



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Office of Inspector General**  
Washington, D.C. 20230

**STATEMENT BY**

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**BEFORE THE**  
**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,**  
**RESTRUCTURING AND THE DISTRICT OF COLUMBIA**  
**COMMITTEE ON GOVERNMENTAL AFFAIRS**  
**UNITED STATES SENATE**

**APRIL 23, 2002**

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss the Department of Commerce Office of Inspector General's work and plans in connection with the Department's efforts to increase international compliance with trade agreements and expand foreign market access for American exporters.

As part of a comprehensive planning process performed during the summer of 2001, the Office of Inspector General sought to identify those areas and activities of the Department of Commerce that we believe are most in need of our attention. Our staff conducted research on the Department's operating units and its primary missions, reviewing a wide range of materials including budget requests, executive branch policy directives, legislative documents, annual performance plans and reports, and relevant congressional testimony. Finally, we held discussions with key Commerce officials, congressional staff, and other stakeholders to gain additional insight into potential topics for subsequent review by our office.

Through this process, as reported in our September 2001 *Semiannual Report to the Congress*, we identified the need to increase international compliance with trade agreements and expand market access for American exporters as one of the top 10 management challenges facing the Department of Commerce. We made this determination based on the fact that trade compliance was, among other factors, a critical component of the nation's overall trade agenda, a priority of the Secretary, and a concern of the Congress and others.

In our efforts to address this major management challenge, we plan to undertake a series of reviews aimed at evaluating the overall effectiveness of the Department's activities to enforce trade agreements and laws designed to prevent unfair trade and to help U.S. exporters overcome trade barriers, as well as the Department's cooperation and coordination with other U.S. agencies working on these issues. We also plan to review specific management and operational aspects of the International Trade Administration's (ITA) trade compliance initiative, including plans for new overseas compliance officers and additional country desk officers. Furthermore, we also intend to evaluate the ITA Office of Import Administration's efforts to enforce U.S. antidumping and countervailing duty laws.

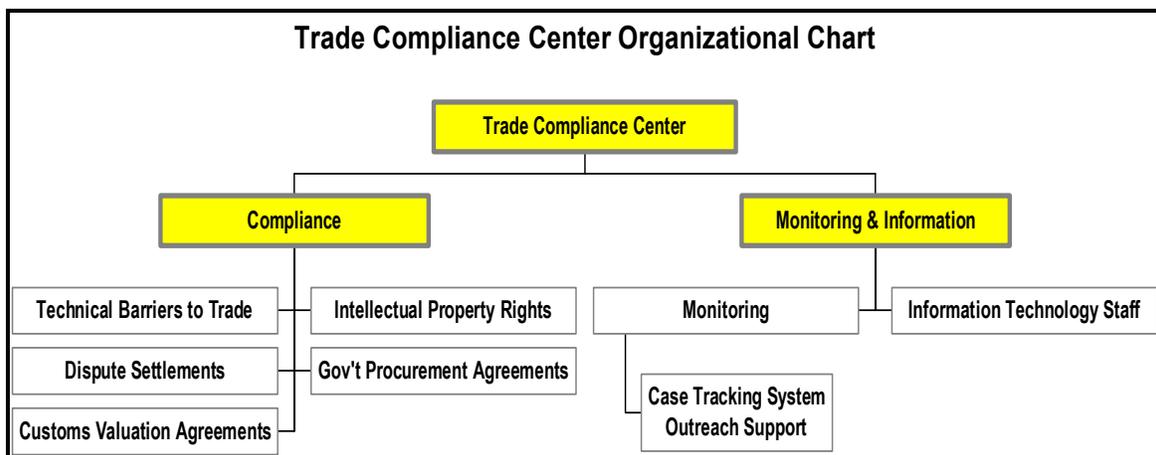
In March 2002, we issued our initial report dealing with ITA's trade compliance efforts. Within ITA, market access and compliance is handled by three units: Market Access and Compliance (MAC), Trade Development, and the U.S. and Foreign Commercial Service (US&FCS).

The Commerce Department reorganized its international economic policy and market access staff in July 1996 to give greater focus to market access and trade compliance issues. It created the MAC unit within the International Trade Administration and housed a new Trade

Compliance Center in that unit. Our review focused on the activities of ITA’s Trade Compliance Center (TCC) in an effort to determine whether its management of the trade agreement compliance process was efficient, effective, and responsive to client needs. Let me briefly discuss the TCC and some of the observations contained in our report.

The TCC is now the Department’s focal point for trade compliance. It provides information about trade agreements and helps U.S. businesses understand their rights and gain market opportunities. The TCC’s Compliance staff is divided into five areas of expertise that are based on technical areas in World Trade Organization (WTO) agreements, including technical barriers to trade, intellectual property rights, dispute settlements, government procurement, and customs valuation (See Figure 1).

