



E-Commerce Strategy

U.S. Customs and Border Protection



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MESSAGE FROM THE ACTING COMMISSIONER

E-Commerce is a growing segment of the U.S. economy and has been increasing significantly for the past several years. Consumer habits are changing as the internet empowers individuals to make purchases online. These advances in economic activity have led to increasing volumes of imports of small, just-in-time packages, creating inspection challenges for U.S. Customs and Border Protection (CBP). E-Commerce shipments pose the same health, safety, and economic security risks as containerized shipments, but the volume is higher and growing. Additionally, transnational criminal organizations are shipping illicit goods to the United States via small packages due to a perceived lower interdiction risk and less severe consequences if the package is interdicted. Furthermore, new or infrequent importers often possess less familiarity with U.S. customs laws and regulations, which can lead to the importation of non-compliant goods. CBP must increase its ability to address the administrative and resource challenges this creates, particularly when coupled with the growing volume of e-commerce trade.

To address these challenges effectively, CBP has developed an e-commerce strategy. This strategy highlights private industry and foreign governments as key resources in CBP's continuous assessment of the e-commerce environment. The strategy includes efforts to educate the public and trade community to ensure they understand their responsibilities as importers to comply with customs regulations. The strategy also emphasizes enforcement initiatives, such as streamlining enforcement processes affected by increasing e-commerce volumes, leveraging enforcement partnerships with partner government agencies and foreign governments, and improving data collection from CBP targeting systems and field personnel.

CBP remains committed to facilitating legitimate trade while ensuring consumer safety and economic vitality as the volume of e-commerce shipments continues to increase. This e-commerce strategy positions CBP to properly enforce violations and address the various complexities and threats resulting from this global shift in trade to an e-commerce platform.



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EXECUTIVE SUMMARY

U.S. Customs and Border Protection (CBP) must adapt to the changing ways business is conducted due to the increasing volume of low-value packages, driven by direct-to-consumer e-commerce. The shift from traditional methods of importing via large, containerized shipments to small, low-value packages has presented new challenges for CBP. The growing volume of these small packages, coupled with the actionable data challenges CBP and other federal agencies face, requires new methods and resources in order for CBP to continue carrying out its mission of facilitating trade and enforcing trade laws.

CBP has developed this e-commerce strategy to advance four primary goals:

1. Enhance legal and regulatory authorities to better posture CBP and interagency partners to address emerging threats.

Enhanced legal and regulatory authorities are needed to enable CBP and interagency partners to better address emerging threats such as dangerous contraband and counterfeits. New legal authorities, regulations, and policy guidance will enable CBP to more easily adapt to evolving business practices and develop risk segmentation processes, improve targeting, and realign resources.

2. Enhance and adapt all affected CBP operations to respond to emerging supply chain dynamics created by the rapid growth of e-commerce.

The rise of e-commerce requires that CBP aggressively adapt operations in all areas affected by the transformative growth of this emerging market. These changes include, but are not limited to, enhancing existing data collection, targeting, examinations, intelligence, and international engagement. Such efforts will allow CBP to better understand, anticipate, and actively address emerging risks and facilitation opportunities within the dynamic, e-commerce and small parcel shipments driven, supply chain. In order to implement the necessary changes, CBP will seek additional resources, develop and utilize state-of-the-art techniques and technologies, and amend relevant staffing methodologies thereby enhancing the ability of our workforce to address the evolving trends.

3. Drive private sector compliance through enforcement resources and incentives.

As CBP processes trillions of dollars in trade annually, it must rely on known, trusted private sector partners to advance risk assessment efforts. The strategy depends on CBP deepening its existing partnership with private sector partners, and increasing engagement with e-commerce stakeholders, in order to focus on uncovering trade threats in small parcels. CBP must tailor its existing enforcement tools to deter those who conduct activity in violation of U.S. laws and regulations.

4. Facilitate international trade standards for e-commerce to support economic prosperity.

CBP must continue to be a global leader in setting standards and best practices for trade in the e-commerce environment by maintaining strong relationships with international customs organizations and staying abreast of technological developments. CBP must also work aggressively in consumer outreach to educate the American public of the risks, both as consumers and as importers, associated with non-compliant products.

This strategy strengthens CBP's ability to protect the health and safety of American citizens and the U.S. economy from non-compliant goods. By transforming CBP operations, driving compliance, and promoting cooperation domestically and internationally, the United States will build a strong trade posture in e-commerce, ensuring a shared economic prosperity for the future.

