



United States International Trade Commission

# **Performance and Accountability Report**

## **Fiscal Year 2007**



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## *Message from the Chairman*

November 15, 2007

I am pleased to present the *FY 2007 Performance and Accountability Report* for the United States International Trade Commission. The report provides an overview of our fiscal year (FY) 2007 financial management and program accomplishments.



The Commission has three important mandates: (1) to administer U.S. trade remedy laws in a fair and objective manner; (2) to provide the President, the United States Trade Representative, and the Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) to maintain the Harmonized Tariff Schedule of the United States. In doing so, the Commission contributes to the development of sound and informed U.S. trade policy. The Commission carries out these mandates primarily through its import injury investigations, intellectual property-based import investigations, industry and economic analysis program, tariff and trade information services, and trade policy support.

For FY 2007, an independent financial audit, monitored by the Office of the Inspector General (IG), resulted in an unqualified (clean) opinion for the Commission's financial statements. Improved financial performance is one of the five government-wide initiatives in the President's Management Agenda, and the results of the independent audit are a clear indication that the Commission continues to make the integrity of our financial information, as well as the systems and controls needed to produce the information, a high priority.

In addition, the Commission met the majority of its quantitative performance goals for the fiscal year. Strategic goals and strategies are reviewed annually and are designed to promote the mission of the agency. I would like to highlight the following noteworthy accomplishments for the past year:

- Thirty-one import injury investigations were completed and 34 instituted during FY 2007. These investigations included original antidumping and countervailing duty investigations as well as five-year reviews.
- Thirty-seven intellectual property-based import investigations were completed and 33 instituted during FY 2007. These complex investigations frequently involved products or processes related to telecommunications, pharmaceuticals, or microelectronic devices.
- Fourteen fact-finding and probable effects investigations were completed and 22 instituted during FY 2007. These studies were conducted at the request of the United

States Trade Representative or the Congress to assess the impact of proposed changes in trade policy and trade negotiations.

- Historically high levels of customer usage were registered at the Commission's DataWeb and Tariff Database websites.

As I review these financial and programmatic accomplishments, I can certify with reasonable assurance that the Commission's systems of management control, taken as a whole, are substantially consistent with Section 2 of the Federal Managers' Financial Integrity Act. In addition, I am confident that the Commission's financial and performance information reliably and accurately reflects our efforts to reach our goals.

The Commission's website, which provides comprehensive information about our activities and access to the Harmonized Tariff Schedule, is located on the Internet at <http://www.usitc.gov>. I invite readers of this report to visit our website to learn more about the Commission and its most recent activities.

A handwritten signature in blue ink that reads "Daniel R. Pearson". The signature is written in a cursive style and is positioned above a thin horizontal line.

Daniel R. Pearson  
Chairman



# Management Discussion and Analysis





## **Mission and Organization**

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The United States International Trade Commission (Commission/ITC) is an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade. The agency investigates the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. The Commission also adjudicates cases involving alleged infringement by imports of intellectual property rights. Through such proceedings, the agency facilitates a rules-based international trading system. The Commission also serves as a Federal resource where trade data and other trade policy-related information are gathered and analyzed. The information and analysis are provided to the President, the Office of the United States Trade Representative (USTR), and Congress to facilitate the development of sound and informed U.S. trade policy. The Commission makes most of its information and analysis available to the public to promote understanding of international trade issues.

### ***Mission***

The mission of the Commission is to (1) administer U.S. trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, USTR, and Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States (HTS).

The Commission has five major operations that serve its external customers:

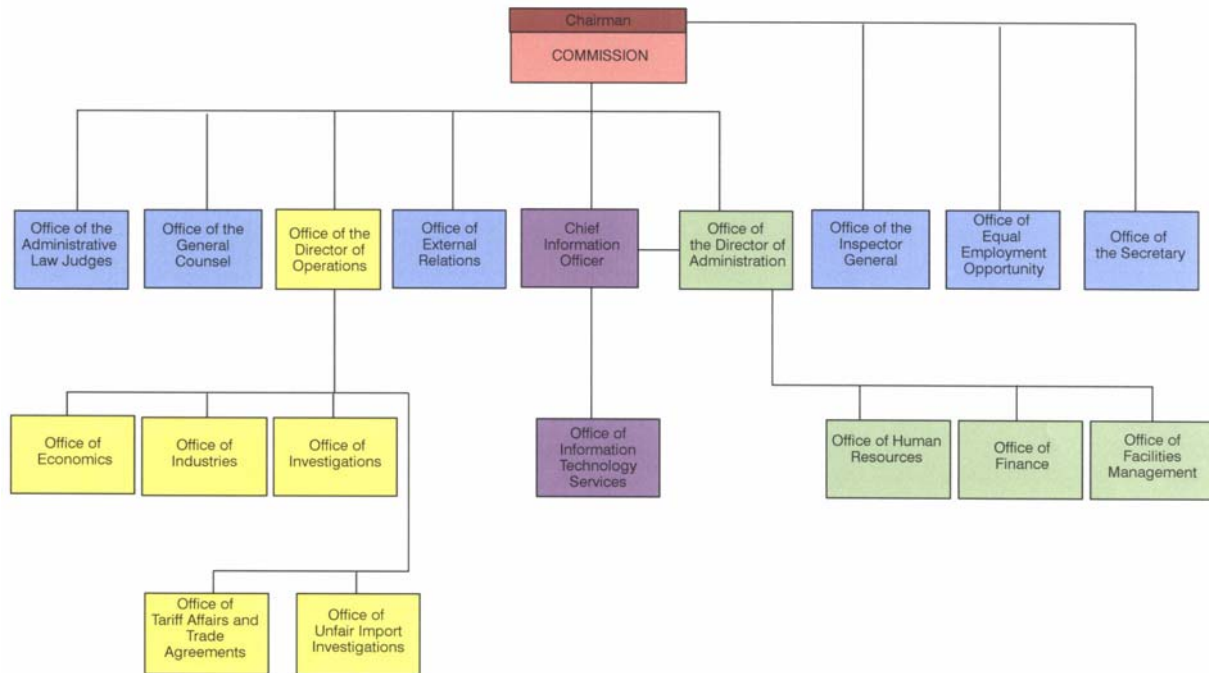
- Import Injury Investigations,
- Intellectual Property-Based Import Investigations,
- Industry and Economic Analysis,
- Tariff and Trade Information Services, and
- Trade Policy Support.

Import injury investigations and intellectual property-based import investigations are distinct investigative regimes with specific and detailed procedures provided in authorizing legislation. The Industry and Economic Analysis Program, Trade Information Services, and Tariff and Trade Policy Support are based upon general authorizing legislation with broad procedural discretion delegated to the Commission. Each of these operations is discussed in greater detail in the Performance Section of this report.

### ***Resources and Location***

As of September 30, 2007, the Commission operated on a budget execution plan of \$63.5 million and a permanent staff of 345 on-board. The Commission is located at 500 E St., SW, Washington, DC 20436.

## Organization



### Commissioners

The six Commissioners are appointed by the President and confirmed by the Senate for terms of nine years, unless appointed to fill an unexpired term. The terms are set by statute and are staggered so that a different term expires every 18 months. A Commissioner who has served for more than five years is ineligible for reappointment. No more than three Commissioners may be members of the same political party. The Chairman and the Vice Chairman are designated by the President and serve for a statutory two-year term. The Chairman may not be of the same political party as the preceding Chairman, nor may the President designate two Commissioners of the same political party as the Chairman and Vice Chairman.

### Office of the Administrative Law Judges

The Commission's administrative law judges hold hearings and make initial determinations (ID) in investigations under section 337 of the Tariff Act of 1930. These investigations require formal evidentiary hearings in accordance with the Administrative Procedure Act (5 U.S.C. 551 et seq.). After the Commission has instituted an investigation, the matter is referred to the Office of the Administrative Law Judges. Cases are assigned on a rotating basis to one of the Commission's four administrative law judges, who, after an extensive discovery process, hold a hearing. The judge considers the evidentiary record and the arguments of the parties and makes an initial determination, including findings of fact and conclusions of law, which may be reviewed by the Commission. Temporary relief may be granted in certain cases.

## **Office of the General Counsel**

The General Counsel serves as the Commission's chief legal advisor. The General Counsel and the staff attorneys provide legal advice and support to the Commissioners and staff on investigations and research studies, prepare briefs and represent the Commission in court and before dispute resolution panels and administrative tribunals, and provide assistance and advice on general administrative matters, including personnel, labor relations, and contract issues.

## **Office of the Director of Operations**

The Commission's core of investigative, industry, economic, nomenclature, and technical expertise is found within the Office of Operations. Under the supervision of the Director,

- The Office of Economics conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. The Office of Economics also provides expert economic analysis for title VII, safeguard, and market disruption investigations, as well as other industry and economic analysis products;
- The Office of Industries conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. The Office of Industries maintains technical expertise related to the performance and global competitiveness of U.S. industries and the impact of international trade on those industries for these and title VII, safeguard, and market disruption investigations;
- The Office of Investigations conducts countervailing duty, antidumping, review, and safeguards investigations to fulfill the Commission's investigative mandates, including those specified in the Tariff Act of 1930, the Trade Act of 1974, the North American Free Trade Agreement (NAFTA) Implementation Act of 1994, and the Uruguay Round Agreements Act (URAA) of 1994;
- The Office of Tariff Affairs and Trade Agreements carries out the Commission's responsibilities with respect to the HTS and the International Harmonized System; and
- The Office of Unfair Import Investigations participates as a full party representing the public interest in adjudicatory investigations, usually involving patent and trademark infringement, conducted under section 337 of the Tariff Act of 1930.

## **Office of External Relations**

The Office of External Relations develops and maintains liaison between the Commission and its diverse external customers. The office is the point for contact with the USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public and the media. The Commission's Trade Remedy Assistance Office, a component of

Office of External Relations, assists small businesses seeking benefits or relief under U.S. trade laws.

### **Office of the Chief Information Officer**

The Office of the Chief Information Officer (CIO) provides information technology leadership, a comprehensive services and applications support portfolio, and a sound technology infrastructure to the Commission and its customers. CIO staff addresses information technology policy, information security, and provide project management skills. Within the CIO, the Office of Information Technology Services (ITS) provides services for telecommunications, networking, e-business, and publishing. The CIO also manages the Dockets Division.

### **Office of the Director of Administration**

The Office of Administration prepares the Commission's budget, manages its financial systems, provides human resource services, including collective bargaining with union representatives, provides procurement and facilities management services, and is responsible for all agency physical security matters. Component offices include Finance, Facilities Management, and Human Resources.

### **Office of Inspector General**

The Office of Inspector General conducts all audits, inspections, and investigations related to the Commission's programs and operations and recommends and comments on proposed legislation, regulations, and procedures that affect the agency's efficiency and effectiveness. The accomplishments of the Inspector General are detailed in semiannual reports submitted to Congress in May and November.

### **Office of Equal Employment Opportunity**

The Office of Equal Employment Opportunity (EEO) administers the Commission's affirmative action program. The Director advises the Chairman and Commission managers on all equal employment issues, evaluates the sufficiency of the agency's EEO program, and recommends improvements or corrections, including remedial and disciplinary action, establishes and maintains a diversity outreach program, and monitors recruitment activities to ensure fairness in agency hiring practices.

### **The Office of the Secretary**

The Office of the Secretary coordinates hearings and meetings of the Commission and is responsible for official record keeping, including petitions, briefs, and other legal documents.

## Overview of Financial Results

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The Commission received an unqualified audit opinion on its FY 2007 financial statements. To accomplish this, the Commission maintained a small, dedicated in-house staff and used the Department of Interior's National Business Center for other accounting and payroll services. This efficient and effective arrangement enabled the Commission to act consistently with Federal financial management provisions, including those related to financial management systems, accounting standards, and the U.S. Government Standard General Ledger.

### *Overview of Financial Statements*

- *Summary of the Balance Sheet*

As of September 30, 2007, the Commission's assets totaled \$12.6 million, of which \$8.9 million represented the Commission's fund balance with the Treasury. The Commission's liabilities totaled \$6.8 million, resulting in a net position of \$5.8 million.

- *Summary of the Statement of Net Cost*

The Commission's net cost of operations for FY 2007 was \$66.0 million.

- *Summary of the Statement of Changes in Net Position*

Net position is affected by changes to its two components: cumulative results of operations and unexpended appropriations. The Commission's statement of changes in net position reported a difference between budgetary financing sources and net cost of operations of -\$729.6 thousand.

- *Summary of the Statement of Budgetary Resources*

The statement of budgetary resources reported that the Commission had \$63.5 million in available resources for the fiscal year, of which \$63.0 million had been obligated. Net outlays totaled \$62.9 million.

- *Summary of the Statement of Custodial Activity*

The statement of custodial activity reported \$201,000 in penalties collected and \$201,000 in accrual adjustments.

### *Limitations of Financial Statements*

The Commission's financial statements were prepared in conformity with the hierarchy of accounting principles approved by the Federal Accounting Standards Advisory Board and the Office of Management and Budget (OMB) Circular A-136 Financial Reporting Requirements, June 29, 2007. They were prepared pursuant to the requirements of

Chapter 31 of the United States Code, Section 3515(b). The Commission is fully committed to the principles and objectives of the Chief Financial Officers Act of 1990, the Federal Financial Management Improvement Act of 1996, and the Accountability of Tax Dollars Act of 2002.

Responsibility for the integrity and objectivity of the information presented in the financial statements rests with the Commission's management, which uses additional financial reports, prepared from the same books and records, to monitor and control budgetary resources. The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## Overview of Performance Results

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The development of annual performance goals and the evaluation of performance results are integral to the process by which the Commission fulfills its mission. This section discusses the relationship of this report to other planning documents, provides an overview of the agency's current Strategic Plan and its FY 2007 performance, and discusses issues related to data verification and validation.

### *Relationship to Other Planning Documents*

In accordance with the Government Performance and Results Act (Results Act), the Commission issues a Strategic Plan and annual Performance Plans. The Strategic Plan establishes general goals and objectives for the Commission. To enhance the effectiveness of strategic planning and budget development, the Commission has aligned its budget formulation and execution with its Strategic Plan. The annual Performance Plan is combined with the Commission's budget justification for that year to form a performance budget. This Performance and Accountability Report (PAR) relates directly to these planning documents and is prepared in a manner that is consistent with the provision of the Results Act governing program performance results. It delineates the extent to which the agency has accomplished the goals established in the FY 2007 Performance Plan and the broader-based goals articulated in the Strategic Plan. The Performance Plan for FY 2007 sets out performance goals and indicators for that year that correspond to the general goals and strategies in the Strategic Plan. The Performance Plan defines the level of performance to be achieved by the agency in the year. The FY 2007 Budget Justification also briefly describes the operational processes, skills, and technology, as well as the human capital, information, and other resources required to meet the performance goals.

The agency views human capital and information technology as essential to fulfilling its mission. As such, the Commission regularly updates its Strategic Human Capital Management Plan, which identifies programs and activities that will further efforts to develop and maintain a workforce with the requisite knowledge and skills to fulfill its mission over the long term. The Commission also periodically issues an Information Resource Management (IRM) Strategic Plan, in accordance with the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act) and the Paperwork Reduction Act of 1995. The IRM Strategic Plan contains goals and performance measures that relate to the general goals of the current Strategic Plan and facilitate the agency's IRM efforts.

### *Overview of the Strategic Plan*

The Commission issued the sixth edition of its Strategic Plan in September 2006 for FY 2006–FY 2011. The Commission has one program activity set forth in the Budget of the United States. The Commission has one strategic goal, which is to effectively conduct five strategic operations:

- Import Injury Investigations,
- Intellectual Property-Based Import Investigations,

- Industry and Economic Analysis,
- Tariff and Trade Information Services, and
- Trade Policy Support.

These operations define the functions of the Commission, emphasizing the benefits that the Commission provides in facilitating an open trading system based on the rule of law and the economic interests of the United States. Within each operation, the Strategic Plan identifies a general goal and strategies to enable the agency to meet its general goals. The Commission's annual performance goals relate directly to these general goals and strategies. The Commission also has developed annual performance goals pertaining to program evaluations for FY 2007 and FY 2008.

### ***Performance Results in Brief***

The PAR describes, for a specific fiscal year, the extent to which the Commission has met the performance goals established in the Performance Plan for that year. The report also discusses any instance in which the agency did not meet a goal, and indicates the actions the agency is taking to ensure that goals are met in the future. The current report covers the Commission's performance in FY 2007 and also discusses for comparison purposes the agency's performance in FY 2003–FY 2006.

The annual performance goals created for FY 2007 relate closely to performance goals established for previous fiscal years. Where possible, the Commission developed or identified quantitative indicators for these annual goals and for those in ensuing years. In many cases, benchmarks for these indicators were established in FY 1999 and reported in the Commission's Program Performance Report for that year.

In FY 2007, the Commission met or exceeded 71 percent of the performance goals it set for that year. With the exception of certain goals relating to intellectual property-based investigations, the Commission met its performance goals that specified meeting established statutory and administrative deadlines. The Commission's caseload activity associated with intellectual property-based import investigations increased substantially in FY 2006, compared with FY 2005. This trend continued in FY 2007. The elevated caseload level coupled with the retirement of multiple administrative law judges contributed to the Commission's inability to meet certain goals in this area.

The Commission made significant progress in developing analytical methods and data that contributed to various industry and economic analysis reports, as well as to technical assistance provided to the executive branch and Congress. The agency's many accomplishments in FY 2007, included completing 14 industry and economic analysis investigations on such diverse topics as the economic effects of U.S. restrictions on U.S. agricultural sales to Cuba, and the competitive conditions affecting U.S. trade in medical devices and equipment. In response to continued customer interest, the Commission expanded its analysis of non-tariff measures (NTMs). It was able to use this research in its U.S.-Korea Free Trade Agreement (FTA) report to gain insights on the potential impact of NTMs on U.S. merchandise and services trade flows. The Commission also began a study for Congress cataloging China's governmental policies and



practices that might be affecting bilateral trade flows, and completed a report required by statute on fabric availability in the African Growth and Opportunity Act (AGOA) countries. Moreover, the agency continued efforts to enhance its delivery of tariff-related information and assistance to the executive branch and Congress, as well as to the public.

During the year, the Commission's efforts to reach goals associated with making information available to the public electronically met with mixed results. The Commission continued its efforts to tailor the information posted to the agency website to meet the needs of its customers. The agency also continued efforts throughout FY 2007 to make incremental enhancements to its website. The Commission continued to track public feedback regarding the overall website, as well as specific sections of the website such as the Industry and Economic Analysis webpage. The survey results suggest that agency efforts during FY 2007 had a small but positive effect in terms of improving the content and accessibility of the overall website and various sections within it. However, the availability of documents filed in official investigations was hampered by continued difficulties encountered in the operation of the agency's Electronic Document Information System (EDIS) through the first half of FY 2007. By the end of FY 2007, improvements in performance were being realized. To address these shortcomings and to continue to improve performance, in early FY 2007 the Commission began a new initiative to redesign its website, in order to enhance the accessibility of content, improve the site's navigation, and ensure section 508 compliancy. The enhanced website will be released in the spring of 2008.

The Performance Section of this report provides a comparison of actual FY 2007 performance to the goals established for that fiscal year and, where appropriate, to baseline measures established in previous fiscal years. The discussion is organized by operation. For each operation, the strategies, corresponding performance goals and performance indicators, and results are discussed in detail.

Finally, the report identifies each specific goal that was not fully achieved and discusses corrective measures that the Commission has undertaken to achieve them. The Commission believes that the performance data in this report are complete and reliable.

### ***Reviews and Evaluations***

The Commission performs a review of the Strategic Plan on an annual basis. This includes an assessment of the agency's general goals and strategies and how well the agency implements and achieves them. As noted above, the agency revised the Strategic Plan and issued a new, sixth edition in FY 2006. The Commission has also reviewed the goals in the FY 2008 Performance Plan in light of agency performance in FY 2007, and has determined that generally the performance goals in its FY 2008 Performance Plan are appropriate.<sup>1</sup>

The Commission performs an annual verification and validation of measured performance indicators. For each operation, a senior agency manager serves as operation coordinator. Under

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<sup>1</sup> Adjustments to specific performance goals are discussed below under the respective operation.

the general oversight of the Strategic Planning Committee, the operation coordinators and offices supplying the data are responsible for that verification and validation.

