STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC GOAL 1 TOTAL RESOURCES

The Department is committed to opening and expanding foreign markets for U.S. goods and services and improving the nation’s export performance. The Department through the International Trade Administration (ITA) will promote U.S. export growth through the implementation of the Trade Promotion Coordinating Committee’s (TPCC) National Export Strategy, ensuring that policies and priorities are consistent with national security and U.S. foreign policy objectives. The Department will enhance cooperation with its partnership organizations so that U.S. businesses can benefit from global business through free market trade negotiations and through identified priority markets. The Department will continue to focus on fostering a level playing field for U.S. firms through development of trade policy positions, advancement of negotiating positions, and through effective execution of U.S. trade laws intended to curb and combat predatory trading practices.

The Department through the Bureau of Industry and Security (BIS) ensures that export controls do not place U.S. firms at a competitive disadvantage in world markets by eliminating outdated controls and streamlining the process for obtaining export licenses for products that remain under export controls. These continual improvements are being made while being mindful of the dual-use nature of some commercial technologies and the national security implications of those technologies.
The Department, through the Economics and Statistics Administration (ESA), provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population. For example, responding to a request from Congress, ESA prepared a study on the economic impacts of rising natural gas prices on energy intensive industries in the United States. Through the work of the Bureau of Economic Analysis (BEA) and its partner agencies such as the Census Bureau, the accuracy of the gross domestic product (GDP) and international trade in goods and services measures have been improved. Improved economic and demographic statistics are essential to sound business forecasting and understanding the strength and direction of the nation’s economy. The Department is at the forefront of national efforts to continually improve these statistics. With this in mind, the Department is endeavoring to fundamentally change the way the federal government conducts the Decennial Census.

In support of disadvantaged individuals and communities, the Department, through the Economic Development Administration (EDA), promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment. Likewise, the Department, through the Minority Business Development Agency (MBDA), promotes private enterprise and investment within minority communities.

The Department successfully moved this strategic goal forward in FY 2005. Bureaus with programs supporting this strategic goal are EDA, ITA, MBDA, BIS, and ESA's Census Bureau and BEA.
APPENDIX A: PERFORMANCE AND RESOURCE TABLES

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

TOTAL RESOURCES

<table>
<thead>
<tr>
<th>Fiscal Dollars</th>
<th>FTE Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in Millions)</td>
<td>(Full-Time Equivalent)</td>
</tr>
<tr>
<td>FY2002</td>
<td>FY2003</td>
</tr>
<tr>
<td>$677.5</td>
<td>$662.5</td>
</tr>
<tr>
<td>1,990</td>
<td>2,288</td>
</tr>
</tbody>
</table>

This objective is important to the nation as it increases private enterprise and job creation in economically distressed communities and regions; improves community capacity to achieve and sustain economic growth; increases trade opportunities for U.S. firms to advance U.S. international commercial and strategic interests, expands U.S. exporter base, improves customer and stakeholder satisfaction, improves the U.S. competitive advantage through global e-commerce, and increases opportunities and access for minority-owned businesses to the marketplace and financing.

The Department assists economically distressed communities and regions by promoting a favorable business environment through its strategic investments in public infrastructure and technology. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and severe economic challenges. For example, an EDA investment to Florence-Darlington Technical College in South Carolina

PERFORMANCE GOAL

<table>
<thead>
<tr>
<th>Performance Goal</th>
<th>Status*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase private enterprise and job creation in economically distressed communities (EDA)</td>
<td>🟢</td>
</tr>
<tr>
<td>Improve community capacity to achieve and sustain economic growth (EDA)</td>
<td>🟢</td>
</tr>
<tr>
<td>Strengthen U.S. industries (ITA)</td>
<td>🟢</td>
</tr>
<tr>
<td>Expand U.S. exporter base (ITA)</td>
<td>🟢</td>
</tr>
<tr>
<td>Increase access to the marketplace and financing for minority-owned businesses (MBDA)</td>
<td>🟢</td>
</tr>
</tbody>
</table>