INTRODUCTION



National Targeting Center.

Every day, millions of Americans make online purchases, which frequently involve importing commodities sourced outside the United States. Since 2000, the number of Americans shopping online has increased nearly fourfold, up from 22 percent to 79 percent¹. This rapidly accelerating increase in volume is largely comprised of shipments valued under \$2,500². For purposes of this strategy, CBP defines e-commerce as high-volume, low-value shipments entering the port limits of the United States. This growth in volume has increased the opportunity for illicit and dangerous products to cross our borders, placing Americans' health and safety at risk and compromising U.S. economic security. Under the authorities outlined in Executive Order 13785 (Establishing Enhanced Collection and Enforcement of

Antidumping and Countervailing Duties and Violations of Trade and Customs Laws), CBP has developed this strategy to continue fulfilling its mission of public safety and security by addressing new and ongoing threats in the e-commerce environment.

CBP's mission is to safeguard America's borders, protecting the public from dangerous people and materials while enhancing the nation's global economic competitiveness by facilitating legitimate travel and trade. CBP must shift the way it implements its mission of public safety and security due to the challenges in e-commerce trade from risks such as fraudulent goods, dangerous materials, and the potential for harm to U.S. economic competitiveness. The potential threat of harm to the public due to the challenges in the e-commerce environment is real. For example, in early 2017, during a "small packages" special operation at the international mail facility in New York, CBP seized more than five pounds of illicit fentanyl and its analogues along with almost 1,300 other non-compliant imports, including additional controlled substances and counterfeit goods. Similarly, in 2010, intelligence sharing led to the disruption of a terrorist plot that involved ink cartridges placed in small packages on express cargo planes and were set to detonate over the United States. These examples illustrate how critical it is for CBP to receive qualitative data about low-value shipments to identify such risks to the nation's safety and security.

CBP has organized its current operational structure to scan for risks around high-value, containerized shipments, which require importers to submit certain data elements in advance of the physical arrival of a shipment. With regard to the illicit fentanyl and counterfeit goods seizures, CBP was able to identify these items as high-risk through its traditional enforcement procedures. However, with regard to lower-value, small shipments, CBP receives less actionable data on e-commerce shipments, which informs its traditional risk assessment and targeting screenings. To correct this vulnerability, CBP must put into place new protocols that allow for effective identification, enforcement, and deterrence of trade violations in the e-commerce environment.

In addition to these data challenges, the volume of e-commerce shipments has increased exponentially, taxing existing CBP resources. At the end of Fiscal Year 2017, one port that has an express consignment hub received an estimated 25 million predominantly informal³ and de minimis⁴ value shipments. In comparison, this same facility averaged 2.4 million shipments between 1997 and 1999. This is an increase of over 1000 percent in 20 years. Similarly, the U.S. Postal Service (USPS) has experienced a significant increase in the number of international mail packages bound for addressees in the United States. The growing volume of small shipments is also impacting operations at sea, rail, and land ports of entry. Industry projections strongly suggest that air freight traffic will only increase as the volume in online sales continues to rise over the course of

¹ Pew Research Center, [Online Shopping and E-Commerce](#), December 19, 2016.

² Entries on goods physically moving across the border valued below \$2,500 are eligible for informal entry unless otherwise directed by CBP.

³ Non-commercial shipments below \$2,500 that do not require a posting of a CBP bond.

⁴ An administrative exemption to admit free from duty and tax shipments of merchandise not exceeding \$800.

the next decade. To adapt to the expansion of global trade in small packages through e-commerce, CBP is restructuring its framework for ensuring compliance of informal entries. As part of this effort, CBP officially established the E-Commerce and Small Business Branch within the Office of Trade on September 12, 2016. One of the first efforts of the E-Commerce Branch has been to develop an e-commerce strategy to strengthen compliance of e-commerce transactions. This strategy seeks to transform CBP's ability to adapt to the rapidly evolving commercial environment and develop a shared responsibility for enforcement to minimize critical threats to the United States while promoting economic prosperity.

STRATEGIC GOALS

GOAL 1 – ENHANCE LEGAL AND REGULATORY AUTHORITIES TO BETTER POSTURE CBP AND INTERAGENCY PARTNERS TO ADDRESS EMERGING THREATS



CBP officer monitoring port activities.

