Title 19 of the U.S. Code was in the early nineties. Yeah, it was 1993, actually with the Customs Modernization Act.

Jeanette: E-Commerce wasn't quite a booming back then.

John: Well, it didn't exist.

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They didn't have an Internet back then. So now we're leaning into this twenty-first century customs framework where we are looking to update a number of statutes in areas pointing into the digital age, completely get rid of paper. We've largely gotten rid of most paper processes, but not all --

Get more advanced information on cargo, so we can make risk-based decisions quicker, more efficiently, and again, focus our very limited resources on just the highest risk. Let the compliant goods come in, keep that economy enabled, healthy --

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Goods moving in the country that are legitimate, but look at let's look at that narrow range of a bad actors by by getting advanced information. So, yeah, twenty-one CCF, I think, is similar to the Secure Technology Act in that we're just trying to modernize and get smarter.

Jeanette: Right, right, no, that that sounds like a fabulous initiative, and that we will certainly be looking out for making sure that we can improve those authorities across the board. There have also been reports of new technology coming online to help track some of that sourcing, and almost down to not only just the geographic origin,

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but raw-material geographic origins as we've seen a lot of those things coming into fruition with our semiconductor supply chain, where those raw materials are coming from. Have you seen this improved impact, the ability for importers to accurately track their sourcing, or are there additional things that we can probably take a look at?-

John: Yes, both actually. So we are from the government side looking into tracing technology of various means, including something we call distributed-ledger technology which a lot of people would also called blockchain.

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We've kind of gotten away from that term a little bit, but just the way that you can have an electronic end-to-end --

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ledger, if you will, protected --

That shows where, how goods are moving, and who has possession of goods along the supply chain so that, that, yeah, distributed-ledger technology is going to be a big part of the way we do business and track shipments in the future. [Unintelligible] part of that twenty-first century customs framework. But we are we're also looking at other --

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Technologically advanced tracing methods to know goods are made. You know, one of the big--

Enforcement activity that we now look after is is forced labor and many of the commodities needs to be traced right back to their most basic state, you know what I mean? Something that's mined out of a certain area and and there's technologies that can help us show where things physically come from, which will tie it to a forced, labor enforcement effort. So that's a big thing. You mentioned

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using --

GPS-type of technology. We're doing that as well. One of our big new initiatives is called the Global Business Identifier, which will require folks to be able to more accurately identify where the goods were produced. The way we do it now is a very dated type of analog technology that--

Doesn't really fit the bill in terms of actually identifying where the manufacturer is located, but this Global Business Identifier project is, I think, it's going to get a lot more fidelity and where something was made, even down to like the loading dock physically, where goods were loaded onto a container.

Jeanette: Wow.

John: It can be done.

Jeanette: Absolutely. That is absolutely fascinating and making sure that we're taking full advantage of technology

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in a very smart way. Last, but certainly not least is public-private partnerships. That is one of the things that we have seen, certainly in the supply chain arena, and especially again in that cybersecurity arena. Um, I would, I would really, I know in our, in our, uh, certain, certainly in ours- outreach and effort, we have certainly taken a look at the cyber supply chain, working with a lot of software developers and customers and vendors, and then also consumers and working with, um, Enduring Security Framework,

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we just published our latest and greatest with regards to the developers, supply chains, and guidance there, but that was done through a public-private partnership that we would not have been able to succeed had we not brought in those developers. If you can, talk about some of the public-private partnership that you guys have been able to do here, essentially given the breadth of the industries that you all absolutely touch every single day.

John: Sure. Yeah, we have a long history of interaction with the private sector that we regulate. The trade

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community. Right? Importers, exporters, customs house brokers, freight forwarders, attorneys that work in this space representing importers. You know, foreign manufacturers. Anybody that's involved in international trade --

we interact with on the on the private sector side. We actually have a formal --

committee that we are statutorily required to to work with; an advisory committee, called the Commercial Customs Operations Advisory Committee, C-O-A-C, "COAC," for short-

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And they are, uh, twenty individuals that we vet and select on a --

cohort term basis, so it's like a two-year assignment with an extension --

And they're twenty folks from across the diversity of their occupations in trade, the ones I just mentioned, and they advise us. So, they, they, they're companies you've heard of, some of them --

And they kind of meet and meet with us and they present CBP with recommendations

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that we we look at and often implement a number of them, but --

Really and a lot of interaction with our stakeholders pretty much on an, on an everyday basis.

Jeanette: Excellent, excellent. Well, we are certainly more educated here in the supply chain arena in terms of what it is that we can partner with as well. I just want to thank you again for joining us on this collaborative podcast opportunity. And I hope it is the first of many opportunities to enhance our collective mission priorities, first and foremost, to raise awareness for more secure, resilient, supply chains, and further the U.S. trade and economic goals.

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John, thank you so much.

John: Thank you so much, and we really we look forward to the collaboration --

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