



Parts of this plan have been revised.  
Clicking within this box will allow you  
to scroll through the revisions.

# GLOBAL MARKET FORCES

STRATEGIC OBJECTIVE PLAN 2000-2002





# GAO'S MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

## CORE VALUES

### ACCOUNTABILITY

describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people. GAO accomplishes its mission through a variety of activities, including financial audits, program reviews, investigations, legal support, and program analyses.

### INTEGRITY

describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work ensures both.

### RELIABILITY

describes GAO's goal for how its work is viewed by the Congress and the American public. GAO produces high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

## FOREWORD

In fulfilling its mission, GAO examines the use of public funds; evaluates federal programs and activities; and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the federal government through the conduct of financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. Most of this work is based upon original data collection and analysis.

To ensure that GAO, in serving the Congress, targets the right issues, provides balanced perspectives, and develops practical recommendations, GAO regularly consults with the Congress and maintains relationships with a variety of federal, state, academic, and professional organizations. GAO also obtains the perspectives of applicable trade groups and associations and attends professional conferences. Moreover, GAO regularly coordinates its work with CRS, CBO, and agency Inspector General offices. Throughout, GAO's core values of accountability, integrity, and reliability are guiding principles.

In keeping with its mission and responsibilities, GAO has developed a strategic plan that includes four strategic goals and 21 related strategic objectives. To ensure that GAO's resources are directed to achieving its goals, a separate strategic plan underlies each objective. In support of GAO's goal of providing timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence, this strategic plan describes the performance goals GAO will use in supporting congressional and federal decisionmaking on responding to the impact of global market forces on U.S. economic and security interests.

This plan covers a 3-year period; however, because unanticipated events may significantly affect even the best of plans, GAO's process allows for updating this plan to respond quickly to emerging issues. If you have questions or desire information on additional or completed work related to this strategic objective, please call or e-mail either of us or the contact persons listed on the following pages.

Henry L. Hinton, Jr.  
Assistant Comptroller General  
National Security and International  
Affairs Division  
(202) 512-4300  
hintonh.nsiad@gao.gov

Nancy Kingsbury  
Acting Assistant Comptroller General  
General Government Division  
(202) 512-2700  
kingsburyn.ggd@gao.gov

# SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK

## MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

## GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT

SUPPORT THE TRANSITION

MAXIMIZE THE VALUE OF GAO



TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT

## THEMES

Demographics

Globalization

Quality of Life

Security

Technology

Government Performance and Accountability

## OBJECTIVES

Health care needs and financing  
Retirement income security  
Social safety net  
Education/workforce issues  
Effective system of justice  
Community investment  
Natural resources use and environmental protection  
Physical infrastructure

Diffuse security threats  
Military capabilities and readiness  
Advancement of U.S. interests  
**GLOBAL MARKET FORCES**

Fiscal position of the government  
Government financing and accountability  
Governmentwide management reforms  
Economy, efficiency, and effectiveness improvements in federal agencies

Client relations  
Strategic and annual planning  
Human capital  
Core business and supporting processes  
Information technology services

## CORE VALUES

Accountability

Integrity

Reliability

PROVIDE TIMELY,  
QUALITY SERVICE TO THE  
CONGRESS AND THE  
FEDERAL GOVERNMENT



TO RESPOND TO  
CHANGING  
SECURITY THREATS  
AND THE  
CHALLENGES  
OF GLOBAL  
INTERDEPENDENCE

Diffuse security threats  
Military capabilities and  
readiness  
Advancement of U.S. interests  
**GLOBAL MARKET FORCES**