Enhanced legal and regulatory authorities are needed to enable CBP and interagency partners to better address emerging threats such as dangerous contraband and counterfeits. New legal authorities, regulations, and policy guidance will enable CBP to more easily adapt to evolving business practices and develop risk segmentation processes, improve targeting, and realign resources.

Objective 1.1: Review existing legal and regulatory authorities to develop risk segmentation processes, improve targeting, and realign resources

CBP is reviewing its existing authorities (statutory and regulatory) to identify changes that will enable CBP to address threats involving e-commerce shipments as they

emerge or are dictated by changes in business models. These include changes pertaining to the provision and exchange of data, realignment of resources, improvement of targeting, and further development of risk segmentation processes. Once the review is completed, CBP will pursue the changes needed to maximize enforcement efforts.

Objective 1.2: Develop a plan that will incentivize compliance from all stakeholders within the e-commerce supply chain

CBP will propose benefits for those parties who share advance electronic data and other information and will utilize penalty action for those who are not compliant in this area. CBP will in turn seek to increase information sharing with e-commerce stakeholders, such as intellectual property rights holders.

Objective 1.3: Build upon existing legal authorities to enhance partnerships with domestic and international stakeholders that address small parcel shipments

Partnerships and stakeholder information sharing is imperative for CBP to be successful in adapting to emerging risks and changing business models. CBP will continue to build partnerships with domestic and international stakeholders that address small parcel shipments, with the goal of strengthening the ability to share advance electronic data with stakeholders to mitigate risk and facilitate international trade.



A CBP officer inspects shipment at port of entry.

GOAL 2 – ENHANCE AND ADAPT ALL AFFECTED CBP OPERATIONS TO RESPOND TO EMERGING SUPPLY CHAIN DYNAMICS CREATED BY THE RAPID GROWTH OF E-COMMERCE



CBP officers examining shipments.

CBP operations must change to adapt to emerging supply chain dynamics and risks within e-commerce and small parcel shipments. These include shipments containing illicit drugs, items that infringe on intellectual property rights, and other dangerous goods. As a result of enhancing existing data collection, targeting, examinations, intelligence, and international engagement, CBP will be more flexible and able to anticipate and address new risks from future business innovations in the long-term.

Objective 2.1: Enable risk-based enforcement to increase operational efficiency

CBP originally designed its risk management practices to focus on traditional shipping methods. Now, it must expand them to address the unprecedented flow of goods from new, unknown, and often less proficient importers. CBP will increase its operational efficiency and effectiveness by using data analytics, data mining, and an array of powerful analytical tools. This will improve CBP's ability to identify threats and quickly detect anomalies. Additionally, CBP will expand its existing advance electronic data pilot in the international mail environment to include additional foreign postal operators. CBP, in addition to seeking additional resources, will also issue national guidance to better inform its personnel of e-commerce policy and standardize manifest data where feasible.

Objective 2.2: Determine highest risk e-commerce packages utilizing a counter network approach including state-of-the-art techniques and technology

Utilizing e-commerce, transnational criminal organizations pose additional threats to U.S. security and safety. In order to counter these highly sophisticated and often well-financed criminal networks and increase consequences, CBP will enable data-driven enforcement in e-commerce by implementing improved targeting solutions, strengthening interagency partnerships, and integrating data solutions to enhance current operational models and strategies. In order to maximize the efficacy of data analysis and targeting, CBP will facilitate collaboration with federal and international partners to build capabilities with regard to data collection, analysis, targeting, and detection of non-compliant e-commerce shipments. Furthermore, high-volume transaction environments must include state-of-the-



Shipments of hoverboards to be seized.

art software systems to enable CBP personnel to analyze data for trend recognition. CBP will work to increase its analytic capacity through such systems to support the counter network approach to e-commerce enforcement.

Objective 2.3: Optimize workforce, policies, and procedures to adapt CBP to the evolving e-commerce environment

CBP has adjusted its workforce needs including implementing policies, procedures, and staffing models to avoid relying on outdated protocols that are not suited for the evolving methods of legitimate trade and techniques used to evade detection. This

includes realigning staff; streamlining procedures for detention, seizure, and abandonment; and evaluating existing user fee applications to assess their continued suitability for changing CBP requirements. However, a continued adaptive and responsive approach to the e-commerce environment must also include the training of CBP personnel to ensure the agency is equipped to manage emerging challenges and implement identified solutions. CBP must also assess its existing technology to determine the best allocation and utilization of these resources. To address resource needs, CBP will seek additional resources and consider a variety of efficiency models to ensure optimal targeting and enforcement.