The Commission has not conducted formal program evaluations as part of its planning. However, the planning process has benefited from audits and inspections conducted by the agency's Office of Inspector General (IG) concerning various aspects of agency operations. Moreover, in past years the Commission conducted informal evaluations of several of its functions. For example, during FY 2004–FY 2005 the Commission evaluated the effectiveness of EDIS. This evaluation led the Commission to implement significant changes in the hardware and software underpinning EDIS. The Commission substantially realigned the agency's docket function in 2006, by strengthening the relationship between the docket and information technology staffs. Similarly, during FY 2007, the Commission evaluated its website in light of survey results and made significant changes in the design. The newly designed website will be operational in the spring of 2008. The Commission added strategies pertaining to program evaluation in four of its five strategic operations in the sixth edition of its Strategic Plan. The agency has also developed corresponding annual performance goals for FY 2007 and FY 2008, and anticipates applying these strategies in the evaluation process for FY 2008.

## **Management Initiatives – President’s Management Agenda**

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The President’s Management Agenda includes five government-wide initiatives intended to improve the quality of its performance and delivery of services to the public: (1) Competitive Sourcing, (2) Improved Financial Performance, (3) Budget and Performance Integration, (4) Expanded E-Government, and (5) Strategic Management of Human Capital. The Commission has addressed each initiative with an approach to maximize the agency’s value to the public.

### ***Competitive Sourcing***

The Commission has successfully controlled its operating costs by maximizing the use of competitively awarded service contracts consistent with Federal Acquisition Regulations, the Federal Activities Inventory Report (FAIR) Act, and OMB Circular A-76. The Commission competitively contracts for information technology services, certain editing and publishing services, mailroom and general labor services, computer room cleaning and building maintenance services, audit and financial services, and electronic security services. More than 10 percent of the regular on-site staff at the Commission consists of private sector contract employees.

### ***Improved Financial Performance***

The Commission received an unqualified opinion on its audited financial statements for FY 2007 and FY 2006. The Commission has a long-established record of prudent fiscal management and cost control. Costs have been contained by significantly reducing staffing levels and office space rental requirements. Staffing levels have declined by 20 percent in the last 10 years.

The Commission has a history of absorbing costs whenever possible and minimizing increases in its appropriation request from year to year. Staffing levels remained consistent over the last several years, reflecting the Commission’s ability to provide flexible and responsive staff to meet changing workload demands without increasing staff levels.

### ***Budget and Performance Management Integration***

In FY 2007, the Commission continued to build on its successful program of linking financial resources with strategic goals. The Commission allocates virtually all costs to one of the five operations set forth in the Strategic Plan. Personnel costs are 70 percent of total costs; therefore, the Commission utilizes a labor cost reporting system to attribute resources directly to strategic operations in almost all instances.

The tracking and reporting of costs on the basis of the Commission’s Strategic Plan has improved the Commission’s resource management program. It allows the Commission to relate its expenditures directly to program outputs. This facilitates Congressional oversight and ensures that Commission expenditures are tied to performance of the Commission’s mission.

**Budget and Performance Management Integration:  
Percentage of Resources Devoted to Each Operation**

| <b>Operation</b>                                  | <b>FY 03</b> | <b>FY 04</b> | <b>FY 05</b> | <b>FY 06</b> | <b>FY 07</b> |
|---|--------------|--------------|--------------|--------------|--------------|
| Import Injury Investigations                      | 30.4         | 31.1         | 39.4         | 34.9         | 34.4         |
| Intellectual Property-Based Import Investigations | 15.9         | 16.9         | 18.1         | 19.5         | 20.1         |
| Industry and Economic Analysis                    | 35.7         | 35.4         | 29.7         | 31.9         | 31.6         |
| Tariff and Trade Information Services             | 6.0          | 7.6          | 5.5          | 6.2          | 6.2          |
| Trade Policy Support                              | 6.9          | 7.8          | 6.0          | 6.3          | 6.3          |
| Unallocated Costs                                 | 5.1          | 1.2          | 1.3          | 1.1          | 1.3          |

**Notes:**

- (1) The source of the data in this table is the Commission's annual Budget Justification.
- (2) The percentages include both direct and indirect costs.
- (3) The data for FY 2007 is based on an estimate from the Commission's FY 2008 Budget Justification.
- (4) Columns may not total exactly 100.0% as a result of rounding for individual operations.
- (5) Unallocated costs are not distributed across the five operations and include funding for the IG, certain labor costs, union activities, and certain other nonpersonnel costs.

***Expanded E-Government***

The Commission considers E-Government goals during the initiation phase of every major information technology (IT) project, and in the Commission's investment review process. During FY 2007, the Commission made significant advances through embracing technological solutions that improved customer service and streamlined internal processes.

E-Government service improvements included further enhancements to EDIS which allowed for electronic submission of import injury questionnaires by respondents. The Commission expects to make significant advances during FY 2008 with the release of a re-engineered version of EDIS. Both the Commission and practicing parties will see improvements in overall performance and usability through the implementation of a central home page for all EDIS functions, improvements in the electronic submission process to reduce rejections, and allowing external users to receive electronic notification of document submissions via Really Simple Syndication (RSS) feed.

Other E-Government service improvements included further enhancement of the public website (<http://www.usitc.gov>), including the expansion search capabilities and improved navigation and functionality; enhanced security solutions to provide for broader remote access to the Commission's public databases, further advancement with the Commission's move toward align-

ment with applicable OMB E-Government initiatives (e.g., e-Payroll, Electronic Human Resource Initiative, Human Resource Line of Business, e-Clearance, and Recruitment One-Stop) and commencement of work on the migration to a new financial management system in FY 2008. E-Government service improvements also included an expansion of the content management system to handle enterprise archiving for additional offices in the Commission.

### ***Human Capital Management***

The Commission's ability to accomplish its mission is directly tied to the quality and competency of its workforce. Therefore, it is critically important that the Commission manage its human capital strategically. *The Strategic Human Capital Management Plan* is intended to be an essential component of the Commission's strategic planning. It serves to:

- define human capital goals,
- summarize the projected changes in the workforce assets, and
- identify strategies to achieve the human capital goals and an action plan for implementing the intervention strategies.

Through interviews with Commission managers and customers, collaboration with the Office of Personnel Management (OPM), and keeping in line with the President's Management Agenda human capital initiatives, the Commission developed a vision of the kind of future workforce it needs. The workforce vision serves to guide the strategic human capital planning effort by providing a clear target to guide human capital initiatives and plans.

The Commission is now in the process of implementing or has implemented priority components of the Strategic Human Capital Plan to support this vision. These components are:

- additional Occupation Guides for management support positions as well as leadership positions;
- a management and leadership development program; including a 360° assessment component and beyond;
- a philosophy for performance management and pay and associated training which includes the implementation of a newly developed performance management system for agency employees under the General Schedule pay system;
- a position classification study which will include the review of all positions in the Commission;
- comprehensive assistance to managers on developing workforce position descriptions,
- updated human resources directives, policies and procedures;
- implementation of electronic Official Personnel Folders; and
- implementation of the New Employee Orientation website.

The purpose of the Strategic Human Capital Management Plan is to help the Commission understand future human capital issues it will likely face and to begin taking steps today to resolve those issues or to be prepared to better respond to them when they arise. These initiatives will ensure that the objectives of key priorities described in the plan are achieved. The Commission expects the Strategic Human Capital Plan to be a living, evolving document that

will be modified as the Commission reevaluates its mission in light of experience and changing external circumstances. Accordingly, the Commission intends to review the plan and revise it as necessary. The Commission's Strategic Planning Committee is composed of senior managers. A representative from the union coordinates this effort.

# Management Controls and Compliance with Laws and Regulations

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The Commission's senior managers are committed to improving both financial management and performance results. This commitment can be demonstrated, to a great extent, by our efforts to ensure that the Commission is in compliance with applicable laws and regulations designed to improve financial and performance accountability.

## *Statement of Assurance*

The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Commission conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Commission conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2007 were effective and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Daniel R. Pearson  
Chairman

### ***Federal Managers' Financial Integrity Act***

The objectives of the Federal Managers' Financial Integrity Act of 1982 (Integrity Act) are to ensure that the Commission's controls and systems provide reasonable assurance that:

- the Commission's obligations and costs are in compliance with applicable laws;
- the Commission's assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- the revenues and expenditures applicable to the Commission's operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- the Commission's programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The Commission's financial information is audited annually to help ensure that these objectives are being met. Additionally, at the end of each fiscal year, management reviews the operating units' performance data to ensure that performance results can be properly supported.

### ***Government Performance and Results Act***

The Government Performance and Results Act of 1993 requires a recurring cycle of performance reporting for Federal agencies. This cycle involves five-year strategic plans, annual performance plans, and annual program performance reports. The Commission's annual performance report is combined with its annual financial statements in this PAR.

### ***Federal Financial Management Improvement Act***

The Federal Financial Management Improvement Act of 1996 requires certain Federal agencies to report on their compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Government Standard General Ledger. In FY 2007, the Commission acted substantially consistent with all three aspects of this Act.

### ***Federal Information Security Management Act***

The Federal Information Security Management Act (FISMA), which was passed by Congress and signed into law by the President as part of the Electronic Government Act of 2002, requires each Federal agency to conduct an annual self-assessment of its information technology security program and each agency's Inspector General to perform an annual independent evaluation. In addition, each agency is to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report on the agency's compliance.

The IG contracted with an outside firm to perform an independent review during FY 2007 and concluded that the Commission made some progress in strengthening its IT security program during FY 2007. Specific accomplishments include:



- creating an incident response policy that addresses loss of personally identifiable information,
- building a National Security Information (NSI) network, and
- establishing a Public Key Infrastructure connection with the Government Printing Office (GPO) for the transmittal of sensitive information.

The CIO has been proactive in responding to the requirements of the FISMA Act and related legislation. The CIO has established an ongoing and comprehensive program that evaluates, prioritizes, and addresses information security throughout the Commission. The CIO employs an expert technical staff that directs and monitors the Commission's information security program, and proactively resolves all major internal and external security threats. The Commission will continue to make every effort to gain the resources necessary to work toward resolution of all outstanding FISMA recommendations and to make further advancements in strengthening the overall information security program.

The IG made seven recommendations to improve the Commission's IT security. The Commission submitted its annual FISMA report to OMB on October 1, 2007.

### ***Accountability of Tax Dollars Act***

The Accountability of Tax Dollars Act of 2002 requires the preparation of financial statements by the Federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-135 (Revised) (August 23, 2005) on "Form and Content of the Performance and Accountability Report (PAR)" requires that each agency's financial statement be combined with its program performance report into one report, the PAR. This report meets the requirements of the Act.

### ***Improper Payments Information Act***

The Improper Payments Information Act of 2002 requires an annual review of agency programs and activities that may be susceptible to significant improper payments. OMB's guidance, issued in 2003, requires the inclusion of improper payments information in the PAR.

The Commission does not administer benefits and assistance payments programs and, thus, does not have any significant problems related to improper payments. The Commission's payments are tied to payroll and standard nonpersonnel costs such as space rental, travel, training, services, supplies, and equipment. Commission staff and senior managers closely monitor execution of the Commission's expenditure plan. The Office of Finance and the IG regularly review payment procedures.

### ***Prompt Payment Act***

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late. During FY 2007, the Commission effectively used electronic fund transfers to

minimize the number of late payments resulting in interest penalties of less than \$500 with an occurrence rate of less than 2% of invoices.

### ***Inspector General Act***

The 1988 amendments to the Inspector General Act of 1978 (IG Act) established the Commission's IG. The IG, who reports directly to the Chairman, is responsible for overseeing audits, investigations, and inspections of the Commission's programs and operations. The following section summarizes the status of the Commission's corrective action for recent IG reports.

### ***Summary of Recent Audit Activity***

- *Evaluation of the U.S. International Trade Commission's Fiscal Year 2007 Information Security Program and Practices, (OIG-AR-04-07, October 1, 2007)*

The IG concluded that the Commission made some progress in strengthening its IT security program during FY 2007. Specific accomplishments include creating an incident response policy that addresses loss of personally identifiable information; building a NSI network; and establishing a Public Key Infrastructure connection with the GPO for the secure electronic filing of Federal register notices.

The IG made seven recommendations with the goal of improving the Commission's information technology security. Ten recommendations remain open from the previous FISMA audit. The Commission submitted its annual FISMA report to OMB on October 1, 2007.

- *Evaluation of the U.S. International Trade Commission's Fiscal Year 2006 Network Security Controls (OIG-AR-03-07)*

The IG concluded that the Commission made progress in strengthening its network security controls during FY 2006. The most commendable accomplishments include partially addressing control deficiencies identified in FY 2005, documenting a baseline configuration for the border router, and adopting the Center for Internet Security's (CIS) Windows 2000 Level 1 Benchmark as the baseline configuration for the Windows 2000 servers.

The OIG made four recommendations that will assist the Commission in continuing its progress towards strengthening its network security.

- *Management Letter: Audit of the U.S. International Trade Commission's Financial Statements for Fiscal Years 2006 and 2005 (OIG-AR-02-07)*

As a result of the audit of the financial statements of the Commission for FY 2006 and FY 2005, the OIG issued an unqualified opinion. The audit did not detect internal control deficiencies deemed to be reportable conditions or material weaknesses.

The OIG made five recommendations with the goal of improving the Commission's control and oversight of procurement activity, fixed assets and accountable property, procedures for depositing funds, and guidance on taxing employee awards.





# Financial Section



## Message from the Director of Administration

I am pleased to present the United States International Trade Commission's financial statements for FY 2007. The independent accounting firm of Cotton & Company, LLP, monitored by the IG, issued an unqualified (clean) opinion on the Commission's statements. The audit report and accompanying letter from the IG precede the audited statements and notes.

In addition, the auditors concluded the following:

- The financial statements were fairly presented, in all material respects and in conformity to U.S. generally accepted accounting principles.
- There were no reportable weaknesses in internal control.
- There were no reportable noncompliance issues related to Federal laws and regulations.

The Office of Finance staff is to be especially commended for their hard work and professionalism that produced a clean opinion three years in a row for the Commission.

During FY 2008, we plan to continue the same high level of financial services that resulted in our unqualified opinion and will focus on further improvements in financial management and internal control activities.



Stephen A. McLaughlin  
Director  
Office of Administration







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UNITED STATES INTERNATIONAL TRADE COMMISSION

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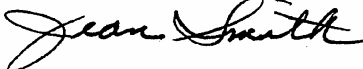
WASHINGTON, DC 20436

October 31, 2007

IG-EE-028

MEMORANDUM

TO: Chairman  
Chief Financial Officer

FROM: Acting Inspector General 

SUBJECT: Inspector General's Statement on the U.S. International Trade  
Commission's Management and Performance Challenges

In accordance with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* (June 29, 2007), the Inspector General is required to provide an annual summary and assessment of the most serious management and performance challenges facing the Commission. The annual summary and assessment is included in the U.S. International Trade Commission's Performance and Accountability Report (PAR) for Fiscal Year 2007.

The Inspector General considers four areas to be major challenges facing the Commission:

- Strategic Management of Human Capital
- Budget and Performance Integration
- Financial Performance
- Information Technology Security.

Our assessment is based on information from several sources, including OIG audit and inspection work, a general knowledge of the Commission's programs and activities, and input from management to obtain their views on what challenges the agency is facing and what efforts the agency has taken to address the challenges.

OMB Circular A-136 permits the agency head to comment on, but not modify the Inspector General's statements. Agency comments, if any, are to be included in the final version of the PAR which is due November 15, 2007.

The OIG believes the major challenges, in order of priority, facing the Commission are:

**Management Challenge: Strategic Management of Human Capital.**

This initiative is for agencies to strategically align human resources to support the organization's policy and program goals.

The Commission's ability to successfully execute activities in support of its mission depends on a highly skilled and experienced workforce. However, the Commission continues to be challenged by an extremely high vacancy rate. At the end of September 2007, the Commission had a 14 percent vacancy rate. Furthermore, a significant percentage of its workforce is reaching retirement eligibility at a time when there is an increase in work. The increased work includes Title VII investigations (antidumping and countervailing duties under the Tariff Act of 1930) and Section 337 investigations (alleged intellectual property infringement and other unfair acts under 19 U.S.C. Section 1337).

The Commission developed a Strategic Human Capital Management Plan intended to be an essential component of the organization's strategic planning. This plan identified actions needed to accomplish the following goals:

1. Create and sustain an organizational culture that supports and rewards high performance.
2. Attract and retain a high-performing workforce with the technical and professional skills needed.
3. Continuously develop workforce skills in line with changing Commission requirements.
4. Allocate human resources across organizational components to efficiently respond to changing workload requirements.

The Commission established a new performance management system, which it considers to be the first step in implementing a pay for performance system. During FY 2007, the Commission began a pilot program of the system with volunteers from the Offices of Operations and Administration. Using information from the pilot program, the Commission plans to address needs not previously considered, such as developing standards and elements for unanticipated occupational groups and ad hoc team leader positions.

For senior level employees, the Commission plans to develop a program to obtain certification of a Senior Executive Service (SES) performance appraisal system. As directed by the Office of Personnel Management, "the performance expectations for individual senior employees should (1) reflect expected agency and/or organizational outcomes and outputs, performance targets or metrics, policy/program objectives, and/or milestones; (2) identify specific programmatic crosscutting, external, and

partnership-oriented goals or objectives, as applicable; and (3) be stated in terms of observable, measurable, and/or demonstrable performance.”

To attract, retain and continually develop personnel, the Commission implemented several initiatives. The Commission offered relocation expenses, retention bonuses, reimbursement of student loans, professional development and training, and telecommuting to its employees. Approximately 80 percent of Commission staff participated in the telecommuting program. Also, in response to the changes in the Commission’s workload and large vacancy rate, the Director of the Office of Operations has provided cross-training to employees.

Finally, the Office of Human Resources has been working to improve communications within the agency. The office delivered briefings on the new performance management system to managers and staff in the pilot program. Also, the office intends to keep Commission staff informed on the planned transfer of paper official personnel files to electronic format.

**Management Challenge: Budget and Performance Integration.**

This initiative is to ensure each program’s purpose is clear, well designed to achieve its objectives, and effectively managed to provide the best value for taxpayers. Performance information will be used to (1) end or reform programs that either cannot demonstrate positive results or are clearly failing and (2) put resources in programs that can prove they are successful.

The Commission’s efforts to link budgeting with strategic planning have allowed Commission managers to more effectively compare changes in workload with changes in cost. Budget formulation and execution activities permit the allocation of virtually all costs to one of the five operations set forth in the Strategic Plan. Since personnel costs are 70 percent of total costs, the Commission uses the labor cost reporting system to collect work years and cost information and attribute it directly to strategic operations when feasible. Each month a labor/cost report is distributed to managers for their review of the office profile. Also, the Commission’s Labor Cost Committee meets monthly to review this report.

The labor/cost report was an especially valuable management tool in FY 2007 because of funding reductions. The Commission received \$62,360,531 in FY 2007, which was less than the requested funding of \$64,200,000. To meet costs, the Commission: relied on a significant increase in retirements; delayed recruitment and hiring which resulted in a 14 percent vacancy rate; and increased internal flexibility among staff to meet certain staffing requirements. As a result of funding decreases, the Commission was unable to implement its human capital and information technology (IT) plans as intended.

As an additional step towards budget and performance integration, the Commission developed an IT Strategic Plan whereby an IT proposal must go through a detailed business process to ensure resources for IT investments are efficiently used.

**Management Challenge: Financial Performance.**

This initiative is to improve the quality and timeliness of financial information so that it can be used to reduce waste, fraud, and abuse and manage federal programs more effectively.

During this reporting period, the OIG is in the process of auditing the Commission's 2007 and 2006 financial statements. Based on the results to date, we anticipate issuing an unqualified opinion along with recommendations to strengthen internal controls over procurement, property and cash.

**Management Challenge: Information Technology Security.**

The President's Management Agenda includes an initiative to expand electronic government, which is designed to bring more services to the American citizen over the Internet, make government more efficient, and improve IT management throughout the Executive Branch.

Based on findings from past OIG Federal Information Security Management Act (FISMA) audits, the Commission needs to strengthen its IT security program. During the past year, the Commission made progress towards this challenge. The OIG's 2007 FISMA audit found that the Commission fully implemented 2 of 12 recommendations from the prior year's audit. Also, the Commission completed three major IT security projects which included: building a National Security Information network, establishing a Public Key Infrastructure connection with the Government Printing Office for the transmittal of sensitive information, and creating an incident response policy that addresses loss of personally identifiable information.

While the above efforts are commendable, ten recommendations from the prior year's FISMA audit remained open, and this year's audit found new weaknesses relating to the administration of Plans of Action and Milestones; annual security controls testing and evaluating; security awareness training for new employees and contractors; and implementation of minimum security controls required by NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*.

In response to the OIG's FISMA report, the Chairman stated, "The Commission agreed it could do a better job of generating documentation to support compliance with FISMA requirements, maintenance and reporting of the Commission's plan of action and milestones. However, like many other areas of the Commission, the information security program was not fully funded in FY 2007. Thus, full compliance with all FISMA requirements was not reasonably achievable, especially those requirements that require the generation of extensive documentation."



