



Report In Brief

U.S. Department of Commerce Office of Inspector General

March 2006



Why We Did This Review

Commercial Service (CS) operates offices in 80 countries and 108 domestic export assistance centers. Commerce OIG regularly inspects CS' overseas posts. The scope of Commerce's commitment to its China mission is a reflection of both the growing economic and political importance of China and the United States' growing trade deficit with China, which reached about \$201.6 billion in 2005. We inspected the CS China post, which operates five offices in Beijing, Shanghai, Guangzhou, Chengdu, and Shenyang, from September 9 to September 30, 2005. We focused primarily on the post's management, program operations, and financial and administrative practices.

Background

China's average growth rate of 10 percent since 1993 has propelled it to the status of third largest trading nation in the world, surpassed only by the United States and Germany. Although China is the fifth largest export market for the United States, U.S. exports to China totaled only \$41.8 billion in 2005. Chinese imports to the United States exceeded \$243.5 billion. Both the U.S. government and business sectors have concerns about the trade deficit with China and inequities in Chinese markets.

To view the full report, visit <http://www.oig.doc.gov/oig/reports/2006/ITA-IPE-17546-03-06.pdf>

International Trade Administration

CS China Generally Performs Well but Opportunities Exist for Commerce to Better Coordinate Its Multiple China Operations (IPE-17546)

What We Found

Overall, we found that the post is generally doing a good job of providing export assistance to U.S. companies and collaborates well with its trade partners, other components of the U.S. mission, the Department, and other government agencies. However, we also identified a number of issues, challenges, and opportunities that warrant the attention of senior CS and departmental managers, including:

Export Success Reporting, CS' Critical Performance Measure, Continues to be a Recurring Problem. CS China, with the exception of its Shanghai office, has few verification procedures in place to support its claimed performance results, which show yearly increases. This is a recurring problem that the OIG has noted in several CS overseas posts. Before performance statistics are presented to Congress and OMB, CS must confirm they are reliable and meet the reporting guidelines outlined in the CS Operations Manual. However, the guidelines in the manual are not specific enough to provide adequate guidance on maintaining supporting documentation of the export success stories prepared by CS trade specialists.

Commerce's management structure in China is unclear. There is currently no one person in China, or any other Commerce overseas mission, with the undisputed authority to coordinate and organize the efforts of all the Commerce organizations represented there. Within the CS post, the senior commercial officer is the top official, but he plays an ambiguous role in relation to the other Commerce operations in China.

What We Recommended

We made 35 recommendations to improve CS China operations, including:

1. CS needs to revise the CS Operations Manual to include clear and precise requirements for written documentation and verification of each element of an export success, including written verification from the client confirming CS assistance, and the reported benefit to the exporter, the date of the success, and any reported dollar value, and inform all staff of the changes.
2. CS should develop appropriate management processes and lines of authority to ensure that Commerce organizations cooperate effectively in meeting Commerce's many challenges in China.