* 🟢 = MET (100%)  🟢 = SIGNIFICANTLY MET (75% - 99%)  🟢 = NOT MET (< 75%)

See Appendix A: Performance and Resource Tables for individual reported results.
during fiscal year (FY) 2005 will provide training for workers in advanced manufacturing technologies such as robotics, computer technology, and other modern manufacturing techniques necessary to sustaining industry cluster survival and competitiveness in the global marketplace. Twenty-six employers have committed to creating 764 new jobs, saving 417 existing jobs, and generating over $317 million in private investment as a result of this investment. An EDA investment to Pamlico Community College near Grantsboro, North Carolina, will result in the construction of a 21,284 square foot Workforce Training Center. The center is expected to result in the creation of over 2,000 new jobs and generation of private investment in the region of over $400 million in private investment. Another EDA investment in Washington County, Pennsylvania, will address the lack of developable land in that region through earthwork and infrastructural improvements. This investment is expected to result in the creation of 4,000 new jobs and $171 million in private investment.

The Department also supports effective decision-making by local officials through its capacity-building programs. The Comprehensive Economic Development Strategy (CEDS) program, supported by EDA through its support of partnership planning programs, has proven particularly effective in this regard. For example, the CEDS process of the First District Association of Local Governments in South Dakota resulted in 136 new initiatives of which 16 were related to infrastructure, three to building construction and rehabilitation, and 90 to technical assistance efforts.

Enhancing economic growth through partnering with other government agencies and the business community to increase exports is a key approach to implementing the Department’s Objective 1.1.

Export expansion is an important driver for U.S. economic growth since export related jobs pay significantly higher wages. At present, one of every 10 dollars in the U.S. economy is linked to exports. For example, the Small Business Administration (SBA), Export-Import Bank, and ITA partner together with the business community to assist individual exporters by bringing small business services, export services, and finance assistance under one roof, in ITA’s U.S. Export Assistance Centers (USEAC).

It often takes more than a great product to build global success. Good contacts, knowledge of international business practices, and exposure in foreign markets are all prerequisites for companies hoping to succeed worldwide. For small companies without an entire international sales force, this can prove quite a hurdle. With some timely help from ITA, Daniel Wallek, International Marketing Director of Mediafour Corporation, a Des Moines, Iowa-based information technology (IT) company, learned this from experience. Mediafour has signed agreements with exclusive distributors in 15 countries and has shipped its product to 64 countries.

Mediafour used a combination of ITA’s U.S. and Foreign Commercial Service (US&FCS) products and services to build a worldwide distributor network. The company credits the US&FCS’s Gold Key Service with helping Mediafour find a distributor in Finland and the Baltic countries. For a nominal fee, US&FCS officers arranged appointments with prescreened foreign companies, and also provided transportation and translation services. Mediafour also took part in a telecom/IT Matchmaker trade mission to Belgium to find a distributor there. Matchmaker missions help businesses explore overseas trade opportunities through receptions, site visits, and face-to-face meetings with prescreened contacts.

The Department helps minority-owned businesses obtain access to public and private debt and equity financing, market opportunities, and management and business information to increase business growth in the minority business community. Some examples:

◆ The Los Angeles Metro Minority Business Development Center (MBDC) assisted its client Pacific Shore Hotels, LLC, owned by Mr. Vasant Ganatra, an Asian Indian minority business enterprise (MBE), in securing a loan for $5,525,000 with Nara Bank. The MBDC also assisted the firm in an acquisition/merger with another hotel valued at $8,500,000.
The New Mexico Native American Business Development Center (NABDC) assisted Flintco Companies West in obtaining a $10,481,796 construction contract with the University of New Mexico. Flintco West is the largest Native American construction firm in the state of New Mexico. Through quality work and attention to the needs of customers, Flintco West has continually expanded throughout New Mexico and North America in industrial and commercial construction. Flintco West provides a complete range of services to meet a wide array of commercial and industrial construction needs. Some 80 individuals, mostly Native Americans, are employed with Flintco West.