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 14, 2007

IG-EE-029

MEMORANDUM

TO: Chairman  
Chief Financial Officer

FROM: Acting Inspector General

A handwritten signature in cursive script, appearing to read "Jean Smith".

SUBJECT: Independent Auditor's Reports of the U.S. International Trade  
Commission's Financial Statements for Fiscal Years 2007 and 2006  
Audit Report Number: OIG-AR-01-08

This memorandum transmits Cotton & Company LLP's audit reports of the U.S. International Trade Commission financial statements for fiscal years (FYs) ended 2007 and 2006. Under a contract monitored by this office, we engaged the independent public accounting firm of Cotton & Company to perform the audit. The contract required that the audit be done in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

Cotton & Company issued an unqualified opinion on the U.S. International Trade Commission's financial statements for FYs 2007 and 2006. Also, Cotton & Company reported no internal control deficiencies were identified and no reportable noncompliance with laws and regulations were found.

We appreciate the cooperation and courtesies provided to Cotton & Company and this office during the audit.

Attachment

cc: Cotton & Company LLP





Cotton & Company LLP  
635 Slaters Lane  
4<sup>th</sup> Floor  
Alexandria, VA 22314

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Acting Inspector General  
U.S. International Trade Commission

### INDEPENDENT AUDITOR'S REPORT

We audited the Balance Sheet of the U.S. International Trade Commission (ITC) as of September 30, 2007, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. These financial statements are the responsibility of ITC management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of ITC as of September 30, 2006, were audited by other auditors whose report dated October 31, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITC as of September 30, 2007, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis (MD&A) and other accompanying information are not required as part of ITC's basic financial statements. For MD&A, which is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*, we made certain inquiries of management and compared information for consistency with ITC's audited financial statements and against other knowledge we obtained during our audit. For other accompanying information, we compared information with the financial statements. We did not audit the MD&A or other accompanying information and therefore express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued separate reports dated November 2, 2007, on our consideration of ITC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

COTTON & COMPANY LLP



Colette Y. Wilson, CPA  
Partner

November 2, 2007  
Alexandria, Virginia





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Acting Inspector General  
U.S. International Trade Commission

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We audited the Balance Sheet of the U.S. International Trade Commission (ITC) as of September 30, 2007, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. We have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered ITC's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

With respect to internal control related to significant performance measures included in Management's Discussion and Analysis, we obtained an understanding of the design of internal control relating to existence and completeness assertions, as required by OMB Bulletin 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not express such an opinion.

We noted certain matters involving internal control and its operation that we will report to ITC management in a separate letter.

This report is intended solely for the information and use of ITC management, others within ITC, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP



Colette Y. Wilson, CPA  
Partner

November 2, 2007  
Alexandria, Virginia



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Acting Inspector General  
U.S. International Trade Commission

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

We audited the Balance Sheet of the U.S. International Trade Commission (ITC) as of September 30, 2007, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. We have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

ITC management is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether ITC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04. Providing an opinion on compliance with those provisions was not, however, an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no instances of noncompliance that we are required to report under *Government Auditing Standards* or OMB Bulletin 07-04.

This report is intended solely for the information and use of ITC management, others within ITC, OMB, and Congress. It is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Colette Y. Wilson, CPA  
Partner

November 2, 2007  
Alexandria, Virginia



# U.S. International Trade Commission

## Balance Sheets

As of September 30, 2007 and 2006  
(In Dollars)

|   | 2007                 | 2006                 |
|---|----------------------|----------------------|
| <b>Assets:</b>  |                      |                      |
| Intragovernmental   |                      |                      |
| Fund Balance with Treasury (Note 3)                       | \$ 8,911,346         | \$ 9,068,519         |
| <b>Total Intragovernmental</b>                            | <b>8,911,346</b>     | <b>9,068,519</b>     |
| Accounts Receivable, Net (Note 4)                         | 250,000              | 451,984              |
| Advances to Others  | -                    | 1,341                |
| Equipment (Note 5)  | 3,499,084            | 4,330,846            |
| <b>Total Assets (Note 2)</b>                              | <b>\$ 12,660,430</b> | <b>\$ 13,852,690</b> |
| <b>Liabilities:</b>                                       |                      |                      |
| Intragovernmental   |                      |                      |
| Employer Contributions and Payroll Taxes Payable (Note 6) | \$ 118,886           | \$ 118,861           |
| Other (Note 6)  | 677,366              | 525,747              |
| <b>Total Intragovernmental</b>                            | <b>796,252</b>       | <b>644,608</b>       |
| Accounts Payable (Note 6)                                 | 1,106,831            | 1,911,380            |
| Accrued Funded Payroll (Note 6)                           | 1,135,211            | 1,112,113            |
| Withholdings Payable (Note 6)                             | 689,770              | 674,225              |
| Unfunded Leave (Note 6)                                   | 3,100,809            | 3,202,954            |
| <b>Total Liabilities</b>                                  | <b>6,828,873</b>     | <b>7,545,280</b>     |
| <b>Net Position:</b>                                      |                      |                      |
| Unexpended Appropriations                                 | 5,433,282            | 5,179,518            |
| Cumulative Results of Operations                          | 398,275              | 1,127,892            |
| <b>Total Net Position</b>                                 | <b>\$ 5,831,557</b>  | <b>\$ 6,307,410</b>  |
| <b>Total Liabilities and Net Position</b>                 | <b>\$ 12,660,430</b> | <b>\$ 13,852,690</b> |

The accompanying notes are an integral part of these statements.

# U.S. International Trade Commission Statements of Net Cost

For the Years Ended September 30, 2007 and 2006

(In Dollars)

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|                               | 2007                 | 2006                 |
|-------------------------------|----------------------|----------------------|
| <b>Program Costs:</b>         |                      |                      |
| Total Gross Costs (Note 8)    | \$ <u>66,023,976</u> | \$ <u>63,488,872</u> |
| <b>Net Cost of Operations</b> | \$ <u>66,023,976</u> | \$ <u>63,488,872</u> |

**The accompanying notes are an integral part of these statements.**

U.S. International Trade Commission  
 Statements of Changes In Net Position  
 For the Years Ended September 30, 2007 and 2006  
 ( In Dollars )

|  | 2007                 | 2006                  |
|--|----------------------|-----------------------|
| <b>Cumulative Results of Operations:</b>       |                      |                       |
| Beginning Balance                              | \$ 1,127,892         | \$ 580,228            |
| <b>Budgetary Financing Sources:</b>            |                      |                       |
| Appropriations-Used                            | 62,106,767           | 64,036,536            |
| <b>Other Financing Sources (Non-Exchange):</b> |                      |                       |
| Imputed Financing Costs (Note 9)               | <u>3,187,592</u>     | <u>-</u>              |
| <b>Total Financing Sources</b>                 | <b>\$ 65,294,359</b> | <b>\$ 64,036,536</b>  |
| <b>Net Cost of Operations</b>                  | <u>(66,023,976)</u>  | <u>(63,488,872)</u>   |
| <b>Net Change</b>                              | <u>(729,617)</u>     | <u>547,664</u>        |
| <b>Cumulative Results of Operations</b>        | <u>398,275</u>       | <u>1,127,892</u>      |
| <br><b>Unexpended Appropriations:</b>          |                      |                       |
| Beginning Balance                              | 5,179,518            | 7,265,523             |
| <b>Budgetary Financing Resources:</b>          |                      |                       |
| Appropriations-Received                        | 62,360,531           | 62,752,000            |
| Appropriations-Used                            | (62,106,767)         | (64,036,536)          |
| Other Adjustments                              | -                    | (801,469)             |
| <b>Total Budgetary Financing Sources</b>       | <b>\$ 253,764</b>    | <b>\$ (2,086,005)</b> |
| <b>Total Unexpended Appropriations</b>         | <b>\$ 5,433,282</b>  | <b>\$ 5,179,518</b>   |
| <b>Net Position</b>                            | <b>\$ 5,831,557</b>  | <b>\$ 6,307,410</b>   |

The accompanying notes are an integral part of these statements.

# U.S. International Trade Commission Statements of Budgetary Resources

For the Years Ended September 30, 2007 and 2006

(In Dollars)

|  | 2007                 | 2006                 |
|--|----------------------|----------------------|
| <b>Budgetary Resources:</b>                                |                      |                      |
| Unobligated Balance, Brought Forward, October 1            | \$ 458,171           | \$ 2,194,715         |
| Recoveries of Prior Year Unpaid Obligations (Note 10)      | 708,607              | 297,539              |
| <b>Budget Authority:</b>                                   |                      |                      |
| Appropriation (Note 1)                                     | 62,360,531           | 62,752,000           |
| Spending Authority From Offsetting Collections Earned:     |                      |                      |
| Earned   |                      |                      |
| Collected (Note 10)  | 16,395               | 10,658               |
| <b>Subtotal</b>  | <u>62,376,926</u>    | <u>62,762,658</u>    |
| Cancellations of Expired and No Year Accounts (-)          | -                    | -                    |
| Permanently Not Available Pursuant to Public Law           | -                    | (801,469)            |
| <b>Total Budgetary Resources</b>                           | <u>\$ 63,543,704</u> | <u>\$ 64,453,443</u> |
| <b>Status of Budgetary Resources:</b>                      |                      |                      |
| Obligations Incurred – Direct                              | 62,977,438           | 63,995,272           |
| Unobligated Balance - Available                            | 566,266              | 458,171              |
| <b>Total Status of Budgetary Resources</b>                 | <u>\$ 63,543,704</u> | <u>\$ 64,453,443</u> |
| <b>Change in Obligated Balance:</b>                        |                      |                      |
| <b>Obligated Balance, Net</b>                              |                      |                      |
| Unpaid Obligations, Brought Forward, October 1             | \$ 8,535,600         | \$ 8,429,410         |
| <b>Total unpaid obligated balance, net</b>                 | <u>8,535,600</u>     | <u>8,429,410</u>     |
| <b>Obligations incurred, net</b>                           | 62,977,438           | 63,995,272           |
| <b>Gross Outlays</b>                                       | (62,886,717)         | (63,591,543)         |
| <b>Recoveries of prior year unpaid obligations, actual</b> | (708,607)            | (297,539)            |
| <b>Total, unpaid obligated balance, net, end of period</b> | <u>\$ 7,917,714</u>  | <u>\$ 8,535,600</u>  |
| <b>Net Outlays:</b>  |                      |                      |
| Gross outlays  | 62,886,717           | 63,591,543           |
| Offsetting collections                                     | (16,395)             | (10,658)             |
| <b>Net Outlays</b>   | <u>\$ 62,870,322</u> | <u>\$ 63,580,885</u> |

The accompanying notes are an integral part of these statements.



U.S. International Trade Commission  
Statements of Custodial Activity

For the Years Ended September 30, 2007 and 2006  
(In Dollars)

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|   | 2007             | 2006            |
|---|------------------|-----------------|
| <b>Revenue Activity:</b>                                    |                  |                 |
| Cash Collections – Penalties (Note 12)                      | \$ 201,000       | \$ 49,000       |
| Accrual Adjustments (+/-)                                   | <u>(201,000)</u> | <u>(49,000)</u> |
| <b>Total Custodial Revenue</b>                              | <u>\$ -</u>      | <u>\$ -</u>     |
| <br>  |                  |                 |
| <b>Disposition of Collections:</b>                          |                  |                 |
| Transferred to Treasury                                     | (201,000)        | (49,000)        |
| (Increase)/ Decrease in Amounts Yet to be Transferred (+/-) | <u>201,000</u>   | <u>49,000</u>   |
| <b>Net Custodial Activity</b>                               | <u>\$ -</u>      | <u>\$ -</u>     |

**The accompanying notes are an integral part of these statements.**

**United States International Trade Commission**  
**Notes to Financial Statements**  
**September 30, 2007 and 2006**

**Note 1. Significant Accounting Policies**

- A. *Reporting Entity* – The United States International Trade Commission (ITC) is an independent agency of the U.S. Government created by an act of Congress and is headed by six commissioners, appointed by the President and confirmed by the U.S. Senate for nine-year terms. The President designates the chairman and vice chairman, each of whom serve two-year terms.

The ITC conducts investigations and reports findings relating to imports and the effect of imports on industry, and unfair import practices. The ITC advises the President on the probable economic effect of proposed trade agreements with foreign countries. The ITC also conducts analytical studies and provides reports on issues relating to international trade and economic policy to Congress and the President.

- B. *Basis of Accounting and Presentation* – The ITC's financial statements conform to U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants (AICPA) recognizes FASAB Standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were prepared in conformity with *OMB Circular A-136 Financial Reporting Requirements, June 29, 2007*.

The financials have been prepared from the books and records of the ITC and include all accounts of all funds under the control of the ITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting. The ITC's fiscal year is October 1 through September 30. FY 2007 and FY 2006 financial statements are presented to allow comparison.

*Assets* – Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury represent intragovernmental assets on the ITC's balance sheet.

## Note 1. Significant Accounting Policies--Continued

*Financing Sources* – The ITC has received a no-year appropriation for operations since FY 1993. Appropriations are recognized as revenue and expensed when related operating expenses are incurred. Differences between appropriations received and expensed are included as unexpended appropriations. Congress appropriated to the ITC \$62,360,531 and \$62,752,000 for salaries and expenses in FY 2007 and FY 2006, respectively. Congress also rescinded funds in the amount of \$801,469 for FY 2006.

*Fund Balances with the U.S. Treasury* – Cash receipts and disbursements are processed by the Treasury. The fund balance with the Treasury represents appropriated entity funds in the custody of the U.S. Treasury and is available to pay current liabilities and finance authorized purchase commitments. The ITC's obligated and unobligated fund balances are carried forward until goods or services are received and payments are made, or until such time as funds are deobligated.

- C. *General Property, Plant, and Equipment* – The ITC capitalizes acquisitions with costs exceeding \$50,000 and useful lives of two or more years. Property and equipment consist of equipment and software. Depreciation expense is calculated using the straight-line method over its estimated economic useful life as follows: software, 7 years; and equipment ranges from 5 to 7 years.

Internal use software development and acquisition costs of \$100,000 or more are capitalized as software development in progress until the development stage has been completed and the software successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software costs and amortized using the straight-line method over the estimated useful life. Purchased commercial software which does not meet the capitalization criteria is expensed.

- D. *Accrued Annual Leave* – Annual leave is accrued quarterly, although it is not funded until it is used by employees. To the extent current and prior-year appropriations are not available to fund annual leave earned but not taken; funding will be obtained from future salaries and expenses appropriations. Sick, compensatory, and certain other types of leave are not accrued and are expensed when used by the employee.
- E. *Net Position* – Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative results of operations are the net result of the ITC's operations since inception.

## Note 1. Significant Accounting Policies--Continued

- F. *Intergovernmental Activities* – The ITC records and reports only those Government-wide financial matters for which it is responsible and identifies only those financial matters that the ITC has been granted budget authority and resources to manage.
- G. *Use of Estimates* – The preparation of the accompanying financial statements requires management to make estimates and assumptions about certain estimates included in the financial statements. Actual results will invariably differ from those estimates.
- H. *Tax Status* – The ITC, as a federal agency, is not subject to federal, state, or local income taxes and accordingly, no provision for income taxes is recorded.
- I. *Reclassifications* – certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

## Note 2. Non-Entity Assets

|                                | 2007          |            |               |
|--------------------------------|---------------|------------|---------------|
|                                | Entity        | Non-Entity | Total         |
| Intragovernmental:             |               |            |               |
| Fund balance with Treasury     | \$ 8,483,980  | \$ 427,366 | \$ 8,911,346  |
| Total intragovernmental        | \$ 8,483,980  | \$ 427,366 | \$ 8,911,346  |
| Accounts receivable            | \$ -          | \$ 250,000 | \$ 250,000    |
| Advances to Others             | -             | -          | -             |
| Plant, property, and equipment | 3,499,084     | -          | 3,499,084     |
| Total                          | 3,499,084     | 250,000    | 3,749,084     |
| Total Assets                   | \$ 11,983,064 | \$ 677,366 | \$ 12,660,430 |

**Note 2. Non-Entity Assets--Continued**

|                                | 2006                |                   | Total               |
|--------------------------------|---------------------|-------------------|---------------------|
|                                | Entity              | Non-Entity        |                     |
| Intragovernmental:             |                     |                   |                     |
| Fund balance with Treasury     | \$ 8,993,771        | \$ 74,748         | \$ 9,068,519        |
| Total intragovernmental        | <u>\$ 8,993,771</u> | <u>\$ 74,748</u>  | <u>\$ 9,068,519</u> |
| Accounts receivable            | \$ 984              | \$ 451,000        | \$ 451,984          |
| Advances to Others             | 1,341               | -                 | 1,341               |
| Plant, property, and equipment | 4,330,846           | -                 | 4,330,846           |
| Total                          | <u>\$ 4,333,171</u> | <u>\$ 451,000</u> | <u>\$ 4,784,171</u> |
| Total Assets                   | \$13,326,942        | \$ 525,748        | \$13,852,690        |

Non-Entity funds include copier fees collected from the public for Freedom of Information Act (FOIA), civil penalty fees, and other collections which will be turned over to the U.S. Treasury and are not available for use by the ITC. Non-entity assets are assets that the ITC holds, but does not have authority to use. A part of the fund balance with Treasury is non-entity and the remaining is entity. Entity assets are those assets which the reporting entity holds and has the authority to use in its operations.

**Note 3. Fund Balances with Treasury**

|  | 2007                | 2006                |
|--|---------------------|---------------------|
| A. Fund Balances:                        |                     |                     |
| Appropriated Funds                       | \$ 8,483,980        | \$ 8,993,771        |
| Other Fund Types                         | 427,366             | 74,748              |
| Total                                    | <u>\$ 8,911,346</u> | <u>\$ 9,068,519</u> |
| B. Status of Fund Balance with Treasury  |                     |                     |
| Unobligated Balance Available            | \$ 566,266          | \$ 458,171          |
| Obligated Balance not yet Disbursed      | 7,917,714           | 8,535,600           |
| Non-Budgetary Fund Balance with Treasury | 427,366             | 74,748              |
| Total                                    | <u>\$ 8,911,346</u> | <u>\$ 9,068,519</u> |

Fund Balances with Treasury is an intragovernmental asset. The entity fund balance represents funds appropriated by Congress for use by the ITC. No entity funds are restricted; however, in accordance with Section 605 of Title 5 of Public Law 105-277, Congressional approval is required under certain reprogramming or transfer actions.

**Note 4. Accounts Receivable, Net**

The balance of Accounts Receivable for ITC employees for the parking program is \$0 and \$984 on September 30, 2007 and September 30, 2006, respectively.

A civil penalty was imposed by the ITC in the amount of \$1,000,000 in FY 2003. The balance on this penalty was \$250,000 and \$451,000 at September 30, 2007, and September 30, 2006, respectively.

**Note 5. General Property, Plant, and Equipment, Net**

Major classes of general property, plant, and equipment include: 1) office furniture, fixtures, and equipment, and 2) information systems and data handling equipment. Depreciation is recorded quarterly using straight-line method, based on estimated useful lives of seven years and five years, respectively, with a ten percent residual value.

|  | <b>Acquisition<br/>Value</b> | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|--|------------------------------|-------------------------------------|---------------------------|
| <b>FY 2007</b>                               |                              |                                     |                           |
| Office Furniture, Fixtures,<br>and Equipment | \$1,123,539                  | \$ 548,932                          | \$ 574,607                |
| Software                                     | <u>5,144,474</u>             | <u>2,219,997</u>                    | <u>2,924,477</u>          |
| Total  | <u>\$6,268,013</u>           | <u>\$2,768,929</u>                  | <u>\$3,499,084</u>        |
| <hr/>  |                              |                                     |                           |
|  | <b>Acquisition<br/>Value</b> | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
| <b>FY 2006</b>                               |                              |                                     |                           |
| Office Furniture, Fixtures,<br>and Equipment | \$1,674,594                  | \$ 924,831                          | \$ 749,763                |
| Software                                     | <u>5,144,474</u>             | <u>1,563,391</u>                    | <u>3,581,083</u>          |
| Total  | \$6,819,068                  | \$2,488,222                         | \$4,330,846               |

## Note 6. Liabilities Not Covered by Budgetary Resources

|                                      | 2007        | 2006        |
|--------------------------------------|-------------|-------------|
| Intragovernmental                    |             |             |
| Other                                | \$ 677,366  | \$ 525,747  |
| Total intragovernmental              | \$ 677,366  | \$ 525,747  |
| Unfunded Leave                       | \$3,100,809 | \$3,202,954 |
| Total liab. not covered by budgetary | \$3,778,175 | \$3,728,701 |
| Total liab. covered by budgetary     | \$3,050,698 | \$3,816,579 |
| Total liabilities                    | \$6,828,873 | \$7,545,280 |

***Intragovernmental:*** Other liabilities consist of a civil penalty imposed by the ITC which, upon collection, is held in trust for the U.S. Treasury. Other liabilities also include copier fees collected from the public for FOIA and other collections.