## RESPONDING TO THE IMPACT OF GLOBAL MARKET FORCES ON U.S. ECONOMIC AND SECURITY INTERESTS

With rapid advances in technology and the ease with which people, enterprises, and goods can cross borders, nations' economies have become increasingly interdependent. This interdependence has important implications for the economic well-being of the American people and for U.S. national security. The United States has been the principal architect of an open world trading system, and its security strategy and foreign policy are based on encouraging countries to embrace global markets as a means to achieve global peace and prosperity. The United States has benefited immensely from a global economy that has enlarged markets for U.S. goods and services and lowered prices to the consumer. Global markets continue to offer opportunities for the advancement of U.S. policy objectives and for U.S. producers and consumers. But segments of the U.S. population have not shared equally in the benefits and opportunities of global markets and may not share equally in the future. Moreover, global market forces have increased U.S. vulnerabilities to overseas economic fluctuations and crises and have made it more difficult for the United States to maintain control over critical technologies and the industrial base that economic and military security depends on. The challenge the United States faces is to take advantage of the opportunities and benefits from global markets while it mitigates the risks and adjusts to the negative impacts.

The U.S. regulatory framework for ensuring financial systems' integrity and the government's role in fostering an efficient financial services industry and competitive financial markets will be affected by global market forces. Evolving issues associated with the increased predominance of conglomerates, the globalization of financial markets, and advances in information technology will dramatically affect industries' structure, service delivery, and financial system risks and raise policy questions on the preparedness of financial regulators to maintain a stable and efficient financial system in an era of global electronic commerce.

GAO's strategic plan identifies five multiyear performance goals supporting congressional and federal decisionmaking on responding to the impact of global markets on U.S. economic and security interests. The following pages discuss the significance of the performance goals, the key efforts that will be undertaken, and the potential outcomes.

### *Performance Goals*

- Analyze How Trade Agreements and Programs Serve U.S. Interests
- Improve Understanding of the Effects of Defense Industry Globalization
- Assess How the United States Can Influence Improvements in the World Financial System and Address Crises
- Assess the Ability of the Financial Services Industry and Its Regulators to Maintain a Stable and Efficient Financial System in an Era of Global Electronic Commerce
- Evaluate How Prepared Financial Regulators Are to Respond to Change and Innovation



---

## *Analyze How Trade Agreements and Programs Serve U.S. Interests*

### *Significance*

International trade is growing in importance as a foreign policy issue as the U.S. economy becomes increasingly linked with the global economy; the United States is seeking to begin a new round of multilateral trade negotiations in 2000. Progress in establishing new trade rules in such areas as agriculture and services and in bringing new members, like China, into the World Trade Organization is viewed as critical to U.S. commercial interests. At the same time, these issues have significant national security implications. The effectiveness of regional and global trade regimes in achieving their desired outcomes is also being questioned at home and abroad. Some groups in the United States contend that liberalized trade adversely affects U.S. jobs and welfare. Further, critics have expressed concern that the United States has not been sufficiently aggressive in monitoring and enforcing over 300 international trade agreements that cover hundreds of billions of dollars in trade and affect millions of U.S. jobs and that some decisions by the World Trade Organization could compromise U.S. sovereignty. Views also vary about the effectiveness of U.S. government programs to assist U.S. business to compete in global markets. About 15 U.S. agencies spend about \$2.5 billion to promote U.S. exports and provide over \$22 billion in financing to support U.S. international trade, investment, and foreign policy objectives. The federal export delivery system involves over 100 domestic and overseas offices and partnerships with state and local governments and private providers.



### *Key Efforts*

Ascertain progress achieved in the next rounds of World Trade Organization negotiations

Evaluate implementation of the World Trade Organization's commitments to intellectual property protection, agriculture programs, and financial services

Evaluate how the federal government monitors and enforces trade agreements

Assess implementation of the World Trade Organization's dispute settlement process

Evaluate the effectiveness of federal programs established to ameliorate the adverse effects of trade, such as job losses

Determine whether federal agencies' export promotion programs are complementary and are coordinated with nonfederal export promotion providers

### *Potential Outcomes*

Information and analyses for congressional consideration on the costs and benefits of trade agreements and their relation to U.S. domestic objectives

Improved effectiveness of the U.S. government trade apparatus

Options for congressional consideration to improve the effectiveness of programs directed at workers' displacement and economic revitalization of affected communities