Roger Trevino, Sr. started Twang Inc. in 1987 to manufacture flavored salts, including its most popular product, a lime flavored salt used with margaritas and other ethnic mixed drinks. Through the assistance of the San Antonio MBDC, Mr. Trevino obtained a $1.1 million loan to expand and purchase a new facility. As a result, the company has received additional contracts from Anheuser Busch, Clamato, and Mr. & Mrs. T brand of products. This increased sales by $3.0 million for 2005.

**Performance Goal:** Increase private enterprise and job creation in economically distressed communities (EDA)

Working with economically distressed communities and regions to create jobs and expand the economy.

Preliminary data collected through the Government Performance and Results Act (GPRA) process for investments made in FY 1999 and FY 2002 indicates that these EDA investments have helped generate more than $3.57 billion in private sector investment and create and retain 67,046 jobs. EDA anticipates that as these investments continue to mature and more data become available, these numbers will continue to grow. EDA anticipates that FY 1999 and FY 2002 investments will generate more jobs as time progresses so that at the nine year (FY 1999 investments) and six year (FY 2002) reporting time, these amounts will be significantly greater. EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested and jobs created. Performance data are obtained at three and six-year intervals to provide snapshots of current progress in achieving the full nine-year performance projection. The private investment targets for FY 1999 and FY 2002 EDA investments were $1,040 million after six years and $390 million after three years. Data reported in FY 2005 shows that EDA exceeded those projections by 72 percent and 459 percent, respectively. Similarly, jobs created or retained in distressed communities as a result of EDA investments in the same years exceeded projections by 67 percent and 71 percent and totaled 47,374 and 19,672, respectively.

EDA is continuing to work with its partners to implement its Results-Driven Performance initiative launched in 2004 to focus on economic development initiatives that achieve the highest rate of return on the taxpayers' investment. Specific efforts include implementing the revised Investment Policy Guidelines and focusing EDA funding effective investments that would not be eligible under other federal programs and that attract private capital investment and create higher-skill, higher-wage jobs.

All EDA investments are compliant with EDA's Investment Policy Guidelines to ensure that an investment will be part of an overarching, long term strategy that enhances a region's success in achieving a rising standard of living, and will demonstrate a high degree of commitment by exhibiting strong cooperation between the business sector; relevant regional partners; and local, state, and federal governments. Peer reviews are conducted every three years for each of the Economic Development District (EDD) Partnership Planning investment recipients, and the EDA regional offices continue to monitor the performance of all investment recipients.
Performance Goal: Improve community capacity to achieve and sustain economic growth (EDA)

Support local planning and long-term partnerships through technical assistance to help distressed communities.

EDA continues to build upon its partnerships with local development officials; EDDs; University Centers (UC); faith-based and community-based organizations; and local, state, and federal agencies. EDA’s approach is to support local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, leverage outside resources to improve the local economy, and sustain long-term economic growth.

EDA is in the process of implementing a three-year competition cycle for UC funding. In FY 2004, EDA’s Denver and Austin regional offices conducted open competitions for UC funding. During FY 2005, EDA held similar competitions in its Chicago and Philadelphia regions, and for FY 2006 will hold competitions in its Seattle and Atlanta regions. In FY 2007, the cycle will be restarted with competitions in Denver and Austin. These competitions will help to ensure that EDA and the nation’s taxpayers will realize the maximum returns on their investments from the UC program resources.

The data used to evaluate the effectiveness of performance goal achievements are reviewed carefully and the Department attests to the accuracy and reliability of the data. For jobs created and retained, the regional offices screen data reported by recipients for reasonableness, and the Budget and Performance Evaluation Division analyzes the data for the presence of “outliers” and works with regional offices to verify actual data reported that appears to be atypical. In addition, headquarters and regional staff validate reported impacts by visiting randomly chosen recipients each year.

Two EDA program evaluations were initiated for EDA programs this year, of which one was completed. The study completed addressed the Economic Adjustment program, and the general conclusion was that this program was valuable and useful. Another study addressing the effectiveness of all EDA was initiated during FY 2005 but not completed. Evaluation studies of EDA programs can be found on EDA’s Web site at [http://www.eda.gov/Research/ResearchReports.xml](http://www.eda.gov/Research/ResearchReports.xml).