Revising CBP's policies and processes is another necessary step to optimize resource reallocation, both in terms of how CBP orients its resources, and how those resources are utilized. This is particularly crucial regarding policies and procedures related to enforcement, as the high administrative burden, coupled with the potential volume of non-compliant shipments constrains effective enforcement. CBP must address the changing environment of trade and adjust its policies and processes to respond to this change.

GOAL 3 – DRIVE PRIVATE SECTOR COMPLIANCE THROUGH ENFORCEMENT RESOURCES AND INCENTIVES



World Customs Organization working group on e-commerce meeting. Credit: WCO

CBP will work to develop and apply enforcement measures that will deter the importation of non-compliant goods and discourage importers from perceiving these goods as a cost of doing business. To achieve this, CBP will incentivize the private sector to become a partner in compliance, while holding them accountable for small, low-value shipment violations. To do this, CBP will consider trade benefit incentives for e-commerce marketplaces and small package carriers, similar to the Customs Trade Partnership Against Terrorism (CTPAT). This will allow CBP to narrow its enforcement focus on non-compliant trade while offering processing benefits to compliant importers.

Objective 3.1: Strengthen e-commerce compliance through enforcement mechanisms

CBP uses enforcement mechanisms, both civil and criminal, to penalize trade violators and deter potential violators. These enforcement actions support CBP's efforts to ensure a fair and competitive trade environment, sending a strong message that CBP will efficiently and effectively enforce U.S. trade laws by appropriately scaling CBP civil penalties. CBP will explore ways to motivate compliance by e-commerce marketplaces, carriers, freight forwarders, and customs brokers who facilitate these transactions.

Objective 3.2: Incentivize compliance through an e-commerce known shipper program

Each year, CBP processes an increasing amount of international shipments, most of which are compliant with trade laws and tariffs and pose no threats. Nevertheless, CBP must utilize innovative solutions to reduce the amount of shipments that require inspection. One proven and successful solution is partnering with the trade community and businesses through programs such as CTPAT. CTPAT is a voluntary partnership between CBP and businesses where members enjoy a number of benefits, such as faster processing at the ports, in exchange for validations of the businesses' security criteria. CBP will explore all aspects of the e-commerce supply chain for partners in a known shipper program. To maximize participation and include the majority of the volume in the supply chain, CBP will focus on trading modes such as marketplaces and carriers. Additionally, to ensure industry support, CBP will work with stakeholders to develop incentives for participants to join programs that promote compliance with customs laws and regulations. The system of ensuring compliance by providing trade benefits through known shipper and compliance programs will increase CBP's inspection efficiency and strengthen its effectiveness in protecting the U.S. economy from threats within e-commerce.

Objective 3.3: Leverage Partner Government Agency network to enhance enforcement procedures for e-commerce shipments



John P. Leonard, CBP Executive Director for Trade Policy and Programs, discusses trade initiatives with COAC.

CBP conducts enforcement activities on behalf of a number of Partner Government Agencies (PGAs), such as U.S. Immigration and Customs Enforcement, the Consumer Product Safety Commission, and the Transportation Security Administration. Despite these existing cooperative relationships, the unique challenges posed by the e-commerce environment offer new opportunities to broaden CBP's cooperation with other agencies to enhance enforcement. Standardized policies and field guidance are critical for consistent and effective enforcement of these procedures. To improve uniformity, CBP will communicate with interagency partners on e-commerce threats and compliance, including risk segmentation, targeting, and enforcement. It will also partner with other government agencies to ensure full implementation of enforcement capabilities related to

e-commerce trade. Furthermore, CBP will explore implementing additional mutual assistance agreements, communicating enforcement priorities to coordinate special operations, and working with non-traditional partners, such as state and local governments, to enhance e-commerce enforcement procedures.