***Unfunded Leave:*** Accrued Annual Leave is the value of leave accumulated by ITC employees which is funded when used. The current portion is dependent upon such use and is, therefore, not accurately determinable.

***Liabilities Covered by Budgetary Resources:*** These current liabilities are accounts payable, employer contributions, payroll taxes, accrued funded payroll, withholdings payable, and liabilities payable to the public.

## Note 7. Contingencies

The ITC has certain claims and lawsuits pending against it. In the opinion of the ITC management and legal counsel, two pending EEO complaints could possibly result in an award of up to \$430,000. Management believes that losses, if any, from other claims and lawsuits would not be material to the fair presentation of the ITC's financial statements.

## Note 8. Gross Cost by Budget Functional Classification

The Statement of Net Cost for the ITC uses a Budget Functional Classification (BFC) code. BFC codes are used to classify budget resources presented in the Budget of the United States Government per OMB. The total Net Cost was \$66,023,976 and \$63,488,872 at September 30, 2007, and September 30, 2006, respectively.

**Note 9. Other Financing Sources –(Non-Exchange)**

**Imputed Financing.** The amounts remitted to OPM for employees covered by the Federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. As a consequence the ITC has recognized an "imputed financing" equal to the difference between the cost of providing benefits to ITC's employees and the contributions the ITC remitted for them.

**Note 10. Spending Authority from Offsetting Collections/Adjustments**

Spending authority from offsetting collections consists of refunds of prior year expenditures reported to U.S. Treasury as collections. Adjustments include deobligation of prior year funds.

|  | <u>2007</u>       | <u>2006</u>       |
|--|-------------------|-------------------|
| Spending authority from offsetting collections | \$ 16,395         | \$ 10,658         |
| Recovery of prior year obligations             | <u>708,607</u>    | <u>297,539</u>    |
|  | <u>\$ 725,002</u> | <u>\$ 308,197</u> |

**Note 11. Reconciliation of ITC's Statement of Budgetary Resources to the Budget of the United States Government**

ITC reconciled its FY 2006 Statement of Budgetary Resources to the President's Budget. No differences were noted. The President's Budget with actual numbers for FY 2007 has not yet been published.

**Note 12. Non-Exchange Revenue – Custodial Activities**

In FY 2007 and FY 2006, the ITC functioned in a custodial capacity with respect to revenue transferred or transferable to recipient government entities or the public. These amounts are not reported as revenue to the ITC.

The ITC collects a civil penalty for the United States pursuant to 19 U.S.C. §1337(f)(2) in connection with violations of cease and desist orders. A person who violates a cease and desist order can be assessed a civil penalty of up to \$100,000 for each day on which a violation occurs or up to twice the domestic value of the goods imported or sold in violation of the order. Payments are made to the ITC and held temporarily by the ITC in a custodial capacity until remitted to the U.S. Department of the Treasury.

A civil penalty was imposed by the ITC for \$1,000,000 in FY 2003. A receivable was set up in FY 2004 and ITC has collected \$750,000 to date. During the last two fiscal years, \$201,000 was collected during FY 2007 and \$49,000 was collected during FY 2006. Collections from the receivable result in an accrual adjustment decreasing the receivable amount and a comparable adjustment decreasing the amounts yet to be transferred to the Treasury. All collections were remitted to Treasury in the fiscal year in which they were



received. ITC has a long-term receivable of \$250,000 and \$451,000 as of September 30, 2007 and September 30, 2006, respectively.

**Note 13. Reconciliation of Net Costs of Operations to Budget**

A reconciliation of net costs of operations to budget is presented below to show the relationship between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. For FY 2007, the ITC reconciled the difference between the \$62.3 million in obligated resources and the \$66.0 million in the net cost of operations by adjusting for offsetting collections/adjustments, imputed financing, financing resources not part of the net cost of operations, depreciation, and revaluation of assets. The details of this reconciliation are as follows:





# Performance Section



## Operation 1: Import Injury Investigations

Operation 1 covers the conduct of the Commission's antidumping (AD) and countervailing duty (CVD) investigations and reviews under Title VII of the Tariff Act of 1930 and global safeguard and market disruption investigations under sections 202, 204, 406, 421, and 422 of the Trade Act of 1974. In addition, the Operation includes activities such as investigations under sections 302 and 312 of the North American Free Trade Agreement (NAFTA) Implementation Act of 1994; investigations under section 129(a)(4) of the Uruguay Round Agreements Act (URAA); and the appellate litigation of challenges to the Commission's determinations.

The Commission's Strategic Plan establishes the following general goal for this operation:

*Facilitate a rules-based international trading system by producing high quality and timely import injury determinations based on:*

- *an effective exchange of information between the Commission and interested persons,*
- *an appropriate investigative record, and*
- *fair and equitably-implemented procedures.*

Operation 1 workload related to new Title VII investigations increased sharply in FY 2007, nearly triple the level of the previous year. New case filings in the two preceding years had been lower than historical levels. More than three-quarters of the new cases filed during FY 2007 were filed in the second half of the year. Institutions and completions of preliminary phase investigations increased in FY 2007, as did institutions of final phase investigations, while the number of final phase investigations completed declined, reflecting the low level of new filings in the prior year (Table 1-1).

Institutions and completions of five-year "sunset" reviews of outstanding AD and CVD orders, required by the URAA, declined in FY 2007 from the peak levels of the preceding two years (figure 1-1). This workload is somewhat cyclical in nature because of the large number of orders in place before the World Trade Organization (WTO) Agreement entered into force with respect to the United States. The heaviest workload related to the second round of these "transition" orders occurred in FY 2005 and FY 2006. A significant number of reviews of non-transition orders have also been conducted over the past few years.

The Commission did not conduct any safeguard investigations in FY 2007. Performance results for FY 2007 are discussed in detail below.

**Table 1-1: Summary of import injury investigations, FY 2003–FY 2007**

| Type and status                    | FY 2003   | FY 2004   | FY 2005   | FY 2006   | FY 2007   |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Instituted:</b>                 |           |           |           |           |           |
| Preliminary Title VII <sup>1</sup> | 17        | 17        | 7         | 5         | 13        |
| Final Title VII <sup>1</sup>       | 13        | 14        | 7         | 4         | 6         |
| Expedited Sunset <sup>2</sup>      | 0         | 7         | 12        | 7         | 6         |
| Full Sunset <sup>2</sup>           | 1         | 10        | 22        | 11        | 7         |
| Other <sup>3</sup>                 | 9         | 5         | 5         | 1         | 2         |
| <b>Total</b>                       | <b>40</b> | <b>53</b> | <b>53</b> | <b>28</b> | <b>34</b> |
| <b>Completed:</b>                  |           |           |           |           |           |
| Preliminary Title VII <sup>1</sup> | 19        | 17        | 6         | 6         | 9         |
| Final Title VII <sup>1</sup>       | 15        | 10        | 15        | 6         | 3         |
| Expedited Sunset                   | 1         | 6         | 6         | 13        | 6         |
| Full Sunset                        | 3         | 1         | 10        | 22        | 10        |
| Other <sup>3</sup>                 | 8         | 5         | 4         | 3         | 3         |
| <b>Total</b>                       | <b>46</b> | <b>39</b> | <b>41</b> | <b>50</b> | <b>31</b> |

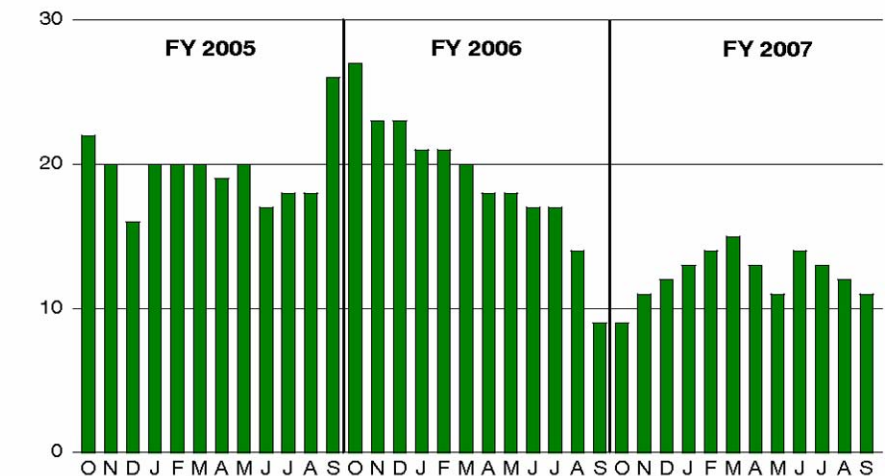
Source: Office of Investigations (INV).

<sup>1</sup> The data shown for preliminary and final phase Title VII investigations group AD and CVD investigations together since these investigations generally run concurrently and are handled by the same investigative team.

<sup>2</sup> Does not include investigations that were terminated without a Commission determination.

<sup>3</sup> Includes global safeguard investigations, China safeguard investigations, reopened remands, and other investigations.

**Figure 1-1: Import injury investigations active, by months, for October 2004 through September 2007**



Source: Office of Investigations.

## ***FY 2007 Performance***

In the fifth edition of the Strategic Plan, the Commission established two strategies and corresponding annual performance goals and performance indicators for this operation. The current Strategic Plan retains these strategies. The performance results for FY 2007, discussed below, demonstrate that the Commission met or exceeded all specific performance goals established for the year with two exceptions. One exception in performance relates to the speed of posting documents for public viewing on EDIS. While performance improved during FY 2007, it still fell short of established goals. The Commission continues to make improvements to EDIS in order to close the gap between current performance and its targeted performance goals. The second performance goal that was not achieved in FY 2007 was the enabling of electronic administrative protective order (APO) distribution through EDIS enhancements. This was due to a combination of technical and budget difficulties. This goal has since been dropped from the FY 2008 Performance Plan.

All draft import injury investigation and litigation documents were internally reviewed, and all statutory and administrative deadlines were met. Measures were taken to improve methods of collecting and processing investigative data in order to develop more accurate and complete administrative records, and to better provide information to the public. The Commission redesigned its website and made the new site available to the public in FY 2005. Further enhancements to the content of the site were made in FY 2007.

The current (sixth) edition of the Strategic Plan added the strategy—“Undertake regular independent reviews and assessments of the import injury investigations program, or its components, to identify areas for potential improvement.” Annual performance goals for FY 2008 and 2009 pertaining to this strategy have been developed for the corresponding Performance Plans.

**Strategy 1(a): Conduct appropriate internal review of draft investigation and litigation documents**

**FY 2007 Performance Goals**

- a. 80% positive response from Commissioners on sufficiency of information in the record.
- b. 100% of draft staff reports circulated for review.
- c. 100% of draft legal issues memoranda, draft opinions, and draft briefs circulated for comment.
- d. 100% team participation in opinion meetings and in comments on opinion drafts, absent compelling reason for non-participation.

**Performance Indicator<sup>1</sup>**

- a. Commissioner comments on sufficiency of the information in the record (INV/GC).
- b. Draft staff reports to investigative teams and senior staff for review (INV).
- c. Drafts of legal issues memoranda and opinions to teams for comment on factual accuracy and confidentiality, and draft briefs to the Commission for comment (GC).
- d. Team participation in opinion-writing process (INV).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

Commissioners were polled concerning the completeness, reliability, and usefulness of data in all import injury investigations conducted during the year. As in previous years, comments offered were positive, but difficult to quantify.

During FY 2007, all 47 draft prehearing and final staff reports were circulated to investigative teams and senior staff for review and comment. Similarly, all 30 draft legal issues memoranda and all 30 draft opinions were circulated to investigative teams for review. During FY 2007, 23 draft briefs, as well as 7 draft remand determinations, were prepared, and all were circulated to the Commission for comment. These results are comparable to those in FY 2003 through FY 2006 (Table 1–2). Moreover, during FY 2007, there was full and active team participation in all opinion writing meetings and in the opinion review process.



**Table 1-2: Number of documents circulated for review, FY 2003–FY 2007<sup>1</sup>**

| <b>Item</b>                        | <b>FY 2003</b> | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> | <b>FY 2007</b> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Draft prehearing and final reports | 65             | 56             | 71             | 71             | 47             |
| Draft legal issues memoranda       | 40             | 37             | 38             | 48             | 30             |
| Draft opinions                     | 40             | 37             | 38             | 48             | 30             |
| Draft briefs                       | --             | 29             | 20             | 12             | 23             |

Source: Office of Investigations and Office of the General Counsel.

<sup>1</sup> Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV is tasked with preparing more documents; and (2) in some investigations the parallel INV reports and/or GC memoranda/draft opinions may be outside the designated period.

**Strategy 1(b): Meet statutory, court, and administrative deadlines.**

**FY 2007 Performance Goal**

100% of documents submitted on time.

**Performance Indicator<sup>1</sup>**

Reports and determinations (INV) and memoranda and draft opinions issued, and briefs (GC) submitted, on time.

<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

During FY 2007, the Commission met all of its statutory deadlines as all 30 determinations were issued on or before their deadlines. Further, with regard to administrative deadlines, all 12 prehearing reports, all 34 staff reports, all 30 legal issues memoranda, and all 30 draft opinions prepared during the year were issued in accordance with established or amended agreed-upon schedules. During FY 2007, the Commission filed 23 briefs, as well as 7 remand determinations, and all were filed on time.<sup>2</sup> These results are consistent with those in FY 2003 through FY 2006 as the Commission has met this goal throughout the period (Table 1-3).

<sup>2</sup> The above does not include documents in certain proceedings where the agency did not establish deadlines.

**Table 1-3: Number of documents issued on time, FY 2003–FY 2007<sup>1</sup>**

| Item                   | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|---------|---------|---------|---------|---------|
| Determinations         | 45      | 39      | 40      | 49      | 30      |
| Prehearing reports     | 21      | 16      | 29      | 27      | 12      |
| Staff reports          | 44      | 39      | 42      | 44      | 34      |
| Legal issues memoranda | 40      | 35      | 37      | 48      | 30      |
| Draft opinions         | 40      | 35      | 38      | 48      | 30      |
| Briefs                 | --      | 29      | 20      | 12      | 23      |

Source: Office of Investigations and Office of the General Counsel.

<sup>1</sup> Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV is tasked with preparing more documents and (2) in some investigations the parallel INV reports and/or GC memoranda/draft opinions may be outside the designated period.

**Strategy 2: Effectively develop investigative records and provide information on investigations to participants and the public.**

**FY 2007 Performance Goals**

- a. Progress is made on improving methods of gathering and processing investigative data.
- b. (1) Semi-annual reviews and revisions completed.  
(2) 2% improvement over FY 2006 level.
- c. (1) 75% of documents filed are made available on EDIS within 24 hours.  
(2) 85% of documents filed are made available on EDIS within 48 hours.  
(3) Working group meets quarterly to consider and report on issues related to electronic filing and maintenance of records on EDIS.  
(4) Enable electronic APO distribution through EDIS enhancements pending Commission approval.

**Performance Indicators<sup>1</sup>**

- a. More effective information management methods adopted (INV/SE/GC).
- b. Review of website and revision of content as appropriate (INV); level of satisfaction reported by users of the ITC import injury webpages (ITS).
- c. Prompt entry of documents into EDIS after filing, and improvements adopted (ITS).

<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

During FY 2003-FY 2007, the Commission generally met its goals to provide information to participants and the public. The Commission makes a variety of materials related to import injury investigations available in paper form, as well as on its website, in a manner consistent with established guidelines. This information is reviewed and updated regularly. In FY 2004, the Commission updated *An Introduction to Administrative Protective Order Practice in Import Injury Investigations* (Red Book). The Red Book was made available to the public in FY 2005 (ITC Publication 3755, March 2005). In FY 2007, the Commission updated and published the *Antidumping and Countervailing Duty Handbook* (Blue Book) (Twelfth Edition) (ITC Publication 3916, April 2007) to reflect current Commission policies and procedures in Title VII investigations and reviews, and posted it on the website. The Commission will review, and update as necessary, the Red Book in FY 2008.

Generic questionnaires used in import injury investigations were examined in detail during FY 2003 and were revised to add questions to address issues that occur on a recurring basis and to eliminate unnecessary or ambiguous questions. Questionnaires used in sunset reviews were examined in detail during FY 2004 and were updated and revised consistent with the changes made to the questionnaires used in Title VII investigations. In FY 2006, questionnaires used in original investigations and sunset reviews were amended to ensure that U.S. producers are aware of their responsibility to eliminate any intercompany profits or losses arising from the purchase of materials or other inputs from affiliated companies, and to require producers to provide details surrounding large non-recurring items that could distort the financial data.

The Commission has conducted regular reviews of its website over the last several years and, as noted, in FY 2005 made a newly redesigned website accessible to the public. In connection with this project, substantial efforts were made to expand the content relating to import injury investigations and to improve the ease of navigation through this content. Separate sections of the website are devoted to Title VII investigations and reviews and safeguard investigations. Each section provides links to publications and other documents of general interest to the public in that particular area, including relevant statutes, the Commission's *Rules of Practice and Procedure*, the Blue Book, the Red Book, Import Injury Investigations Case Statistics, information on outstanding AD and CVD orders, and statutory timetables, as well as links to EDIS, the Sunset Reviews website, and to websites of related government agencies. A major innovation for import injury investigations was the addition of separate pages for each active and recently completed investigation and review. These pages feature scheduling information, contact information for assigned staff, relevant *Federal Register* notices, questionnaires, transcripts, service lists, news releases, public reports including Commission opinions, and other documents that relate to a particular investigation or review.

During FY 2006 the Commission's ITS undertook to measure visitors' level of satisfaction with the Commission's import injury investigations web pages. Data for gauging satisfaction were gathered through a tool that conducts a survey using a random sample of visitors to this section of the <http://www.usitc.gov> website. The satisfaction score is a weighted average of responses to survey questions. The result of this effort yielded an average baseline satisfaction score of 68.5 for Operation 1 pages of the website in FY 2006. Through improvements in website usability, the Commission sought to improve upon this baseline measure in FY 2007, increasing the level of satisfaction by at least 2 percent. To this end, a newly established agency Web advisory

committee, meeting monthly, provides feedback on website usability and proposes actions for improving users' satisfaction. The average satisfaction score for Operation 1 pages of the website for FY 2007 was 71.0, an improvement of 3.6 percent over FY 2006. Moreover, for the quarters for which data are available, the number of visits to the Operation 1 pages of the website increased by 14.2 percent from FY 2006 to FY 2007 and the number of import injury files successfully downloaded by users rose by 117.3 percent during the same period.

As early as FY 1989, the ITC began imaging critical documents for an investigative document archive used in internal research. In FY 1994, the Commission created a Document Imaging Committee that proposed an imaging system for all documents filed with the Commission that would enable document research and retrieval on a self-service basis. The Commission approved that recommendation in the fall of FY 1995 and by FY 1996 the Electronic Document Information System (EDIS) was installed and operational. In FY 1998, worldwide users were provided Internet access to the public documents through an upgrade known as EDIS On-Line. A further enhanced version of EDIS was internally released in December 2002. Public access to the improved version of EDIS was made available in January 2003.

While the Commission has met its goal of providing an electronic method of information exchange between the Commission and the public including real-time access to updates, the speed of availability of documents on EDIS still remains an issue. In FY 2007, 56 percent of documents in Operation 1 were made available on EDIS within 24 hours, and 77 percent were made available within 48 hours, well below the respective goals of 75 percent and 85 percent but an improvement over the FY 2006 results of 47 percent and 69 percent. In addition, until recent upgrades and changes were made to EDIS in FY 2005 and FY 2006, many users considered the search tools slow and the filing tools cumbersome.

The version of EDIS released in FY 2006 provides a simplified and intuitive interface designed to improve public access to documents and to make document filing easier. On balance, the feedback received from users has been generally positive. Beginning in FY 2006 electronic filing initiatives included confidential e-filing. The goal of confidential e-filing was to reduce the cost and process time of paper filings while providing a secure, timely, and comprehensive electronic docket. To that end, the Commission released the new confidential e-filing tool for internal users, reducing the internal transference of paper documents. The search enhancements include refined search options for tailoring research, faster retrieval times, comprehensive document retrieval options, and targeted search results.

In order to improve EDIS performance further, a working group continues to meet to discuss and review proposed EDIS enhancements. The working group consists of representatives of the major operation groups within the ITC including INV, GC, OUII, SE, ITS, Commissioner offices, and the Office of the Administrative Law Judges. The group examines issues related to processing documents through EDIS with the goal of improving the accuracy of the administrative record, the timeliness of document availability on EDIS, and making the system more user friendly.