**Figure 1**



In addition to an on-line database of trade agreements, the TCC offers web-based products such as a complaint hotline, trade agreement “how-to” guides for businesses, and compliance or agreement-related news and updates. The compliance and the monitoring staffs also oversee

foreign compliance with trade agreements, and conduct outreach to the exporting community to explain the Department’s compliance services. Finally, the TCC tracks and helps to resolve company trade complaints that come to its attention. In doing so, the TCC coordinates with staff of other federal agencies, as needed. Of equal importance is the TCC’s coordination with other ITA staff.

At the time we did our review of the TCC, we found that prior to fiscal year 2001 its budget and staffing had remained relatively level since its creation, except for an increase in fiscal year 1998, and a temporary funding drop in fiscal year 2000 (See Table 1).

**Table 1: TCC Resources**

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget Allocation	\$1.15 M	\$2.07 M	\$2.05 M	\$1.50 M	\$1.91 M
FTE Allocation	17	25	25	24	30
Actual FTEs	17	18	19	18	24

In fiscal year 2001, ITA received a \$12.8 million increase to fund a compliance initiative for MAC and Import Administration. Of this amount, MAC received a \$5.3 million increase. The compliance initiative placed special emphasis on building expertise within Import Administration and in MAC in order to increase attention to compliance and market access issues related to China, Japan, and Korea.

We conducted our review of the TCC just as it was expanding. At that time, we found that there was considerable confusion among ITA's units about the mission and responsibilities of the TCC. Thus, we evaluated how to better coordinate the compliance activities of the various ITA units so as to avoid duplication and ensure full reporting. We also examined whether ITA's compliance efforts were successful at promoting adherence to trade agreements and addressing market access problems.

Our report noted that trade agreement compliance work needs to be better coordinated within ITA and that collaboration between ITA's operating units should be improved. Each ITA unit has unique areas of expertise that are important to the positive resolution of trade compliance cases. However, we found that many staff members did not understand the role of the TCC and thus were not effectively using its assistance in working trade compliance problems. Moreover, we reported that organizational rivalries between the various ITA units further hindered better collaboration, as did the lack of written guidance about the need for and importance of working together to ensure that U.S. exporters receive complete, timely, and accurate responses to compliance complaints. In addition, we pointed out that the TCC lacked the authority necessary to require cooperation from the units.

We recommended a number of actions that ITA management should take to address these problems, including the development of guidance that clearly delineates the role of the TCC and defines the types of complaints and issues that the overseas and domestic staff from the other ITA units should bring to the TCC's attention.

After we completed our fieldwork, the TCC developed and distributed a trade compliance manual to all ITA staff. The manual does a good job of explaining how the compliance program works and outlining the roles of the various ITA components. At the same time, it should be strengthened to provide more definitive criteria or guidance that staff can apply to incoming complaints to guide them as to when to coordinate with the TCC.

Our review also identified the need for a central database of trade compliance work. The TCC is responsible for tracking ITA-wide compliance-related activities and reporting this work monthly to the Secretary. The TCC relies on the individual units to provide it with information about their activities, but the various units often fail to report all of their compliance work. We determined that there was no single database for tracking ITA-wide compliance activity, as the units used several databases to record their own work. Therefore, we recommended that ITA establish a central database that tracks all compliance work performed by the TCC, the U. S. and Foreign Commercial Service's overseas posts and domestic U.S. Export Assistance Centers, MAC's country desks and the TD industry experts, as well as the other parts of the Department.

ITA has advised us that it moved to a consolidated database of compliance and market access cases in February 2002 and that the monthly compliance reports to the Secretary receive clearance from all four of its operating units. We are encouraged by ITA's efforts. However, because the consolidated database is primarily used by MAC units (the country desks and the TCC), it is still unclear how market access and compliance work performed by US&FCS and Trade Development will be included in the database. Accordingly, we have asked ITA to look at further consolidation of its database.

Our report also examined performance measures proposed by ITA for assessing the effectiveness of its trade compliance activities and noted that although some adjustments were still needed, the TCC complaint process has improved since the TCC began handling such matters in 1997. The staff's knowledge and experience have grown, and the results achieved by the compliance teams have enhanced ITA's efforts to increase access to foreign markets and compliance with trade agreements

As I mentioned earlier, because of the importance of trade compliance and market access to the success of U.S. exporters, we intend for our recently completed report to be the first in a series of reviews to be conducted in this area. Our future reviews will focus on different aspects of ITA's strategy for helping companies reduce trade barriers, gain greater market access, reap the benefits of trade agreements, and lessen the impact of unfair trade due to foreign dumping and subsidies.



This concludes my prepared statement. Mr. Chairman, I would be happy to answer any questions you or other members of the Committee may have.