GOAL 4 – FACILITATE INTERNATIONAL TRADE STANDARDS FOR E-COMMERCE TO SUPPORT ECONOMIC PROSPERITY

As more small businesses incorporate e-commerce into the operations of their companies, CBP will develop standards and best practices to facilitate trade in support of these businesses. CBP will also explore facilitation technology options and educate the e-commerce community on their role and responsibilities to further this goal. While new importers benefit from e-commerce, less experienced importers may face unexpected transaction costs, including duties and fees, as well as possible import restrictions and prohibitions. The failure to comply with customs requirements and the lack of due diligence, reasonable care, and knowledge of customs processes can lead to costly consequences, which may include detentions, seizures, or penalties and severely affect the success of small e-commerce businesses.

Objective 4.1: Lead standards and best practices development with the interagency and international customs community

E-Commerce trade is a global challenge and CBP's engagement with its international partners can facilitate communication between foreign customs administration and lead to unified enforcement efforts. CBP will partner with foreign governments and international bodies such as the World Customs Organization (WCO) and the B5 countries (Australia, Canada, New Zealand, the United Kingdom, and the United States) to set international standards and develop best practices for e-commerce import processing. CBP will continue exchanging valuable trade information with its international partners to create a more secure international trade environment. This information sharing is vital for CBP to gain a better understanding of the global impact of e-commerce, thus allowing CBP the opportunity to preemptively identify trends and assess threats.

CBP engages its interagency partners to lead standards development and best practices in all matters of trade. In this role, CBP will continue to work with foreign customs administrations to create new policies that meet relevant international standards for e-commerce shipments. CBP advances its dual enforcement and facilitation mission by leading safety and security standards development at the WCO through the "do no harm" concept and through bilateral and multilateral partnerships. CBP will continue to play a leadership role in the development of WCO cross-border e-commerce standards. With the support of the

WCO, and through foreign partnerships, CBP can begin to build solutions and strengthen standards for addressing shared e-commerce challenges. Coordinating de minimis value data and studies on e-commerce are examples of these efforts. CBP has been successful in these engagements historically and will continue to build on these endeavors.

Objective 4.2: Explore technology options to increase the exchange of e-commerce information

Technology options for the trade community are key to expediting import processes as businesses continue to operate in the fast-paced e-commerce environment. As part of CBP's facilitation efforts, it will make information available to the trade community and the public. Given that many of the actors in the e-commerce environment are small- and medium-sized enterprises with less experience, technology can assist with troubleshooting in the importing process. Potential technology options include mobile applications and an e-commerce resource library.

To ensure the public has the most accurate information available, CBP will develop a portal that contains a database and resource library on importers, which CBP has vetted and deemed "trusted." It will also allow the public to report potential trade violations. Additionally, CBP will work with private stakeholders and other government agencies who share responsibility for e-commerce trade to increase access to the CBP resource library through their own web portals.

Objective 4.3: Educate the e-commerce community to promote an understanding of applicable cross-border trade rights and responsibilities

Globalization continues to advance economic growth in the e-commerce market, in which small- and medium-sized businesses make up a substantial part. According to the U.S. Census Bureau, in 2014, small businesses comprised 97.1 percent of all identified importers. Most of these smaller businesses have limited awareness of import regulations, which can lead to delays, loss of merchandise, duties, and penalties – all of which significantly affect business operations.

In partnership with the e-commerce community, CBP will ensure that it provides timely and accurate information to those seeking to participate in this new economy, both as importers and consumers, as well as training and outreach to support trade compliance. To achieve this, CBP will work in partnership with other government agencies, nonprofits, associations, and academia to offer education opportunities that promote an understanding of import rules and requirements. Additionally, CBP will develop a media campaign to raise consumer awareness on the dangers of illicit goods and help consumers avoid doing business with illegitimate sellers or unknowingly purchasing counterfeit and unsafe goods.

MEASURING SUCCESS

As CBP implements this strategy, it will measure the success of achieving its intent through internal, targeted performance measures. These measures will determine how successfully CBP is meeting the key goals and objectives of the strategy. To do this, CBP will create a baseline for the data, set key measurement targets, and report on its progress. As leadership determines what measures best represent the progress CBP achieves in the e-commerce environment through this strategy, it will consider adding to, updating, or replacing related public-facing Government Performance and Results Modernization Act measures.

CONCLUSION

CBP's e-commerce strategy strengthens its ability to protect the U.S. economy, improves trade risk management, maximizes collection of owed trade revenue, deters trade and customs law violations, strengthens international mail enforcement, and enhances CBP's long-term partnership with the trade community. Once the strategy is fully implemented, the United States will have a stronger trade posture in the e-commerce environment.



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