During FY 2007, further improvements to EDIS were implemented to allow for the electronic notification of document submissions via an RSS feed by internal users and to allow search results to be viewed in a tabular format and sorted more easily. Electronic submission of import injury questionnaires by respondents was also successfully implemented. The Commission expects to make significant advances during FY 2008 with the release of a re-engineered version of EDIS. Both the Commission and practicing parties will see improvements in overall performance and usability through the implementation of a central home page for all EDIS functions, improvements in the electronic submission process to reduce rejections, and the addition of electronic notification to external users of document submissions via RSS feed.

In recent years, the Commission has actively sought advice from participants in import injury investigations and other interested persons concerning ways in which it might more effectively interact with the public in executing its statutory responsibilities. On December 4, 2002, the Commission published a notice in the *Federal Register* (67 FR 72221) inviting public comment on specific ways in which it could improve its conduct of AD and CVD duty injury investigations. Based largely on comments submitted by the trade bar, the Commission implemented a number of changes, including earlier and more frequent APO releases in preliminary phase investigations, the addition of opening statements by parties in preliminary phase conferences, and the creation of producer and importer questionnaire checklists to reduce common reporting errors. Also, on November 19, 2003, the Commission published a notice in the *Federal Register* (68 FR 65164) amending its interim rules for investigations relating to alleged market disruption from imports from China to enhance the agency's ability to conduct such proceedings and inviting public comment on the amended interim rules. Finally, in 2004-2005, the Commission published notice of a rulemaking to update certain procedures in import injury investigations, and provided the public with an opportunity to comment (69 FR 64541, November 5, 2004, and 70 FR 8510, February 22, 2005).

A survey to obtain feedback from participants in the Commission's import injury investigations has been conducted biannually, beginning in FY 1999. The most recent survey was sent in early FY 2006 to approximately 300 firms and individuals on the Secretary's existing mailing lists for Title VII and safeguard investigations. While relatively few firms responded to the survey, feedback was very favorable. The only suggestions submitted by respondents were to improve public access to information in EDIS and to make questionnaires available in a format in which they can readily be completed electronically. The Commission has taken steps to address both of these requests.

**Strategy 3: Undertake regular independent reviews and assessments of the import injury investigations program or its components to identify areas for potential improvement.**

**FY 2007 Performance Goal**

Recommend to the Commission major program component(s) for review.

**Performance Indicator<sup>1</sup>**

Independent, objective review identifies areas for potential improvement (INV).

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

Although the Commission did not meet the goal established for FY 2007, annual performance goals for FY 2008 and 2009 pertaining to this strategy have been developed for the corresponding Performance Plans.

## Operation 2: Intellectual Property-Based Import Investigations

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The Commission adjudicates complaints brought by domestic industries under section 337 of the Tariff Act of 1930 that allege infringement of U.S. intellectual property rights (IPR) and other unfair methods of competition by imported goods. In doing so, the Commission strives to produce high-quality, detailed analyses of complex legal and technical subject matter and issue determinations that can be successfully defended during judicial appeals.

These investigations are conducted in accordance with the Administrative Procedure Act, which affords the parties the opportunity to conduct discovery, present evidence, and make legal arguments before the ALJs and the Commission. The procedures protect the public interest and provide the parties with timely adjudication of investigations.

The Commission's Strategic Plan establishes the following general goal for this operation:

*Facilitate a rules-based international trading system by conducting intellectual property-based import investigations in an expeditious and transparent manner and providing for effective relief when it is warranted.*

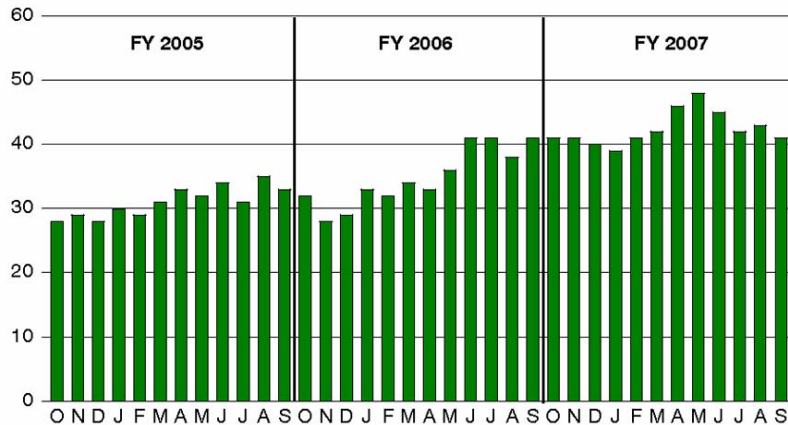
During FY 2007, 73 section 337 investigations and ancillary proceedings were active at the Commission. This number includes 31 investigations instituted in FY 2007 based on new complaints of violations of the statute, as well as two ancillary proceedings. The number of investigations active during FY 2007 is nearly 80 percent higher than the number active during FY 2003. Table 2-1 and figure 2-1 show the workload trends for intellectual property-based import investigations and ancillary proceedings in FY 2007. Performance results for FY 2007 are discussed in detail below.

**Table 2-1: Summary of intellectual property-based import investigations and ancillary proceedings, FY 2003–FY 2007**

| Status     | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------|---------|---------|---------|---------|---------|
| Instituted | 21      | 27      | 29      | 40      | 33      |
| Completed  | 24      | 16      | 28      | 30      | 37      |

Source: Office of Unfair Import Investigations.

**Figure 2-1: Intellectual property-based import investigations and ancillary proceedings active, by months, for October 2004 through September 2007**



Source: Office of Unfair Import Investigations.

### ***FY 2007 Performance***

The Commission has established three strategies and corresponding annual performance goals for this operation.<sup>3</sup> FY 2007 was not only a year in which the section 337 workload proved to be exceptionally heavy, but it was also a year in which two of the Commission’s four ALJs who preside over these investigations, in the first instance, retired. Despite this confluence of events, statutory and key administrative deadlines for section 337 proceedings were generally met, although a few deadlines were missed by the ALJs. However, for those investigations that went to a final decision on the merits in FY 2007, the average time taken to reach a final decision increased such that the average time for completion of these investigations was three months longer than the 13.5 month average for completion during the three-year period preceding the lifting of statutory time limits by the URAA in December 1994. With regard to ancillary proceedings, the only ancillary proceeding decided in FY 2007 was concluded five months after institution based on a settlement agreement. As previously detailed in the section of this report pertaining to Operation 1, to improve EDIS performance, the Commission implemented various system modifications and changes in Docket processes during FY 2007. However, timeliness goals for EDIS were not met in FY 2007. Also, the goal of a 2 percent improvement in the level of satisfaction of users of the ITC’s intellectual property infringement webpages was not met in FY 2007. With regard to the enforcement of exclusion orders, during FY 2007, the enforcement working group implemented recommendations from a FY 2006 survey. The enforcement working group met with U.S. Customs and Border Protection (CBP) twice during the year to discuss the results of the survey and other enforcement-related matters. The Commission also continued to provide CBP with quarterly scheduling reports regarding section 337 proceedings.

<sup>3</sup> The sixth edition of the Commission’s Strategic Plan retains the general goal and three strategies that were included in the fifth edition of the Strategic Plan for this Operation.



**Strategy 1: Meet statutory and key administrative and court deadlines, conclude section 337 investigations expeditiously, and reduce the average time to conclude ancillary proceedings**

**FY 2007 Performance Goals**

- a. 100% of actions occur on time.
- b. 100% of actions occur on time.
- c. 100% of actions occur on time.
- d. Conclude investigations in time frames that are consistent with the URAA.
- e. Average length of ancillary proceedings is:
  - (1) modification– 6 mos.
  - (2) advisory– 12 mos.
  - (3) enforcement– 12 mos.
  - (4) consolidated ancillaries– 15 mos.

**Performance Indicators<sup>1</sup>**

- a. Investigations are instituted, target dates are set, and court briefs are filed, on time (OUII/GC).
- b. Final IDs and final determinations are issued on their target dates (GC).
- c. In temporary exclusion order (TEO) proceedings, TEO IDs and determinations are issued on time (GC).
- d. Length of investigations into alleged section 337 violations (OUII/GC).
- e. Length of ancillary proceedings (OUII/GC).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

**Statutory and administrative deadlines**

Most statutory and key administrative deadlines were met in FY 2007. However, the ALJs, who experienced substantial staffing shortages while shouldering an extremely heavy caseload, missed deadlines in several investigations during the course of the year. Specifically:

- Deadlines for decisions on institution of investigations were met for all new complaints in FY 2007;
- Deadlines for establishing target dates were met by the ALJs in all but two section 337 investigations instituted in FY 2007;
- Deadlines for filing briefs in court were met in all appeals from Commission determinations in section 337 investigations during FY 2007;

- Target dates for Commission decisions were met for all section 337 investigations completed in FY 2007; deadlines for issuance of final IDs by the ALJs were met in all but four instances.
- No TEO IDs or determinations were due in FY 2007.

In FY 2002, 2003 and 2005, the Commission met all statutory and key administrative deadlines. In FY 2004, all deadlines were met, with the exception of the establishment of target dates in two investigations. In FY 2006, all deadlines were met by the Commission with the exception of the establishment of a target date in one investigation.

In FY 2007, despite the increase in the section 337 caseload and related appellate court activity, the Commission continued to meet its deadlines and issued virtually all documents on time. As noted above, however, deadlines for the establishment of two target dates, as well as deadlines for the issuance of four final IDs were missed by the ALJs. These missed deadlines occurred during a year when two of the Commission's ALJs retired and, as a result, a substantial number of pending investigations had to be transferred to other judges with heavy dockets. Both of the missed deadlines for the establishment of target dates occurred in matters that were being handled by retiring judges. Two of the missed due dates for final IDs passed during periods when proceedings in those investigations had been stayed, and the final ID in another of these investigations was issued less than a week after the original deadline. During FY 2007, the Commission also experienced considerable difficulties in its effort to recruit qualified replacements for retiring ALJs. With the recent hiring of an ALJ who will begin work at the Commission in early FY 2008, the Commission will again have four ALJs, which should relieve some of the strain that the Commission's ALJs experienced this year. The Commission also hopes to be able to recruit and hire a fifth ALJ during FY 2008.

### **Length of investigations**

The 12- to 18-month time limits that had been specifically included in section 337 for completion of investigations were removed from the statute by the URAA. However, in accordance with the amended statute, the Commission has sought to continue to complete these investigations as expeditiously as possible. Between January 1, 1992, and December 31, 1994 (the three-year period before statutory time limits were removed by the URAA), the average time for completion of an investigation was 13.5 months for investigations in which the Commission rendered a final decision on the merits of the existence of a violation.

Table 2-2 provides summary information regarding the length of investigations during each of the last five years. From FY 2003 through FY 2006, the average time for the completion of investigations that were decided on the merits was less than 15 months. In FY 2007, however, the average time for completion rose to 16.6 months.

**Table 2-2: Length of investigations, FY 2003–FY 2007**

| <b>Fiscal Year</b> | <b>Investigations Completed<sup>1</sup></b>     | <b>Completion Time (in months)</b> |                |                |
|--------------------|---|------------------------------------|----------------|----------------|
|                    |   | <b>Shortest</b>                    | <b>Longest</b> | <b>Average</b> |
| 2003               | 10 (3 instituted in 2001, 3 in 2002, 4 in 2003) | 5.0                                | 19.0           | 11.2           |
| 2004               | 10 (2 instituted in 2002, 7 in 2003, 1 in 2004) | 6.0                                | 24.0           | 14.9           |
| 2005               | 12 (3 instituted in 2003, 9 in 2004)            | 10.0                               | 19.0           | 14.1           |
| 2006               | 12 (2 instituted in 2004, 9 in 2005, 1 in 2006) | 3.5                                | 19.0           | 12.0           |
| 2007               | 12 (3 instituted in 2005, 9 in 2006)            | 8.0                                | 23.5           | 16.6           |

Source: Office of Unfair Import Investigations.

<sup>1</sup> Investigations in which the Commission rendered a final decision on the merits of the existence of a violation. Thus, these data do not include, for example, cases which settled before a final decision.

The increase in the amount of time taken to reach a final decision on the merits in section 337 investigations during FY 2007 is attributable, in large measure, to the exceptionally heavy section 337 workload in both FY 2006 and FY 2007. Between FY 2002 and FY 2005, the number of new matters commenced each year increased from 21 to 29, while the number of matters active during these years grew from 41 to 57 per year. FY 2006 proved to be a year of dramatic growth, with 40 new investigations and ancillary proceedings and a total of 70 proceedings active during the course of the year. In FY 2007, 33 new investigations and ancillary proceedings were commenced and the number of section 337 proceedings pending during the course of the year rose to 73. Thus, the number of new section 337 matters commenced in FY 2007 was almost 60 percent higher than the number commenced four years earlier, and the number of active cases in FY 2007 was nearly 80 percent higher than the number of cases active four years ago. Significantly, during FY 2007, two of the Commission’s four ALJs retired and another was out for a period of months on extended leave. Unfortunately, during FY 2007, the Commission encountered considerable difficulties in its effort to recruit qualified replacements for the retiring ALJs. The Commission recently hired a fourth ALJ, who will begin work in early FY 2008, and plans to recruit again for a fifth ALJ during FY 2008.

Target dates set for new investigations that commenced during FY 2007 ranged from 13 to 19 months, with an average of 15.9 months. In FY 2006, the target dates set for investigations that commenced that year ranged from 12 to 18 months, with an average of 14.3 months.

### **Length of ancillary proceedings**

The ancillary proceedings that are the focus of this performance goal are advisory opinion, modification, and enforcement proceedings.

A consolidated enforcement and advisory proceeding that was begun in FY 2001 was completed in FY 2003. This ancillary proceeding required 23 months to complete, and thus exceeded both the performance goal for completing enforcement proceedings and the goal for completing advisory opinion proceedings. Three factors contributed to its length. First, the hybrid nature of the proceeding added to its complexity. Second, the proceeding was remanded to the presiding

administrative law judge for several months for reconsideration of the issue of infringement in light of an intervening Supreme Court decision. Third, the parties to this proceeding proved to be unusually litigious. At the end of FY 2003, the enforcement proceeding commenced in FY 2002 and an advisory opinion proceeding commenced earlier in the year were pending.

The Commission did not commence any ancillary proceedings during FY 2004. The Commission concluded an advisory opinion proceeding that was commenced in FY 2003. This proceeding was completed in 6.8 months, significantly less time than the 11 month goal for completing advisory opinion proceedings.

With the marked rise in the section 337 caseload that began in FY 2001, it has become increasingly difficult to reduce the length of ancillary proceedings without delaying the resolution of new investigations, which the Commission is required to complete at the earliest practicable time. Given current and projected section 337 caseload, the Commission reassessed the goals established for completion of ancillary proceedings during FY 2004, and modified certain of those goals for FY 2005 and FY 2006. Specifically, while the 6-month goal remained for modification proceedings, a 12-month goal was set for both advisory opinion and enforcement proceedings, and a 15-month goal was established for consolidated ancillary proceedings, such as those that involve advisory opinion or modification proceedings, as well as enforcement proceedings.

The Commission concluded two enforcement proceedings in FY 2005. One was completed nine months after institution, *i.e.*, three months before the performance goal set for this type of proceeding. The other enforcement proceeding was concluded in 27 months. That proceeding was complicated by the litigious nature of the parties and the need to suspend the proceeding for more than three months due to an epidemic of severe acute respiratory syndrome that was occurring in areas of China where discovery had to be completed.

The Commission concluded two consolidated enforcement and advisory opinion proceedings in FY 2006. One such proceeding was completed in less than ten months, considerably ahead of the 15 month goal set for concluding this type of proceeding. The other consolidated proceeding was terminated on the basis of a settlement agreement five months after it was instituted. The Commission commenced only one ancillary proceeding in FY 2006, an enforcement proceeding that was still pending at the end of that year.

In FY 2007, the Commission concluded the enforcement proceeding that it had commenced in FY 2006. The proceeding was concluded based on a settlement agreement approximately 5 months after it was commenced. One ancillary advisory opinion proceeding was instituted in FY 2007 and remained pending at the end of the fiscal year.

## **Strategy 2: Effectively provide information regarding investigations to the public as well as to investigative participants**

### **FY 2007 Performance Goals**

- a. (1) Semi-annual reviews and revisions of website completed.  
(2) 2% improvement over FY 2006 level.
- b. (1) 75% of documents filed are made available on EDIS within 24 hours.  
(2) 85% of documents filed are made available on EDIS within 48 hours.  
(3) Working group meets quarterly to consider and report on issues related to electronic filing and maintenance of records on EDIS.  
(4) Enable electronic service through EDIS enhancements pending Commission approval.

### **Performance Indicators<sup>1</sup>**

- a. Review of website and revision of content as appropriate (OUII/GC); level of satisfaction reported by users of the ITC intellectual property infringement webpages (ITS).
- b. Prompt entry of documents into EDIS after filing, and improvements adopted (ITS).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

## **Review of Website**

During the past five years, the Commission has conducted regular reviews of its website and has added substantially to its section 337 Resources webpage. Enhancements include regular updates to the section 337 Investigational History Database and revisions to the section 337 Frequently Asked Questions pamphlet. Also, a redesign of the Commission's website was completed during FY 2005 to improve usability, navigation, and search capabilities. The section 337 Resources page was substantially overhauled as part of this effort, and links to the Intellectual Property Rights Branch of CBP and the Commission's 337-related Notices were added.

During FY 2007, the Commission created and posted on its website "Guidelines for Filing Prosecution Histories and Technical References on DVD/CD Media" to make it easier for the public to file lengthy prosecution histories, which are now being supplied on disk by the U.S. Patent and Trademark Office, and other lengthy patent-related materials that are required to be submitted with section 337 complaints. The listing of Federal Register notices in current section 337 investigations was also reformatted to make it easier for the public to search and locate such notices. The section 337 Investigational History database was again regularly updated and supplemented in FY 2007.

During FY 2006, the Office of Information Technology Services (ITS) undertook to measure visitors' level of satisfaction with the ITC's intellectual property infringement webpages. Data for gauging satisfaction were gathered through a tool that conducts a survey using a random sample of visitors to this section of the ITC's website. The satisfaction score is a weighted average of responses to survey questions. The result of this effort yielded a baseline satisfaction score of 65 for Operation 2 pages of the website in FY 2006, which is compared to an overall E-Government satisfaction score across all agencies. Through improvements in website usability, the Commission sought to improve upon this baseline measure of satisfaction by at least 2 percent in FY 2007.

During FY 2007, ITS continued to measure visitors' level of satisfaction with the ITC's intellectual property infringement webpages. The result of this effort yielded a satisfaction score for Operation 2 pages of the website of 62, somewhat below the satisfaction score obtained in FY 2006. With regard to usage, for the FY 2007 quarters for which data was available, the number of visits to the Operation 2 pages of the website increased slightly from FY 2006 to FY 2007. In collaboration with the Web Advisory Committee, which meets monthly to provide feedback on website usability and proposes action to improving users' satisfaction, the ITS is seeking to improve upon its FY 2008 satisfaction measure, relative to other Government agencies. Toward this goal ITS implemented automated email notification to registered users upon posting of new entries to the Petitions and Complaints page and it has undertaken an on-going effort to restructure the content and usability of all Operation webpages.

### **Document entry**

In FY 2006, a Commission working group met more than quarterly during the year to examine issues relating to the processing of documents through EDIS. Based on proposals from the working group, the Commission released several EDIS enhancements that improved public access to documents and made document filing easier. During the year, a new confidential e-filing tool was released for use by Commission staff to reduce the internal transference of paper documents.

In accordance with the Performance Plan, a Commission working group met in all but the second quarter of the year to examine issues relating to the processing of documents through EDIS. Based on proposals from the working group, the Commission released several EDIS enhancements that improved public access to documents and made document filing easier. The FY 2007 filing initiatives included improvements to the public search interface and implementing a pilot to submit post-trial exhibits via CD/DVD to reduce handling, scanning and storage of paper documents.

Operations 1 and 2 contain similar performance goals relating to the Commission's handling of documents within the EDIS system. As noted in the earlier discussion of Operation 1, the Commission provides an electronic option for information exchange between the Commission and the public and real-time access to information and updates via the Internet. However, documents have not been made available for real-time access on EDIS as quickly as desired. The Commission undertook implementation of staffing, procedural and programmatic changes to improve the availability of the documents while still ensuring their accuracy and security. In FY

2007, the ITS began implementing a newly adopted case management paradigm for handling investigation documents to more efficiently process them and make them available to the public. Another improvement relating to Operation 2 was to initiate a pilot program in which parties were allowed to submit post-trial exhibits for a Section 337 investigation via CD/DVD in order to improve document handling while reducing scanning time and storage needs.