Performance Goal: Strengthen U.S. industries (ITA)

Ensure that U.S. small and medium-sized enterprises (SME) and manufacturers can compete and win in the global economy.

ITA’s Market Access and Compliance (MAC) program addresses numerous challenges faced by U.S. exporters, and supports critical compliance and market access trade policy issues in areas like international standards setting, currency, and intellectual property, as well as trade compliance policy issues involving transparency, good governance, and rule-of-law requirements. MAC uses a range of techniques to advocate on behalf of U.S.
business and intervene with other governments to ensure foreign compliance with existing trade agreements and to eliminate trade barriers. Trade agreement compliance and foreign trade barriers have been a continuous problem for U.S. exporting firms, large and small. Many companies, especially small and medium sized firms, do not have the resources, knowledge, or leverage to influence foreign governments’ laws, and regulatory regimes.

ITA's Manufacturing and Services (MAS) program advances and strengthens the competitiveness of U.S. industry by researching and analyzing U.S. business sectors and the competitive impact these sectors have on domestic and international business environments.

ITA identified several key priorities that it has addressed during FY 2005. These priorities include:

**Trade Relations with China** – China’s trade has been growing rapidly, with imports into China from nearly all trading partners growing at double digit rates. Imports from Asia to China in U.S. dollar terms increased by 43 percent in 2003, while imports from Europe and the U.S. to China increased by 31 percent and 24 percent as reported by BEA. The U.S. imports from China were $196.7 billion in 2004 (an increase of 29 percent over 2003), making China the second largest exporter of goods to the United States, behind only Canada’s $256 billion export total. At current rates of growth, China will surpass Canada and become the largest supplier of U.S. imports in 2006. Trade with China continues to present a number of challenges for U.S. companies. Until World Trade Organization (WTO) accession is completed in 2017, aspects of the Chinese economy will still be organized under principles that are inconsistent with the WTO rules; and, since it is a non-market economy, these issues impact our trading relationship. ITA, in close coordination with the U.S. Trade Representative (USTR) and other agencies, has adopted an aggressive and multi-pronged approach to ensure that China honors its WTO commitments and that U.S. companies benefit from these opportunities.

Additionally, ITA is focusing and sharpening expertise in China through the China Compliance office that devotes more resources to China and cases/issues unique to non-market economies. The Department’s ability to verify whether China is in compliance with its WTO subsidy obligations is severely hindered by an overall lack of transparency in China. This limits the Department’s ability to obtain detailed information on actual subsidy programs. Both bilaterally and at the WTO, the Department, in concert with the USTR, has been increasing pressure on China to improve transparency of its subsidy practices, including making its required annual notifications to the WTO Subsidies Committee, a responsibility China has failed to meet every year. ITA will remain vigilant on all trade compliance issues with China.

**Manufacturing in America** – *Manufacturing in America, A Comprehensive Strategy to Address the Challenges to U.S. Manufacturer* (available at [www.manufacturing.gov](http://www.manufacturing.gov)), published in January 2004, acknowledges that manufacturing is vital to the nation’s economy, recognizes the unprecedented challenges to U.S. global leadership, and recommends reforms to strengthen manufacturing competitiveness. ITA has completed 32 of 57 recommendations and is working closely with its partners and stakeholders, through the interagency process, to implement the remainder of the recommendations contained in the report. This effort is critical for U.S. commerce to ensure ITA is fostering an environment in which U.S. firms can compete and succeed in manufacturing.

**Expanding Global Intellectual Property Rights (IPR) Enforcement** – IPR protection leads to improvements in productivity, and helps trigger new ideas and pushes inventors to improve existing technologies. IPR protection is an essential component of an economic foundation. In FY 2005, the Department, through ITA, has focused resources to enforce U.S.-negotiated trade agreements, uphold the U.S. Strategy Targeting Organized Piracy (STOP), and combat violators of IPR around the world. ITA has implemented a strategy to pursue perpetrators along the entire supply chain, including manufacturers and importers, and has
exerted pressure on countries where problems are found. ITA continues to work with U.S. industry and coordinate with other U.S. agencies, including the U.S. Patent and Trademark Office (USPTO) and the U.S. Food and Drug Administration (USFDA), to investigate allegations of piracy and to help resolve market access and trade compliance cases.