Improved targeting of U.S. trade promotion and financing programs to achieve intended purposes more efficiently

---

CONTACT FOR ADDITIONAL INFORMATION: Benjamin F. Nelson, Director, International Relations and Trade Issues, (202) 512-4128, [nelsonb.nsiad@gao.gov](mailto:nelsonb.nsiad@gao.gov)



---

## *Improve Understanding of the Effects of Defense Industry Globalization*

### *Significance*

Domestic firms that develop defense products, produce parts and components for weapons systems, and perform system integration on those weapons are rapidly forming business relationships with overseas firms. This globalization of industry has the potential to speed innovation and reduce costs, but it also carries potential threats to the technological superiority of the U.S. military. Little is known about the effect of increased globalization on national security. Continuing to protect critical technologies will present new challenges. In some industry sectors, such as satellite launches and communications, the line between defense and commercial products has disappeared. In other sectors, companies have made sales to foreign governments through a wide variety of agreements with conditions known as offsets, which often involve long-term supplier relationships and technology transfers. These company-based activities may constrain government procurement options. Planned exports of U.S. frontline systems still in development may have the unintended consequence of improving capabilities of potential adversaries. As a result of globalization, the United States may be required to make even greater investments in weapons modernization.



### *Key Efforts*

Determine the scope of offset agreements and evaluate the U.S. government's role

Assess how government defense procurements from multinational sources affect U.S. security objectives, including interoperability and the ability to protect critical technologies

Evaluate the management of the Foreign Military Sales program and the control of technology in government-to-government agreements

### *Potential Outcomes*

Options for the Congress and the executive branch to consider that would capture the benefits of globalization and keep the risks within reasonable bounds

Options for consideration by congressional committees for reforming the structure and operations of the Foreign Military Sales Program



---

## *Assess How the United States Can Influence Improvements In the World Financial System and Address Crises*

### *Significance*

Maintaining the health of the global finance and trade systems is critical to long-term U.S. objectives and is a cornerstone of U.S. foreign policy. Financial crises in Mexico, Asia, Russia, and elsewhere and fear that these crises could severely affect U.S. economic and security interests have (1) focused attention on the interdependence of U.S. and global economies and (2) raised questions about what can be done to prevent or contain the spread of such crises. The International Monetary Fund and the World Bank are the key organizations that the United States and agencies such as the Departments of the Treasury and State rely on to maintain global economic health. These organizations make loans to help countries deal with financial problems and development needs. The United States is the major contributor, appropriating \$18 billion in 1999 for the International Monetary Fund and almost \$1 billion annually to the World Bank. Traditionally, there has been little public scrutiny of the operations of these institutions. However, prompted by financial crises and government corruption in some countries, questions have been raised regarding the effectiveness of the International Monetary Fund and the World Bank and their roles in maintaining the health of the global finance and trade systems and resolving countries' financial crises. Critics are insisting that the operations and practices of these institutions become more transparent and effective as the price for continuing to receive U.S. financial support.



### *Key Efforts*

Examine the operations of the International Monetary Fund and the World Bank

Assess the International Monetary Fund's and the World Bank's roles in helping Russia reform its economy

Assess the proposal prepared by the International Monetary Fund and the World Bank for expanded debt relief for poor countries

### *Potential Outcomes*

Increased transparency to the Congress of the International Monetary Fund's and the World Bank's decisionmaking to facilitate oversight and improve effectiveness of operations

Recommended strategies to improve accountability at the international financial institutions

Analyses and options for the Congress to use in considering requests for funding for debt relief

---

CONTACT FOR ADDITIONAL INFORMATION: Thomas J. McCool, Director, Financial Institutions and Markets Issues, (202) 512-8678, [mccoolt.ggd@gao.gov](mailto:mccoolt.ggd@gao.gov); Benjamin F. Nelson, Director, International Relations and Trade Issues, (202) 512-4128, [nelsonb.nsiad@gao.gov](mailto:nelsonb.nsiad@gao.gov)