With regard to measuring the time from filing to availability of document submitted to EDIS, in FY 2006, 44 percent of documents in Operation 2 were made available on EDIS within 24 hours, and 74 percent of such documents were made available within 48 hours. In FY 2007, 51 percent of documents in Operation 2 were made available on EDIS within 24 hours. Thus, there was a 7 percent improvement this year as compared to FY 2006, with even greater improvement noted in the last 4 months of the year, but the time from filing to availability was still below the FY 2007 goal of 75 percent. For the 48 hour availability measure, the goal of 85 percent was reached or exceeded for five months of the year, but overall 78 percent of Operation 2 documents were made available within 48 hours after filing during FY 2007.

### **Strategy 3: Actively facilitate enforcement of exclusion orders**

#### **FY 2007 Performance Goals**

- a. Issue seizure and forfeiture orders approximately 30 days after the time has run for filing a protest with CBP.
- b. (1) Enforcement working group meets at least semi-annually to discuss remedy issues and oversees implementation of any proposals adopted in view of the exclusion order survey.  
(2) Scheduling information regarding section 337 proceedings is provided to CBP on a quarterly basis.  
(3) GC and OUII representatives meet with IPR Branch of CBP semi-annually to discuss enforcement-related issues.

#### **Performance Indicators<sup>1</sup>**

- a. Timely seizure and forfeiture notices resulting from CBP letters (GC).
- b. Improve communications regarding enforcement of remedial orders (OUII/GC).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

## Issuance of seizure and forfeiture notices

The Commission established the goal for issuance of seizure and forfeiture orders of no more than 30 days after the end of CBP's waiting period in FY 2001.<sup>4</sup> In FY 2002, new procedures were instituted so that seizure and forfeiture orders would be issued at quarterly intervals, viz., on or about December 1, March 1, June 1, and September 1. It was believed that this new procedure, by adding structure to the process, would reduce the average time for issuance of seizure and forfeiture orders.

During FY 2003, the Commission received only two letters from CBP, and one of those letters was subsequently rescinded. The seizure and forfeiture order that issued that year was sent out 57 days after expiration of the 90-day period, but this was due to the timing of the receipt of this one letter from CBP, which occurred only about a month after one of the quarterly issuance dates.

The Commission did not issue any seizure and forfeiture orders in FY 2004. During FY 2004, the Commission received six notification letters from CBP regarding the attempted entry of excluded goods. These six letters concerned the same investigation and the same importer. The importer filed a protest of these exclusions with CBP. When the protest was denied, the importer appealed CBP's decision. The Commission also received over 200 notification letters from CBP concerning attempted entries by individual consumers of goods that violated the exclusion order issued in the *Sildenafil* investigation (337-TA-489).

During FY 2005, the Commission received thousands of notification letters from CBP concerning the *Sildenafil* investigation and individual consumers. In view of CBP's decision to return the subject infringing merchandise to the foreign exporters, rather than to detain the goods, the Commission exercised its discretion and did not issue seizure and forfeiture orders to individual consumers. The Commission also received five notification letters involving other investigations, which each resulted in the issuance of a seizure and forfeiture order. Four of these orders were issued significantly ahead of the performance goal. One order was issued well after the 90 day period for filing a protest had expired. In this case, the notification letter from CBP was not received by the Commission until 130 days after it was issued by CBP.

In FY 2006, the Commission again received thousands of notification letters from CBP concerning the attempted importation of sildenafil by individual consumers. As in FY 2005, the Commission exercised its discretion and did not issue seizure and forfeiture orders to these consumers. The Commission also received three notification letters from CBP concerning one other investigation. A seizure and forfeiture order was issued in connection with the first of these letters in accordance with the goal for issuance of such orders (*i.e.*, within less than 30 days after the time had run for filing a protest with CBP). The other two letters were received much later in the fiscal year, and remained pending at year end. In addition, the appeals from CBP's denial of the protest that was filed in 2004 were concluded in February 2006. By the time the

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<sup>4</sup> So that the Commission does not issue seizure and forfeiture orders during the period when protests of CBP's action may be lodged, there is a 90-day waiting period before issuance of Commission seizure and forfeiture orders.



appeals were concluded, the importer was no longer in business. Accordingly, the Commission exercised its discretion and did not issue a seizure and forfeiture order to this importer.

During FY 2007, the Commission received one notification letter from CBP in each of three separate investigations. One seizure and forfeiture order was sent out eight days after the time had run for the filing of a protest with CBP, well within the goal for issuance of seizure and forfeiture orders. The time for filing a protest had not run with respect to the other two notifications at the end of FY 2007. Five seizure and forfeiture orders were issued in FY 2007 in connection with one other investigation. Two of the notification letters underlying these orders were received in FY 2006; three were received in FY 2007. Two of these orders were issued in accordance with the goal; two were issued slightly outside that time frame (six days and eight days later, respectively); and one was issued 56 days after the period of time for filing a protest had run. As in FY 2005 and FY 2006, the Commission received thousands of notification letters from CBP concerning the attempted importation of sildenafil by individual consumers. The Commission again exercised its discretion and did not issue seizure and forfeiture orders to these consumers.

### **Communications regarding enforcement of remedial orders**

In FY 2003, 2004, and 2005, a working group comprising representatives from OUII and GC met semi-annually to consider issues regarding section 337 remedies, including the enforcement of exclusion orders. The working group developed a survey during FY 2004 regarding the effectiveness of outstanding exclusion orders issued by the Commission and enforced by the CBP after a finding of violation of section 337. During FY 2005, the survey was finalized, published for public comment, approved by the Office of Management and Budget, and sent to the named complainant or the current intellectual property owner in 52 of the 57 investigations for which an exclusion order was then in place.

In total, 30 entities responded to the survey. The responding firms indicated that infringing goods covered by 12 outstanding exclusion orders were no longer being imported into the United States. Two additional firms reported (in response to another survey question) that imports of covered infringing goods had “effectively stopped” after entry of the exclusion orders they obtained. Of the 27 firms that responded to questions regarding the effect of continuing importations of covered goods on their sales, 11 reported that covered imports had little or no negative effect on their own sales since entry of the exclusion order, and another six reported that covered imports continued to affect their sales to “some” extent, but not to a substantial degree. Only two of these firms reported that covered imports continued to affect their sales to a “substantial” extent after entry of the order.

More than half of the firms which responded to the survey reported that they had undertaken an investigation to identify infringing imports covered by the exclusion orders they obtained. Moreover, more than three-quarters of firms that provided information to CBP regarding imports of covered goods reported that they were “satisfied” or “very satisfied” with CBP’s response to the information.

During FY 2007, the enforcement working group implemented recommendations that were made in view of the survey results. In that regard, results of the survey were shared with the IPR Branch of CBP, and contact information for the IPR Branch and Commission personnel was sent to all holders of outstanding exclusion orders that had not previously been formally provided with such contact information. In accordance with the FY 2007 Performance Plan, the enforcement working group met on several occasions to discuss enforcement-related matters, and members of this group twice met with members of the IPR Branch of CBP to discuss issues pertaining to the enforcement of exclusion orders. To assist CBP in planning for upcoming exclusion orders, OUII continued to provide the IPR Branch of CBP with quarterly scheduling information regarding section 337 investigations.

## Operation 3: Industry and Economic Analysis

The Commission contributes to the public debate of U.S. international trade and competitiveness issues through an extensive industry and economic analysis program. The Commission's analysis of trade and competitiveness issues is authorized by section 332 of the Tariff Act of 1930. The Commission's probable economic effects investigations are conducted under the authority of section 131 of the Trade Act of 1974 and section 2104 of the Trade Act of 2002. Through its industry and economic analysis program, the Commission also takes the initiative to provide independent assessments on a wide range of emerging trade issues. One of the Commission's long-range goals is to be a national resource of industry, economic and regional trade expertise for the nation's policymakers and to enhance its position as a recognized leader in independent industry and economic analysis. To this end, the Commission's current Strategic Plan established the following general goal for this operation:

*Continually enhance and improve the program of industry and economic analysis that provides the legislative and executive branches, and public, with timely research products that are widely recognized for their contribution to sound and informed trade policy formation.*

Table 3-1 and figure 3-1 detail workload trends of the Commission's industry and economic analysis investigations during FY 2003–FY 2007. The number of investigations instituted during 2007 was significantly higher than the previous four years. Staff recruitments were limited due to an unusually tight budget. This resulted in a decreased staff handling a very heavy workload. Additionally, in FY 2007 the Commission completed 84 articles, staff papers, and formal presentations. Many of these initiatives focused on trade relations with China and on developing expertise for expected statutory requests. Despite the heavy workload during FY 2007, the Commission met or exceeded 12 of its 14 performance goals for the Industry and Economic Analysis program. Performance results are discussed in detail below.

**Table 3–1: Summary of industry and economic analysis program investigations, FY 2003–FY 2007**

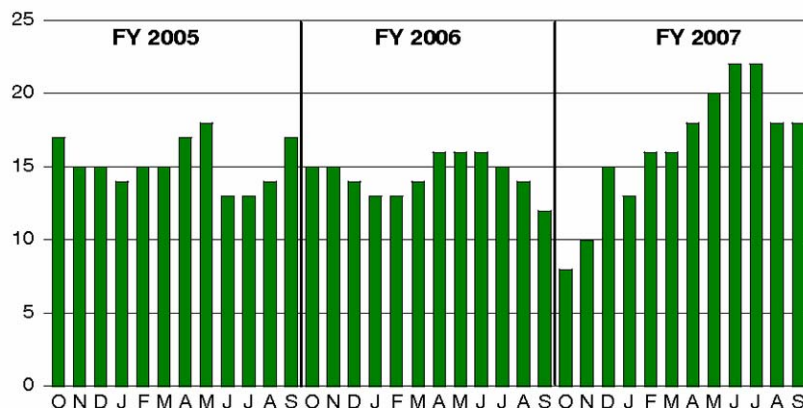
| Status <sup>2</sup> | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|---------------------|---------|---------|---------|---------|---------|
| Instituted          | 16      | 16      | 17      | 12      | 22      |
| Active              | 37      | 34      | 36      | 26      | 33      |
| Completed           | 18      | 16      | 21      | 14      | 14      |

<sup>1</sup> Includes investigations conducted under section 332 of the Tariff Act of 1930, sections 131 and 163(c) of the Trade Act of 1974, and sections 2104 and 2111 of the Trade Act of 2002.

<sup>2</sup> The data presented for instituted investigations reflect those which were newly instituted in the respective fiscal years. Active investigations refer to all ongoing studies, including the recurring report series. Completed investigations do not include those that are part of an ongoing series (i.e., recurring). Investigations 332-354 and 332-377 were considered inactive and are not included in the total.

Source: Office of Operations.

**Figure 3-1: Industry and economic analysis investigations active, by months, for October 2004 through September 2007<sup>1</sup>**



Source: Office of Operations.

<sup>1</sup> Investigations are active as of the first of each month and include recurring investigations.

### ***FY 2007 Performance***

The Commission established three strategies and corresponding annual performance goals for OP3 in the current Strategic Plan. In the first strategy, the Commission sought to improve and develop efficient and effective research methods. There were four performance goals for FY 2006 that related to this strategy. The Commission met three of these four goals.

The Commission exceeded its goal for FY 2007 of a 2 percent improvement over FY 2006 in the percentage of public statutory reports cited by policymakers. The Commission met its goal that 100 percent of its reports be delivered on time. The goal of a 2 percent improvement (from FY 2006 baseline) in satisfaction reported by users of the ITC Industry and Economic Analysis webpages was not met, but baseline levels established the prior year were maintained. The Commission’s goal of having two requests that involve new areas or types of analysis was met.

In the second strategy, the Commission sought to implement innovative analytical methods and to investigate emerging areas and issues. There were 9 goals relating to this strategy. The Commission met all of these goals.

In this fiscal year, the ITC had over 80 research initiatives (described in table 3-3). Thus the goal to have more than 60 research initiatives was met. The Commission met its goal of increased use of the ITC website to facilitate public involvement in studies and to disseminate information. This goal included improving the content of the ITC Industry and Economic Analysis webpage and converting existing and new ITC publications and databases to a web-based format to improve searchability. The Commission met its goal of expanding economic modeling and analytical capabilities and use. The goal of the establishment of procedures to validate general

equilibrium models used by the Commission to improve model performance was met. The goal of integrating nontariff measures (NTM) estimates into the agency's quantitative analysis was met. The goal of performing an analysis of changes in productivity due to new manufacturing processes in certain industries was met and is ongoing. The Commission met its goal of development and utilization of new tools/databases related to at least two areas of trade negotiations. The Commission further assessed the potential effects on the U.S. economy of a Doha Round Trade Agreement, meeting its goal by conducting a technical assistance project. The Commission met the goal of web redesign and semiannual review of the website.

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**Strategy 1: Continually improve and develop efficient and effective research methods.**

**FY 2007 Performance Goals**

- a. 2% improvement over the FY 2006 level in the number of public ITC reports cited by policymakers and interested parties
- b. 100% of reports on time
- c. 2% improvement over FY 2006 level.
- d. 2 requests that involve new areas or types of analysis.

**Performance Indicators<sup>1</sup>**

- a. Public statutory reports are often cited or mentioned as useful by customers such as USTR and Congress, as well as other interested parties such as industry associations and the press (OP).
- b. Section 332 reports to requesters on time (OP)
- c. Level of satisfaction reported by users of the ITC Industry and Economic Analysis webpages. (ITS)
- d. Customers request new types of analysis or new subject areas. (OP)

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

**Public reports cited and timeliness of reports**

Of the Commission's 10 FY 2007 public reports, all were cited by policymakers (defined for this report as members of Congress and USTR) and other interested parties at least once during FY 2007. The Commission also released seven confidential reports in FY 2007. Although declassified versions of four of them were made public before the end of the fiscal year, these reports were not included in the evaluation.

The Commission found evidence on Congressional websites that four ITC studies (old and new) were cited by member of Congress or congressional witnesses during this past fiscal year in

either press releases, reports to Congress or the public, or committee testimony. For example, *U.S.-Korea Free Trade Agreement: Potential Economywide and Selected Sectoral Effects* was cited in the House Foreign Affairs Committee's Asia, the Pacific and the Global Environment Subcommittee hearing. Additionally, *The Impact of the Andean Trade Preference Act: Eleventh Report* and *U.S.-Peru Free Trade Agreement: Potential Economywide and Selected Sectoral Effects* were cited in multiple witness statements in House Committee on Ways and Means hearings concerning Peru.

The Commission also found evidence of three recent citations of ITC reports (old and new) by the USTR on its website, which included a reference to details from *U.S.-Korea Free Trade Agreement: Potential Economywide and Selected Sectoral Effects* (September 2007). The other two referenced reports, *U.S. Central American-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects* (August 2004) and *Competitive Assessment of the U.S. Large Civil Aircraft Aerostructures Industry* (June 2001), suggest the agency's reports often remain useful to its clients long after they have been delivered.

The Commission exceeded its goal for FY 2007 of a 2 percent improvement over FY 2006 in the percentage of public statutory reports cited by policymakers and interested parties. Despite this success, the agency believes there is a need to refine the indicator for determining public recognition of the Commission's industry and economic analysis reports by policymakers. Next year the Commission will begin contacting customers directly to count the numbers of reports mentioned by customers as useful, rather than relying on publicly available citations alone.

The Commission issued all section 332 and other industry and economic analysis reports to requesters on time or earlier, with 18 reports in FY 2003, 16 reports in FY 2004, 21 reports in FY 2005 and 14 reports in both FY 2006 and FY 2007.

In FY 2007, the Commission continued to utilize the Foresee E-government Satisfaction Index to measure user satisfaction levels with all of its webpages, including the Industry and Economic Analysis webpages. The Foresee Index allows the Commission to compare user satisfaction levels across all of its webpages. The Index identifies areas of strengths and weaknesses in its different operational areas, and compares overall website performance against those of other government agencies' websites with similar or related measures.

The Industry and Economic Analysis webpages' overall customer satisfaction score was 67 in FY 2007 (table 3-2), a level equal to that of FY 2006. Hence, the Commission did not meet its goal of increasing its overall customer satisfaction rate by 2 percent. However, that level is just higher than the score for the overall Commission site, which was 65 percent.<sup>5</sup> The government-wide satisfaction score for trade-related sites was 71 percent for the same period.<sup>6</sup> While customer satisfaction with the Operation 3 (OP3) component webpages was two percentage points higher than the Commission's overall score, it was below the score for overall

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<sup>5</sup> The following section on Operation 4 provides more information regarding survey results for the Commission's overall Web site.

<sup>6</sup> Includes U.S. Customs and Border Protection, U.S. Department of Agriculture, U.S. Department of Commerce, and USTR.

government-wide trade related sites. The FY 2008 goal is to have a 2 percent improvement over the FY 2007 level.<sup>7</sup>

**Table 3-2: User survey results, industry and economic analysis webpages, FY 2007**

| <b>Types of users:</b>       |                                  |                          |                                   |              |                                   |   |                      |
|------------------------------|----------------------------------|--------------------------|-----------------------------------|--------------|-----------------------------------|---|----------------------|
| <b>Downloaded a report:</b>  |                                  |                          |                                   |              |                                   |   |                      |
|                              | <b>Never downloaded a report</b> | <b>Used for business</b> | <b>Used for academic research</b> | <b>Other</b> | <b>Used for trade negotiation</b> | <b>Used in preparation for trade litigation</b> | <b>Overall users</b> |
| No. of Respondents:          | 147                              | 70                       | 49                                | 9            | 9                                 | 2   | <b>286</b>           |
| Share of total:              | 52%                              | 24%                      | 17%                               | 3%           | 3%                                | 1%  |                      |
| percent                      |                                  |                          |                                   |              |                                   |   |                      |
| <b>Searchability Scores:</b> |                                  |                          |                                   |              |                                   |   |                      |
| Content                      | 78                               | 82                       | 80                                | 81           | 81                                | 91  | <b>80</b>            |
| Functionality                | 70                               | 74                       | 74                                | 75           | 80                                | 94  | <b>72</b>            |
| Look and Feel                | 69                               | 72                       | 73                                | 66           | 74                                | 67  | <b>71</b>            |
| Navigation                   | 62                               | 72                       | 69                                | 57           | 69                                | 91  | <b>66</b>            |
| Search                       | 64                               | 71                       | 67                                | 62           | 72                                | 97  | <b>67</b>            |
| Site Performance             | 78                               | 83                       | 79                                | 87           | 73                                | 94  | <b>80</b>            |
| <i>Overall Satisfaction</i>  | <b>63</b>                        | <b>73</b>                | <b>71</b>                         | <b>66</b>    | <b>67</b>                         | <b>91</b>                                       | <b>67</b>            |
| <b>Future behaviors:</b>     |                                  |                          |                                   |              |                                   |   |                      |
| Likelihood to Return         | 67                               | 91                       | 84                                | 78           | 74                                | 89  | <b>76</b>            |
| Recommend                    | 65                               | 84                       | 78                                | 72           | 69                                | 94  | <b>72</b>            |
| Primary Resource             | 66                               | 85                       | 76                                | 69           | 73                                | 89  | <b>73</b>            |

Source: Foresee Results, Inc., USITC Satisfaction Insight Reports, October 2007.

In addition to providing detailed information as to the overall satisfaction level, results from the Foresee Index distinguished between two broad customer categories: those users who downloaded a report and those who did not download a report (table 3-2). While the overall satisfaction level was 67, respondents who downloaded a report for academic research rated the site higher (71), as did those who downloaded a report for business use (73) and in preparation for trade litigation (91). Users who never downloaded a report rated the site a 63 while those who downloaded a report for reasons other than those listed above rated the pages a 66. These results suggest that many of the agency's key customers (those who download and use our

<sup>7</sup> The satisfaction level measured during FY 2005 (63) represents the benchmark from which future Commission performance in this area will be measured.

reports for business, trade litigation, and academic research) are more satisfied with the Industry and Economic Analysis webpages than those who have never downloaded a report.

Moreover, scores for content (80), site performance (80), likelihood to return (76), primary resource (73), functionality (72), recommend (72), and look and feel (71) were all higher than the overall satisfaction level. It also followed a pattern across users similar to the average satisfaction level. The lowest overall score was for navigation (66). The score for search (67) was the same as the overall satisfaction level which suggests that overall user satisfaction was lowered by basic functions of the website, rather than the content of the Industry and Economic Analysis pages themselves. The Commission will continue to work on improving content related scores.<sup>8</sup>

### **Web redesign**

The IEA website was redesigned based on the previous year's feedback to improve navigation, search, and look and feel. The redesign was released to the general public in March/April of 2007, midway through the fiscal year. Although the redesign did not seem to have the expected positive impact on users, further review of the data on a quarterly basis shows an improvement from a low score of 58 in the second quarter to 74 in the last quarter of FY 2007.

