



**PREPARED STATEMENT OF
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Securing Exports Through Coordination and Technology Act

**Before the Terrorism, Nonproliferation and Trade Subcommittee
Committee on Foreign Affairs, U.S. House of Representatives**

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On behalf of the U.S. Census Bureau, Mr. Chairman, I would like to thank you and the other members of the subcommittee for this opportunity to discuss the Census Bureau's role in exports.

Census Bureau's Role in Exports

First, let me recap the Census Bureau's role in exports, as we have a much different role in exports than in any of our other programs. In addition to collecting and compiling the international trade statistics, the Census Bureau, in conjunction with the Department of Homeland Security, is also responsible for issuing the regulations governing the filing of the Shipper's Export Declaration (SED) and its electronic counterpart filed via the Automated Export System (AES).

Unlike other data collection conducted by the Census Bureau, the export declaration is not solely a statistical document. It is an administrative record that is used not only by the Department of Commerce's Bureau of Industry and Security, and us but also by U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement, and other agencies responsible for enforcing U.S. export laws and regulations. These agencies include the U.S. Department of State, the Office of Foreign Assets Control of the U.S. Department of the Treasury and the Nuclear Regulatory Commission. The Congress recognized in our authorizing statute, Title 13 of the United States Code, that the confidentiality of the export declarations should not be absolute. Section 301(g) states that export declarations are exempt from public disclosure unless the Secretary of Commerce (delegated to the Census Bureau Director) determines that withholding such information would be contrary to the national interest. The Census Bureau is thus charged with balancing the need to protect the confidential business information it collects with the needs of other authorities for transaction-level export information.

The Census Bureau has conducted this balancing act carefully and we take this role very seriously. Our practice has been to authorize access to export information only for use by U.S. Government agencies for statistical purposes or for administering and enforcing U.S. export laws and regulations.

Electronic Reporting

One major change in the last 15 years affecting the Census Bureau and the agencies charged with export enforcement is the near elimination of the paper SED. In 1994 there were two ways that exporters or their agents submitted export declarations: the paper SED and the Census Bureau's Automated Export Reporting Program (AERP). Neither of these provided timely, easily accessible information for export enforcement. This was especially true in the vessel trade, where paper documents were often not available to the U.S. Customs Service (USCS, the predecessor agency to CBP) until four days after the goods had left the country. For those exporters using the AERP, the data were not filed with the Census Bureau until the tenth day of the next month and were not available to any other agency until the trade statistics were released about a month after that.

While these programs met the Census Bureau's statistical needs, we were still drowning in a sea of paper export declarations. These documents had to be shipped to our data processing center in Jeffersonville, Indiana, to be keyed into the computer, an increasingly expensive and time consuming operation. Roughly half of all paper declarations had some type of error or missing information. Like the Government, the exporting community also wanted more automated systems that would reduce their costs and provide a proof of filing.

In response to these needs, the Census Bureau and the USCS agreed to collaborate on a new automated approach to the collection of export declarations that would be accessible to both agencies and would take advantage of increasing technological capabilities to incorporate edits of the data submitted. This approach led to the development of the AES, which was introduced in July 1995. The system grew slowly, primarily because AES participation was voluntary and because of the cost to small and medium-size businesses to implement AES.

To reduce the cost to small and medium-sized businesses, in 1999 the Census Bureau developed an Internet-based system for reporting to the AES called *AESDirect*. This system is free to all registered users. The data entered through *AESDirect* is automatically submitted to the AES. This eliminated the need for filers to establish an expensive communication link to CBP or to purchase software to format their transactions for transmission to AES. Since then, the Census Bureau has introduced several variations of the *AESDirect* software that allow filers to work offline and simply transmit the finished records to AES or for companies to integrate the AES filing into their own operational software. For example, several air express couriers have integrated the AES filing into their shipping software so that customers can arrange for pickup and file their export declaration in one step without re-keying overlapping information.

Since the development of the AES, two laws were enacted requiring export declarations to be filed electronically. The Proliferation Prevention Act of 1999 required that any export declaration for goods on the Commerce Control List and the U.S. Munitions List be filed electronically via the AES. Implementing regulations took effect in October 2003.

The Foreign Relations Authorization Act of 2002 authorized the Secretary of Commerce to require that all export declarations be filed electronically. The implementing regulations were published as a proposed rule in the Federal Register in February 2005. We have obtained clearance from all the agencies and the final regulations will be published in June 2008 requiring that all export declaration information be filed electronically.

As a result of these laws, combined with an aggressive program of marketing and training for the exporting community, more than 98 percent of export declarations are filed electronically today.

Access to Export Information

As mentioned earlier, a number of Federal agencies currently have access to some or all export records, such as CBP, the BIS, the State Department and the Bureau of Labor Statistics. However, the increasing emphasis on security issues has increased the interest in broadening access. The Census Bureau currently only allows export information to be used by Federal agencies for either statistical purposes or the administration and enforcement of U.S. export laws and regulations.

Exporter Education and Licensing

Of necessity, reporting export transactions has become increasingly complex. There are a number of agencies that impose requirements upon some or all export shipments. Sensitive and dual use products are subject to licensing by the State Department or the BIS. New requirements have been imposed upon exports of rough diamonds in compliance with the Kimberley Process. Certain exports are subject to regulation by the Office of Foreign Asset Control, the Nuclear Regulatory Commission, the Drug Enforcement Administration and others.

While some exporters and intermediaries do a good job of keeping up with these complexities and, hence, are able to correctly meet their obligation to report, many others appear overwhelmed. Consequently, we still have to devote considerable staff resources to following up with filers who fail to address the errors flagged by the AES that result in the filer not receiving a proof of filing code and thus not obtaining clearance for export.

Concluding Remarks

Regarding H.R. 5828, the Department of Commerce and other concerned agencies are continuing to review this bill and will provide further detailed observations to your committee at a later date.

Again, thank you for the opportunity to provide remarks about securing exports through technology.