---

## *Assess the Ability of the Financial Services Industry and Its Regulators to Maintain a Stable and Efficient Financial System in an Era of Global Electronic Commerce*

### *Significance*

The financial services industry is experiencing unprecedented growth and development, both in the size of financial institutions and in the range and impact of services being provided to customers. Each day, trillions of dollars flow through the nation's financial institutions and markets, while millions of U.S. households have invested in the financial markets and mutual funds or deposited money at financial institutions. Ensuring that the financial system is stable but also efficient and flexible enough to meet the changing demands of the system's customers is an important part of the government's role in ensuring the proper functioning of our economy. Over the years, the Congress has been called on to respond to many threats to the financial system and its primary customers—U.S. citizens. GAO has assisted the Congress by being among the first to warn of these impending crises and by helping to design their resolution.



### *Key Efforts*

Assess the regulatory framework for ensuring the financial system's integrity

Assess regulatory efforts to ensure the fair and efficient functioning of our nation's financial markets

Evaluate regulatory approaches for measuring programs' effectiveness and reducing the regulatory burden

### *Potential Outcomes*

Improved efficiency, effectiveness, and consistency of the federal regulatory framework

Analyses and recommendations to help the Congress and regulators ensure that the United States maintains fair, efficient, and competitive markets

Improved measurement of program outcomes to ensure that statutory requirements are met in an efficient and effective manner



---

## *Evaluate How Prepared Financial Regulators Are to Respond to Change and Innovation*

### *Significance*

The globalization of financial firms and markets and constantly advancing technology have created opportunities for increased efficiencies but have also enhanced the speed and scope of crises. Moreover, the consolidation of financial institutions from different segments of the industry has resulted in large financial service conglomerates that offer a range of financial services beyond the mission of any one regulatory agency. This environment of evolving markets and systems has raised several policy questions about how ready financial regulators are to respond in a coordinated way to any impending crisis and how both the structure and approaches of federal regulators could affect the efficient functioning of capital markets and the competitiveness of U.S. firms in global markets.



### *Key Efforts*

Assess the effects of financial conglomerates on the safety and soundness and the state of competition in the financial services industry

Assess regulatory agencies' efforts to adapt to challenges posed by increased financial market interdependence

Evaluate how well regulatory agencies are responding to innovations in information technology and financial products

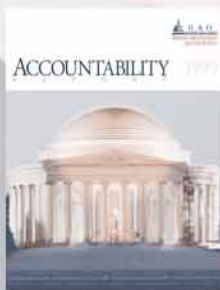
### *Potential Outcomes*

Improved congressional and regulatory understanding of the effects of conglomerates on financial market stability

Improved methods to more effectively avert or resolve global financial crises

Improved readiness of regulators to oversee new technological developments and products

*The full set of GAO's strategic planning, performance, and accountability documents are listed below. All of these documents, as well as other GAO reports and documents, may be obtained electronically on our website, [www.gao.gov](http://www.gao.gov).*



**Accountability Report for fiscal year 1999**

**Strategic Plan, 2000-2005**

*Strategic Plan Executive Summary*

*Strategic Plan Framework*

**Strategic Objective Plans**

*Health Care Needs and Financing*

*Retirement Income Security*

*Social Safety Net*

*Education/Workforce Issues*

*Effective System of Justice*

*Community Investment*

*Natural Resources Use and Environmental Protection*

*Physical Infrastructure*

*Diffuse Security Threats*

*Military Capabilities and Readiness*

*Advancement of U.S. Interests*

*Global Market Forces*

*Fiscal Position of the Government*

*Government Financing and Accountability*

*Governmentwide Management Reforms*

*Economy, Efficiency, and Effectiveness*

*Improvements in Federal Agencies*

*Maximize the Value of GAO*

**Performance Plan Fiscal Year 2001**



# GLOBAL MARKET FORCES

STRATEGIC OBJECTIVE PLAN

2000-2002