### **Number of customer requests that involve new areas or types of analysis<sup>9</sup>**

The Commission conducted at least three 332 investigations involving new areas or types of analyses, thus meeting its goal of conducting two new areas or types of analysis. In response to growing requests from Congress and the Administration for more information and insights on the effect of NTMs on U.S. trade the Commission has expanded its research program on NTMs. In the case of the *U.S. - Korea Free Trade Agreement: Potential Economywide and Selected Sectoral Effects* study, the Commission received a letter from Congress late in the study process specifically requesting the Commission to expand and enhance its analysis of NTMs. The Commission's report on the Korea FTA included more comprehensive treatment of NTM issues, including the use of a flexible tool called indicative quantitative information (IQI) to identify for further analysis cases of NTMs that potentially affect import prices and volumes. In addition the Commission utilized an innovative approach to estimating the potential impact of service barrier reductions in FTAs in the Korea study. The Commission received very positive feedback from its customers on its expanded NTM coverage and analysis.

The Commission also received a request for three statutory studies from the Committee on Ways and Means to examine various aspects of U.S.-China trade that the Commission has not examined before. The first statutory study examines government policies in China that promote production, employment, and exports. The second study will contain case studies of selected Chinese sectors that are affected by the government policies identified in the first study. The

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<sup>8</sup> With respect to FY 2006, in FY 2007 there were improvements in content, search, functionality and look and feel. Navigation and site performance observed no change in their scores, whereas the future behaviors indices deteriorated slightly, including likelihood to return, recommend, and primary resources.

<sup>9</sup> This measure includes all formally requested industry and economic analysis investigations under the Tariff Act of 1930, the Trade Act of 1974, and the Trade Act of 2002.



third study will provide context and analysis of trade and investment between the United States, China, and other Asian trading partners. The first study was initiated in FY 2006; the second study was initiated in FY 2007; both are currently active. The third study will be instituted soon. All three of these studies will require the Commission to delve into new areas of analysis.

The Commission also conducted an innovative assessment of U.S.-Cuba agricultural trade for the Senate Finance Committee. In its report, *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions* the Commission provided (1) an overview of Cuba's purchases of U.S. agricultural, fish, and forestry products since 2000; (2) an analysis of the effects that U.S. government restrictions on export financing terms and travel to Cuba by U.S. citizens have on those Cuban purchases; and (3) estimates of likely U.S. agricultural sales if export financing restrictions and travel restrictions are lifted.

As a result of changes to the AGOA that were enacted in December 2006, the Commission conducted an investigation on denim fabric produced in beneficiary sub-Saharan African (SSA) countries, *Commercial Availability of Fabrics and Yarns in AGOA countries: Certain Denim*. The Commission made its first determinations and issued its first report under these amendments in September 2007.

Under the statute as amended, the Commission is required, upon receipt of a petition, to determine whether a fabric or yarn produced in beneficiary SSA countries is available in commercial quantities for use in lesser developed beneficiary SSA countries in the production of apparel receiving U.S. preferential treatment, and if so, to determine the quantity available in the next 1-year period beginning October 1. The amendment also requires the Commission to make similar determinations in following years regarding availability and the quantity that will be available and to determine whether the quantity of fabric or yarn found to be available in the previous year was used in the production of apparel articles that received U.S. preferential treatment. The statute authorizes the President to terminate U.S. preferential treatment for apparel articles made of third country fabric when the SSA fabric or yarn found to be available is not used in the production of apparel receiving U.S. preferential treatment.

The Commission determined in September 2007 availability and the quantity available in FY 2008 of certain denim fabric. No petition was necessary, as the statute deemed such denim fabric to be available, and specified a quantity as if a petition had been filed and the Commission had made an affirmative determination.

## **Strategy 2: Identify emerging areas and issues, and develop staff expertise.**

### **FY 2007 Performance Goals**

- a. More than 60 initiatives, as resources and mandatory work permit.
- b. (1) Increased use of the ITC website (including EDIS) to facilitate public involvement in studies and to disseminate information. Special efforts in FY 2007 include roll out of ITC “Industry and Economic Analysis” webpage, including continued efforts to convert existing and new ITC publications and databases to a Web-based format that improves quality of search engine results.  
(2) Expansion of economic modeling and analytical capabilities. Focus in FY 2007 will be:
  - (a) establishment of procedures to validate the ITC general equilibrium models and follow-on research products to improve model performance,
  - (b) the integration of NTM estimates into the agency’s quantitative analysis that will enumerate, describe, and where possible, quantify global non-tariff barriers to trade,
  - (c) analysis of changes in productivity owing to new manufacturing processes in certain industries,
  - (d) development and utilization of new tools/databases related to at least 2 areas of trade negotiations, and
  - (e) depending on customer request and progress in the negotiations, conduct further assessment of the potential effects on the U.S. economy of a Doha Round trade agreement.
- (3) Web redesign and semi-annual review of website and revision completed.

### **Performance Indicators <sup>1</sup>**

- a. Numbers of self-initiated articles, working papers, research notes, and presentations at professional meetings/conferences (OP).
- b. Number/type of enhancements in information management and analytical methods (OP).

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

## **Research Initiatives**

In the second strategy, the Commission sought to implement innovative analytical methods and to investigate emerging areas and issues. The Commission met all nine goals relating to this strategy.

The FY 2007 Commission goal to have more than 60 research initiatives was significantly exceeded, as the Commission completed 85 initiatives. Table 3-3 shows the trend in independent staff research over the past five fiscal years. The number of initiatives and overall activity

exceeded the goal by 24 initiatives. The change in total initiatives is largely explained by the large increases in staff presentations, conference/working papers and research notes/publications. Self-initiated research is tied to Commission priorities, and often serves as a testing ground for new analytical techniques or an opportunity to collect data and information and develop deeper expertise that likely will be used in future statutory work.

**Table 3-3: Self-initiated research, FY 2003–FY 2007**

| Item                        | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|-----------------------------|---------|---------|---------|---------|---------|
| JICE articles               | N/A     | N/A     | N/A     | N/A     | 8       |
| IER articles                | 25      | 17      | 1       | N/A     | N/A     |
| ITTR articles               | 6       | 6       | 6       | N/A     | N/A     |
| Industry Summaries          | 6       | 1       | 0       | 1       | 0       |
| Staff research studies      | 0       | 0       | 0       | 2       | 1       |
| Conference/Working papers   | 7       | 11      | 6       | 8       | 22      |
| Research notes/publications | 0       | 0       | 0       | 0       | 9       |
| Formal Staff presentations  | 42      | 34      | 38      | 33      | 45      |
| Total                       | 86      | 69      | 51      | 44      | 85      |

Source: Office of Operations.

Note: The Journal of International Commerce and Economics (JICE) was launched on December 2006. IER and ITTR articles were not produced in FY 2006 as the Commission developed the new JICE that replaced the IER and the ITTR.

### **Information Management and Analytical Enhancements**

The Commission continues to take steps to enhance information management and analytical methods. The Commission met its goal of increasing the use of the ITC website to facilitate public involvement in studies and to disseminate information. In FY 2007, the Commission made major revisions to the Industry and Economic Analysis section of its website. The Commission streamlined its look and feel and ensured organizational consistency across its sub-pages. The Commission also introduced a new web-based journal called the *Journal of International Commerce and Economics* (JICE). The new journal consolidates and replaces previously paper based journals that used to be published by the Office of Industries and the Office of Economics. While the overall satisfaction with the Commission’s Industry and Economic Analysis section of the website was unchanged from FY 2007, which resulted in the Commission missing its goal of a 2 percent improvement in satisfaction, the Commission will continue to draw on the Foresee survey results to improve its Industry and Economic Analysis website.

The Commission met its goal to expand economic modeling and analytical capabilities. In its 2007 update of the *Economic Effects of Significant U.S. Import Restraints*, the Commission utilized a dynamic version of its large scale computable general equilibrium model for the first time. This innovation allowed the Commission to demonstrate the effect of import restraint removal in the context of ongoing underlying economic trends, providing a more complex assessment of the potential policy changes. In addition, the Commission made significant

progress in its model validation work, with work conducted by contractors from Monash University developing revised procedures designed to improve the Commission's large scale CGE model's projection capabilities. This work has resulted in an improved ability of the model to fit historical data and extract important economic trends that will affect the economy in the future.

The Commission also enhanced its analytical capabilities related to U.S.-China trade issues. During FY 2007, the Commission made substantial progress on its China corporate research projects. This work is proving to be highly relevant for the Commission's current Congressional requested studies to examine the U.S. China trade relationship. For example, one of the China projects examines various issues of U.S.-China bilateral trade using a new, highly-disaggregated comprehensive database of Chinese official data. The project team is collaborating with a Chinese economist from the Center for Chinese Economic Research (CCER), Beijing University and one from UC Santa Cruz, plus economists from Columbia University, Syracuse University, and USDA. A second example is an in-depth examination of U.S.-China trade in advanced technology products (ATP). A team of ITC analysts is collaborating with economists from Tsinghua University and the National Development Reform Committee (NDRC).

These analyses all broke new ground for the Commission and demonstrate the Commission's responsiveness to customer requests for greater insights on new and difficult issues in the international trade area that may affect the United States.

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**Strategy 3: Undertake regular independent reviews and assessments of the Industry and Economic Analysis program to identify areas for potential improvement.**

**FY 2007 Performance Goals**

Recommend to the Commission major program component(s) for review.

**Performance Indicators<sup>1</sup>**

Independent objective reviews and assessments identify areas for potential improvement and actions are taken to improve on the program.

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

In the third strategy, the Commission set out to recommend major program components for review. The goal was not met this year, largely due to a very heavy statutory workload that required the responsible executives to focus on statutory and developmental reports and analysis for customers. Workload permitting, in FY 2008 the responsible executives intend to move forward on this goal.

## Operation 4: Tariff and Trade Information

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The Commission maintains an extensive repository of tariff, trade, and related data and expertise. Drawing on these resources, it provides tariff and trade information relating to U.S. international trade and competitiveness to executive branch agencies and the Congress, other governmental organizations, and the public. Tariff and trade information services include the production and maintenance of the Harmonized Tariff Schedule (HTS), which entails, *inter alia*, the preparation of legislative reports for Congress, participation in the committees of the World Customs Organization (WCO) and providing key support to USTR in the negotiation and implementation of free trade agreements, and other tariff related programs. They also include maintenance of the on-line, interactive Tariff and Trade DataWeb; contribution to the development of the International Trade Data System (ITDS); maintenance of U.S. commitments under Schedule XX of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO); maintenance of the electronic version of the U.S. Schedule of Services Commitments under the General Agreement on Trade in Services; and preparation of the electronic database that supports U.S. submissions to the WTO Integrated Database.

The Commission's Strategic Plan establishes the following general goal for this operation:

*Provide effective technical expertise and advice on the implementation of U.S. trade policy and related administrative decisions; enhance the availability of high-quality and up-to-date tariff and international trade information to the executive and legislative branches, as well as to the broader trade community and the public; and increase the ability of customers to use such information.*

Performance results for Operation 4 are discussed in detail below.

## ***FY 2007 Performance***

The Commission established three strategies and eight corresponding annual performance goals for this operation in the current Strategic Plan.

In FY 2007, the Commission continued to make significant progress in improving the utility and dissemination of agency trade and tariff information services, meeting or exceeding most of its goals. Specific results are discussed below.

### **Strategy 1: Increase the utility and improve the dissemination of tariff and trade information services to customers**

#### **FY 2007 Performance Goals**

- a. (1) 5% increase in number of Trade DataWeb reports provided.  
(2) 5% increase in number of Tariff Database reports provided.
- b. Modernization of data and tariff publication process underway.
- c. 5% increase in usage of the HTS page of the ITC website; semi-annual reviews and revisions completed.
- d. 2% improvement over FY 2006 baseline level.
- e. 100% timely and accurate responses.

#### **Performance Indicators<sup>1</sup>**

- a. Level of use, as appropriate:
  - (1) Trade DataWeb
  - (2) Tariff Database (OP)
- b. More effective information management methods adopted (TATA).
- c. Level of use of HTS page of the ITC website; review and revision of content (TATA).
- d. Results of feedback from users of the ITC's tariff and trade webpages (ITS).
- e. Number of email requests for tariff advice.

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

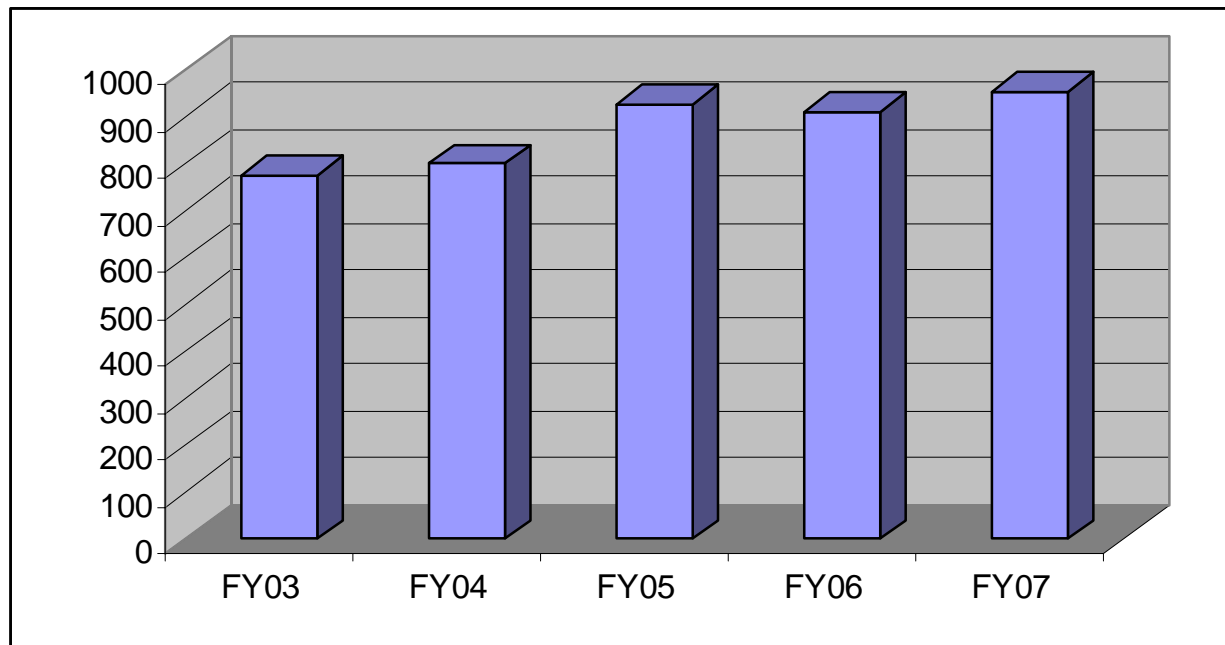
The Commission established baseline statistics for use of various types of nomenclature expertise and trade information in FY 1999. During FY 2002–FY 2007, use of the Commission's expertise and trade information greatly exceeded the established goals in most instances. The Commission also continued to make progress in the area of information management automation.

## ITC Trade DataWeb

DataWeb reports downloaded by non-ITC users increased during FY 2003–FY 2007 (figure 4-1). During the most recent fiscal year, usage increased by approximately 5 percent, after having declined somewhat in FY 2006. These data understate overall usage because they do not include viewing and downloads of various prepared reports.<sup>10</sup> Total usage of the DataWeb rose from about 6 million visits in FY 2006 to about 7.9 million visits, a 32 percent increase. The Commission continued to make improvements to the website by developing a site displaying scheduled U.S. tariff rate reductions under numerous free trade agreements and providing a “Tariff Wizard” to assist the trade community in determining future rates. Current tariff rates and trade by source, import program, etc., are also linked directly to the Wizard. For FY 2008, the agency has retained the goal of 5 percent annual growth in usage and will continue its efforts to enhance the site for various types of customers. Since the inception of the DataWeb, non-government use has accounted for the bulk (about 89 percent in FY 2007) of the non-ITC data reports generated (figure 4-2).

**Figure 4-1: DataWeb reports to non-ITC Users, FY 2003–FY 2007**

*In thousands*

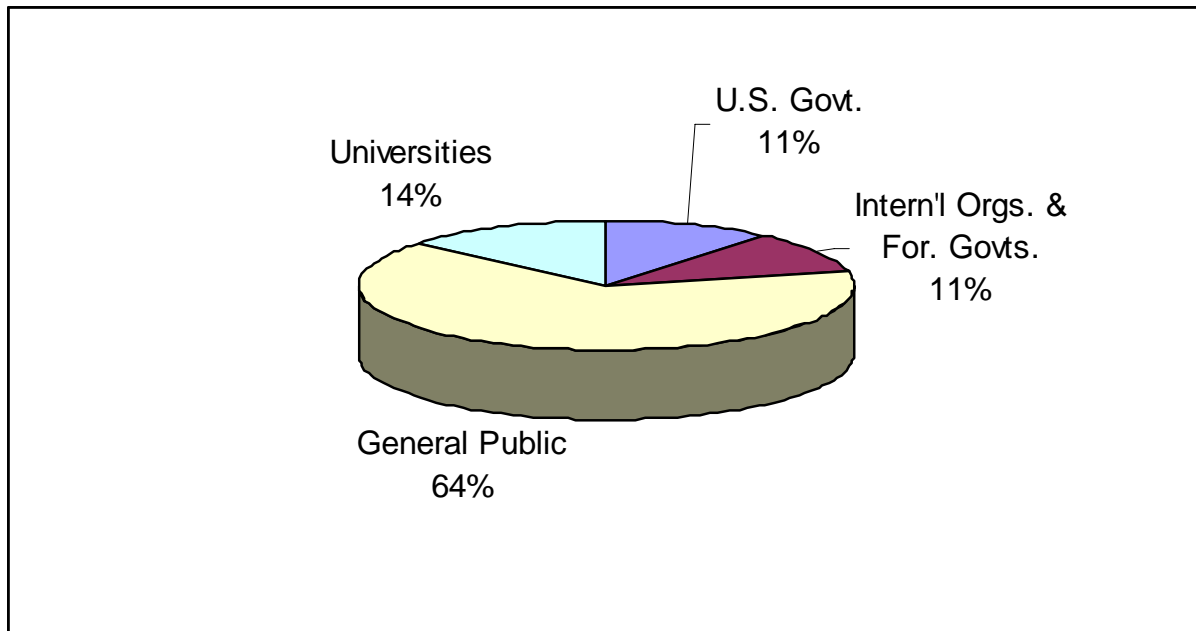


*Number of reports*

Source: Office of Operations

<sup>10</sup> During FY 2006, the Commission developed and made available prepared reports covering trade in various types of steel products, trade shifts, and U.S. trade with Sub-Saharan Africa to augment user-defined reports.

**Figure 4-2: DataWeb reports to non-ITC users, FY 2003–FY 2007**



Source: Office of Operations

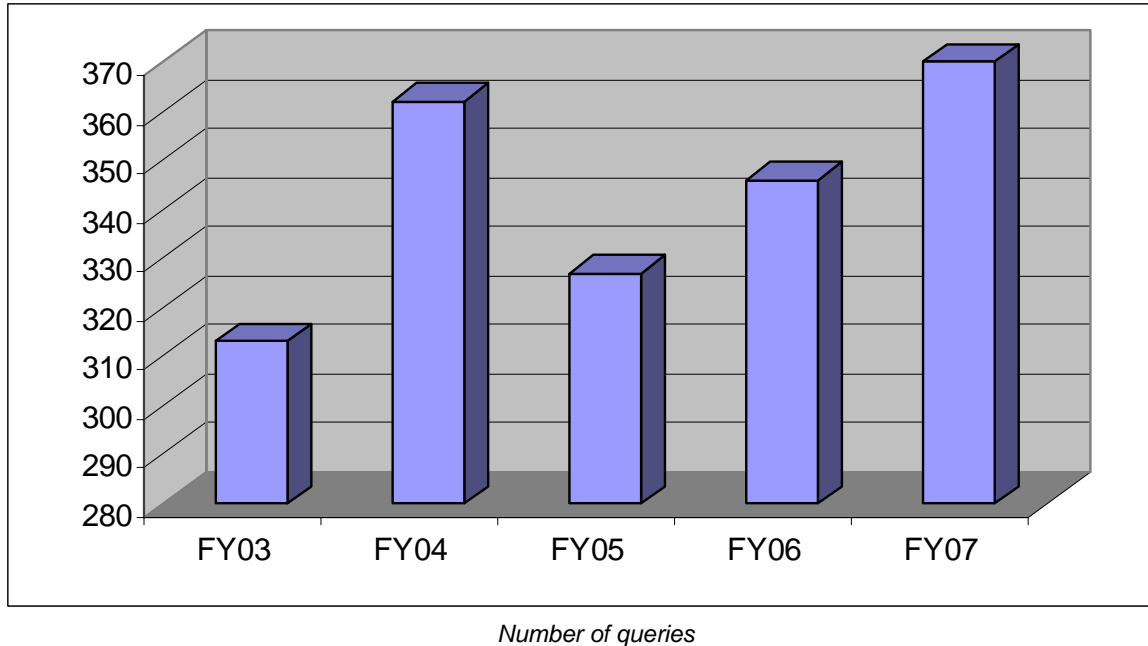
### **ITC Tariff Database**

As shown in figure 4-3, use of the ITC Tariff Database increased during FY 2006–FY 2007, rising by almost 7 percent, to an estimated 370,000 data retrievals and meeting the performance goal. During the 5-year period, the largest increase occurred in FY 2004. During that year, non-ITC use of the Tariff Database exceeded the Commission’s performance goal, as the CBP site linked users directly to the ITC Tariff Database from the Customs Rulings Online Search System. Over the past 5 years, the Commission also has contributed tariff and trade information and expertise to the tariff reference portal developed by CBP as part of a new government-wide computer system. In addition to providing a dynamic view of the HTS, the reference portal allows government officials to annotate their own online copy of the HTS with regard to specific HTS classification and related trade issues.



**Figure 4-3: Estimated tariff data queries by non-ITC users, FY 2003–FY 2007**

*In thousands*



Source: Office of Operations

Commission staff continued to work with the interagency International Trade Data System (ITDS), which is endeavoring to build a single, government-wide, on-line “window” for importing and exporting activities. The ITC’s Trade and Tariff Information Manager continued to chair the ITDS Data Harmonization Committee, which addressed the trade data needs of at least 27 Federal agencies.

### **Improvements in information dissemination**

Formal goals in this area were established in FY 2002, but the Commission had already made progress over the previous few years in providing various types of information to the public via its website. For example, in FY 2001, the on-line HTSA, by Chapter, was made more accessible to the public and in a timelier manner. The site displays the latest texts of the HTSA and is updated generally in less than 2 working days of implementation dates established by the President or Congress. Immediacy of access to the up-to-date, on-line HTSA benefits CBP and the trade community, in general. It is viewable, searchable, and downloadable.

In response to Congressional requests, the Commission continued to provide an electronic spreadsheet, summarizing information provided in the Commission’s reports on miscellaneous tariff bills introduced in the 109<sup>th</sup> Congress. The spreadsheet was revised periodically and provided to Congressional committee staff. During the fiscal year, the Commission completed and forwarded to Congress reports on 162 bills introduced in the 109<sup>th</sup> Congress. These reports

represented the last of a record number of more than 1,000 bills that had been introduced during the 109<sup>th</sup> Congress. Further, the Commission provided technical review of omnibus legislative packages including the provisions of these bills, prior to enactment in December 2006. By the end of the fiscal year, the 110<sup>th</sup> Congress had introduced only a few bills, and the Commission had not yet prepared reports on them. However, it was expected that Congressional activity in this regard would accelerate in the early months of FY 2008. As usual, feedback from the Congress and industry proponents in this regard was very positive.

The Commission undertook periodic reviews of the website during FY 2007, resulting in changes to the “Tariff Information Center” pages, which included the up-to-date HTSA, an HTSA archive, and the ITC Tariff Database. In addition, access to free trade agreement annexes and an Addendum to the Commission’s Inv. 1205-6, *Proposed Modifications to the Harmonized Tariff Schedule of the United States*, were posted on-line for use by the private sector in preparing their own databases in anticipation of the HS2007 amendments recommended by the WCO for implementation on January 1, 2007. Certain WCO and WTO documents were posted, and presentation of Commission reports on proposed legislation was enhanced to improve availability to the public.

Formal tracking of the ITC website began in FY 2005. As discussed above under Operation 3, the Commission received feedback from a Foresee E-Government Satisfaction Index random questionnaire, with regard to the ITC website. The following table summarizes the results for the overall website and the HTS (tariff information) Group of webpages.

As indicated in table 4-1, satisfaction ratings for the overall ITC website were slightly below those for other Government, trade-related websites, and for private sector sites. The ratings for the individual elements for the HTS group webpages in FY 2007 were minimally lower than those reported for FY 2006, but the ratings for “future behaviors” were slightly higher. The Commission did not meet the goal of improving overall satisfaction by 2 percent over FY 2006 levels. However, the level of use of the HTS website in FY 2006 increased dramatically from FY 2005, tripling to 1.3 million visits in FY 2006, and further increasing to 1.7 million visits in FY 2007. These increases were due, in large part, to the Commission’s on-line publication of annexes to several new free trade agreements and its online publication of the 2007 edition of the HTSA, which incorporated a substantial number of amendments arising from the WCO, tariff legislation and other Presidential Proclamations.

In addition, Commission staff responded to some 6,700 automated and other email requests for tariff-related information during FY 2007. This represented a decline of 16 percent from the number of such requests received in FY 2006, although we also received several hundred such requests by telephone each year. The Commission received unsolicited email comments on about 12 percent of our responses, and they were all uniformly positive. The benefits of this activity are manifold. It not only enhances and reinforces the working technical and tariff knowledge of ITC staff, but also serves to direct individual requests, as appropriate, to the proper Customs authority, thereby avoiding undue confusion for the requestors. Further, it has fostered frequent contact between Commission staff and the CBP National Import Specialists.

**Table 4-1: Satisfaction ratings by users of ITC website, FY 2007**

|                             | Overall ITC Website | HTS Group Webpages | Other Government trade-related sites <sup>1</sup> | Private sector |
|-----------------------------|---------------------|--------------------|---|----------------|
| <b>Elements:</b>            |                     |                    |   |                |
| Content                     | 79                  | 79                 | 81  | 81             |
| Functionality               | 72                  | 72                 | 76  | 75             |
| Look and feel               | 68                  | 68                 | 72  | 69             |
| Navigation                  | 64                  | 64                 | 69  | 67             |
| Search                      | 65                  | 65                 | 68  | 64             |
| Site performance            | 74                  | 74                 | 77  | 74             |
| <i>Overall satisfaction</i> | 65                  | 65                 | 71  | 67             |
| <b>Future behaviors:</b>    |                     |                    |   |                |
| Likelihood to return        | 82                  | 82                 | 89  | 88             |
| Recommend                   | 76                  | 76                 | 83  | 82             |
| Primary resource            | 77                  | 77                 | 83  | 81             |

<sup>1</sup> USTR, U.S. Department of Commerce, CBP, and U.S. Department of Agriculture.

Source: Foresee Results, ITC Satisfaction Insight Reports.

During FY 2007, the Commission made great strides in converting the HTSA from a strict word processing format to a combination text tables/XML format. This work is aimed at facilitating the presentation of the HTS in database format, which, in turn, would benefit CBP in updating its automated files. It would also enhance the Commission's ability to develop interactive webpages for disseminating tariff information. As of the end of FY 2007, there seemed to be a good possibility that the Commission could produce the 2008 version of the HTS using the new methods. However, the normal word-processing files were being maintained as a backup, in case unforeseen problems arose with the new approach.

**Strategy 2: Provide timely, effective, and responsive nomenclature and similar technical services to customers.**

**FY 2007 Performance Goal**

95% positive results.

**Performance Indicator<sup>1</sup>**

Results of product feedback assessments (TATA).

<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

Beginning in FY 2000 and continuing through FY 2004, the Commission conducted formal focus group discussions with Congress and the Administration in FY 2000, meeting at least once a year with the Senate Committee on Finance, the House Committee on Ways and Means, and

USTR. During that period, the Commission consistently received positive feedback from these key customers concerning its contributions to tariff legislation and trade negotiation activities at the WTO. In particular, USTR was appreciative of the Commission's efforts in providing trade data and maintaining the U.S. Schedule of Tariff Concessions (Schedule XX) in support of WTO activities.

In FY 2004, in lieu of focus group feedback, Office of External Relations (ER) staff prepared questionnaires for customer feedback. Numerous indices of positive customer feedback were received, including communications from USTR, Congressional Committees, the Department of Commerce, Overseas Private Investment Corporation, Department of Agriculture, the WCO, and the public. In addition, awards and commendations were conferred on staff from private sector groups, and ITC staff members were asked to chair WCO committees and special working parties. No negative comments were received.

For FY 2005, the performance goal for this strategy was reformulated to read as follows: "95% positive results on product feedback assessments." Though no formal assessment was carried out in this regard during FY 2007, Commission staff was in almost daily contact with USTR, regarding the annual GSP review, revising NAFTA rules of origin, several bilateral and regional trade agreements and other activities. USTR feedback was consistently positive.

Among other activities in FY 2007, the Commission published an addendum to Inv. No. 1205-6, which set forth proposed amendments to the HTS to reflect international HS legal amendments for 2007. The Director of the Office of Tariff Affairs and Trade Agreements (TATA) chaired the Harmonized System Committee for one more year, and TATA staff continued to lead the U.S. Delegation to the HS Review Sub-Committee and to participate in the WCO's Scientific Sub-Committee. All these activities have contributed to worldwide recognition of the ITC as a significant independent source of tariff and trade information and expertise.

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**Strategy 3: Undertake regular independent reviews and assessments of the tariff and trade information program, or its components, to identify areas for potential improvement.**

**FY 2007 Performance Goal**

Recommend to the Commission major program component(s) for review (TATA).

**Performance Indicator<sup>1</sup>**

Independent, objective review identifies areas for potential improvement.

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

The agency continues to consider how to implement this goal in FY 2008.

## Operation 5: Trade Policy Support

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The Commission provides support to trade policymakers in the executive branch and in the Congress by supplying technical expertise and providing objective information on international trade issues. It offers technical support in the form of research, data compilation, informal briefings and meetings, participation in interagency committee activities, support to USTR for WTO litigation and negotiations, testimony at Congressional hearings, and other support activities. The Commission provides “quick response” research for the Congress and the executive branch on trade issues in the form of staff-to-staff assistance. Commission staff also draft Presidential Proclamations and other Presidential documents (e.g. Executive Orders and Presidential memoranda), as well as final decisions by various executive branch agencies that modify the HTS to implement Congressional legislation or trade policy decisions by the executive branch. This Operation also encompasses support for U.S. trade policy formulation and U.S. representation in international fora, and includes formal details of staff to executive agencies.

The Commission’s Strategic Plan establishes the following general goal for this operation:

*Contribute to the development of sound and informed U.S. international trade policy by providing efficient and effective access to Commission expertise. Since many policy decisions are made under tight time frames and in fluid circumstances, the Commission makes its expertise available through technical support and analysis for the executive branch in various international trade fora and directly to the legislative branch in response to inquiries from Congressional staff and Members.*

Performance results for FY 2007 are discussed in detail below.

### ***FY 2007 Performance***

The Commission maintains two strategies and had three corresponding annual performance goals for this Operation. Those performance goals address providing technical assistance on a wide range of issues to the Commission’s statutory customers, enhancing the mechanisms for providing trade policy support, and monitoring the satisfaction levels of the Commission’s customers for products provided by this Operation. In FY 2007, the Commission generally met or exceeded its performance goals for this Operation, as discussed below.

**Strategy 1: Provide real-time, efficient, and effective technical analysis and support to organizations involved in trade policy formulation**

**FY 2007 Performance Goal**

- a. 70 trade policy subjects supported.<sup>1</sup>
- b. Complete pilot program for FTA archival project and evaluate costs and benefits of continuation.

**Performance Indicators<sup>2</sup>**

- a. Number of trade policy issue areas supported by ITC analysis (IND).
- b. Development of innovative methods that improve the quality, scope, and/or timeliness of support, or the efficiency with which it is delivered (IND).

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<sup>1</sup> Requests for support will be influenced by the annual trade agenda set by the Administration; ability to respond to all requests will be dependent on the level of other, higher priority statutory work in Operation Nos. 1, 3, and 4.

<sup>2</sup> The offices shown in parentheses are the staff offices responsible for measurement.

The Office of External Relations (ER) collects data on a quarterly basis from each staff office providing assistance to USTR or to the Congress. The data are compiled in quarterly reports that are sent to the Commissioners and senior staff at the Commission. The reports provide information on the type and focus of assistance, the recipient of the assistance, and the amount of time expended.

Over the past five fiscal years, these reports have indicated a generally increasing level of participation by Commission staff in terms of the range and complexities of the subjects addressed. The frequency of such requests depends on such variables as the legislative calendar, the free trade agreement (FTA) schedule, the election cycle, and economic trends, all of which can affect the level of activity by policymaking customers. Technical assistance related to litigation activities has been included episodically in Operation 5. Data for FY 2004 and FY 2005, which did not include assistance related to litigation, show that the Commission responded to 73 and 82 issues, respectively. In FY 2006, Commission staff provided assistance on 95 issues, including 12 which were related to litigation. Requests for assistance from the USTR accounted for 79 of these issue areas, while requests from Hill Oversight Committees included 16 issue areas. In FY 2007, the Commission provided information on 119 subjects, including 8 related to litigation. Ninety one of these subjects were in response to requests from USTR, with the remaining 28 related to requests from our Oversight Committees. As in previous years, most requests (about 80 percent) came from the USTR. The vast majority of this assistance comprises quick turn-around data and information requests that are handled in less than a day, reflecting the unique expertise embodied in Commission staff.

The major issue areas (in terms of workdays) addressed in FY 2006 USTR assistance included WTO dispute settlement and litigation issues, analysis of trade flow changes in post-FTA periods, support for the Non-Agricultural Market Access negotiations at the WTO, information/data development and proclamation drafting regarding the GSP program, and a pilot project to archive negotiation documents related to the U.S./Malaysia FTA discussions. These kind of in-depth projects each involve time commitments totaling several work weeks.

The completion of the pilot project to archive negotiating documents related to the U.S./Malaysia FTA talks represented success in meeting the second performance goal for 2007. The Commission completed the acquisition of documents related to these negotiations and entered them into the database developed for this purpose. The program was demonstrated for USTR staff, who then requested an expansion of the pilot by archiving documents from a completed negotiation entered into the system. This will also allow evaluation of the systems capabilities to search across negotiations for useful information. Commission staff is currently adding documentation from the NAFTA negotiations, using a new data entry method, to meet the interests of USTR staff. Because this extension of the pilot will provide additional information regarding the costs and benefits of the initiative, final evaluation of the initiative's value has been deferred.

Technical advice and assistance provided to Congressional committees covered a range of areas, but major work included modeling the impact of policies with respect to U.S./Mexico sweetener trade, information on the operations and effect of U.S. duty preference programs (e.g., the Generalized System of Preferences and the African Growth and Opportunity Act), the likely effect of proposed duty treatment for free trade zones, information on tariff inversions, and assistance on legislation containing provisions relating to miscellaneous tariff bills.

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**Strategy 2: Undertake regular independent reviews and assessments of the trade policy support program, or its components, to identify areas for potential improvement**

**FY 2007 Performance Goal**

Evaluate the assignment of staff dedicated to supporting USTR to ensure proper application, in terms of focus and FTEs.

**Performance Indicator<sup>1</sup>**

Improvement in the procedures and methods used to produce and deliver support for trade policy formulation (IND).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

## **Review of support mechanisms**

The goal from Strategy 2 was to evaluate the Commission's policy of providing direct support through the short term detail of personnel to the USTR. This policy not only helps the Commission to meet its mission goals and develop effective working relationships with one of its primary customers, but also supports career development of agency personnel.

The overall number of work years devoted by Commission staff to details to USTR declined slightly (8 percent) from FY 2006 to FY 2007. However, shifting workloads and staffing levels resulted in a shift in the source of personnel within the Commission. During FY 2007, an increased proportion of the staff detailed to the USTR was from agency offices that focus on Operation 1 activities, an Operation that experienced a decline in activity during the fiscal year.

As Operation 1 activity increased near the end of the fiscal year, combined with continued high levels of activity in other operations, the Commission evaluated its commitment of detailed personnel to the USTR and found that it was unable to support historical levels and had to decline some requests to provide personnel. As a result, in FY 2008 the Commission will emphasize other methods to ensure it meets the USTR's needs for support of their policy development. This is likely to result in a continuation of the growing practice of providing support to develop more complex products in-house, instead of sending employees to the USTR.

## **Product feedback**

Commission staff offers informal briefing/feedback sessions on the more substantial technical assistance projects, continuing the practice of initiating more frequent discussions focused on specific products, rather than broader year-end evaluation sessions. Commission liaisons were active during the year to facilitate clear communications and collaborative development of requests and products that fully met the needs of trade policymakers in both the Administration and Legislature, as well as initiating follow-up communications to ensure customer satisfaction. The Commission received uniformly favorable reviews, including commendation from senior Committee staff for certain technical assistance products. The feedback from USTR on technical assistance products was also uniformly positive in FY 2007.

Part of the reason for success in this area was the designation of two senior Commission staff from the Office of Operations as Technical Assistance Coordinators. These personnel are charged with clarifying the requirements and expectations of both USTR and Congressional Oversight Committees at the outset of technical assistance requests, in order to guarantee the development of products that meet the needs of the customer. They take the lead in communicating assignments and coordinating staff work, including work across Offices when necessary, and are charged with ensuring consistent quality from project to project. The designation of Technical Assistance Coordinators also provides for a repository of "institutional memory" that allows experience gained on projects to be applied to subsequent work.



## GLOSSARY OF ACRONYMS AND ABBREVIATIONS

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|            |   |
|------------|---|
| AD         | AntiDumping   |
| AGOA       | Africa Growth and Opportunity Act                         |
| AICPA      | American Institute of Certified Public Accountants        |
| ALJ        | Administrative Law Judge                                  |
| APO        | Administrative Protective Order                           |
| Blue Book  | <i>Antidumping and Countervailing Duty Handbook</i>       |
| BFC        | Budget Functional Classification                          |
| CAFTA      | Central American Free Trade Agreement                     |
| CBP        | U.S. Customs and Border Protection                        |
| CIO        | Office of the Chief Information Officer                   |
| Commission | U.S. International Trade Commission                       |
| CVD        | Countervailing Duty                                       |
| EC         | Office of Economics                                       |
| EDIS       | Electronic Document Information System                    |
| EEO        | Office of Equal Employment Opportunity                    |
| ER         | Office of External Relations                              |
| FAIR       | Federal Activities Inventory Report                       |
| FASAB      | Federal Accounting Standards Advisory Board               |
| FISMA      | Federal Information Security Management Act               |
| FMFIA      | Federal Managers' Financial Integrity Act                 |
| FOIA       | Freedom of Information Act                                |
| FR         | Federal Register  |
| FTA        | Free Trade Agreement                                      |
| FY         | Fiscal Year   |
| GAAP       | Generally Accepted Accounting Principles                  |
| GATT       | General Agreement on Tariffs and Trade                    |
| GC         | Office of the General Counsel                             |
| GPO        | Government Printing Office                                |
| GSA        | General Services Administration                           |
| HTS        | Harmonized Tariff Schedule of the United States           |
| HTSA       | Harmonized Tariff Schedule of the United States Annotated |
| ID         | Initial Determination (by an ALJ)                         |
| IER        | <i>International Economic Review</i>                      |
| IG         | Inspector General   |
| IND        | Industries  |
| INV        | Office of Investigations                                  |
| IPR        | Intellectual Property Rights                              |
| IRM        | Information Resources Management                          |
| IT         | Information Technology                                    |
| ITC        | International Trade Commission                            |
| ITDS       | International Trade Data System                           |
| ITS        | Office of Information Technology Services                 |
| ITTR       | <i>Industry Trade and Technology Review</i>               |
| JICE       | <i>Journal of International Commerce and Economies</i>    |
| NAFTA      | North American Free Trade Agreement                       |
| NSI        | National Security Information                             |
| NTM        | Non-Tariff Measure  |
| OMB        | Office of Management and Budget                           |

## GLOSSARY OF ACRONYMS AND ABBREVIATIONS-- Continued

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|             |   |
|-------------|---|
| OPM         | Office of Personnel Management  |
| OUII        | Office of Unfair Import Investigations  |
| OP          | Office of Operations  |
| PAR         | Performance and Accountability Report   |
| P.L.        | Public Law  |
| RSS         | Really Simple Syndication   |
| Red Book    | <i>An Introduction to Administrative Protective Order Practice in Injury Investigations</i> |
| Results Act | Government Performance and Results Act  |
| SE          | Office of the Secretary   |
| TATA        | Office of Tariff Affairs and Trade Agreements   |
| TEO         | Temporary Exclusion Order   |
| URAA        | Uruguay Round Agreements Act  |
| U.S.C.      | United States Code (of General and Permanent Laws)  |
| USTR        | United States Trade Representative  |
| WCO         | World Customs Organization  |
| WTO         | World Trade Organization  |
| XML         | Extensible Markup Language  |

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