**Performance Goal: Expand U.S. exporter base (ITA)**

Support jobs and foster economic growth by expanding the number U.S. exporters, especially SMEs.

One of ITA’s key objectives is to place primary emphasis on the promotion of goods and services from the U.S., particularly by SMEs, and on the protection of U.S. business interests abroad. Within ITA, the US&FCS seeks to increase export opportunity awareness among U.S. companies. The US&FCS program proactively identifies potential exporters and existing exporters who need assistance and provides a range of export assistance programs. These products and services are supported by systems that leverage electronic and traditional media, centralize and manage relationships with US&FCS customers, and develop alliances and partnerships with other export support organizations to deliver export results. ITA’s Advocacy Center recorded a 12 percent advocacy success rate with an estimated value of $6.5 billion in U.S. export content.

ITA’s US&FCS facilitated 12,518 export transactions. ITA helped 4,888 U.S. companies enter a new market and helped 620 U.S. companies export for the first time. The latter representing 89 percent of its goal of 700 companies. External factors have impacted this effort. Although the weak dollar has increased exports overseas, rising energy costs, market uncertainties, and trade disruptive externalities such as hurricanes have impacted many companies seeking to expand to new markets overseas. ITA continues to encourage U.S. exporters to enter new markets in regions of the world least impacted by stated externalities. For example, a firm currently exporting to Canada may be encouraged to enter Mexico.

During the past year, both the Inspector General (IG) and independent auditors have reviewed and found discrepancies in collected and reported US&FCS performance data. This issue has becoming increasingly critical because of the heightened emphasis that is being placed on performance results. US&FCS and ITA’s Chief Financial Officer (CFO) have initiated actions to ensure effective performance-measure oversight through close coordination with ITA measure owners and through a program of independent verification and validation (IV&V) reviews.

In FY 2005, ITA’s Planning and Performance Management Staff, in conjunction with ITA Program “Measure Owners,” will have conducted IV&V reviews of selected performance measures. This includes reviews in ITA’s Import Administration (IA) program, ITA’s MAC program, ITA’s US&FCS program, including two US&FCS USEACs in the domestic field (Rosslyn, VA and Chicago, IL), a detailed review of the US&FCS Export Transaction Measure completed in conjunction with Department staff, and a review of export successes at the US&FCS overseas posts in Brussels. In the spirit of the President’s Management Agenda (PMA), these reviews have enabled ITA to verify and measure data that highlights/conveys progress toward achieving ITA strategic goals. The IV&V reviews have addressed data collection and reporting issues, inconsistencies, and accountability weaknesses identified in IG Inspection reports completed for Chicago, Philadelphia, Turkey, India, and the Pacific Northwest; and follow through on ITA’s resulting Action Plans. The IV&V review in IA addressed weaknesses regarding statutory deadlines. These IV&V reviews reinforce ITA’s and the Department’s credibility on planning and performance management and provide an opportunity for ITA to strengthen internal controls and to clarify and harmonize performance data reporting standards worldwide.
In addition to the areas described above, ITA has focused on two key priorities under this performance goal in FY 2005:

◆ **Strengthen Federal Trade Promotion Programs and Cooperation** – ITA has a given mandate to increase and improve trade promotion activities for U.S. businesses, especially SMEs that rely on federal and other assistance programs to successfully compete in the global marketplace. Utilizing the 2005 National Export Strategy, the Secretary of Commerce announced a multi-year national trade promotion agenda to better leverage federal trade promotion programs and initiatives and to ensure greater cooperation under the TPCC.

◆ **The Security and Prosperity Partnership of North America (SPP)** – On March 23, 2005, President Bush, Prime Minister Martin of Canada, and President Fox of Mexico announced the SPP. Through the SPP, the United States, Canada, and Mexico seek to establish a cooperative approach to advance the three nations’ common security and prosperity through the development of a common security strategy led by the Department of Homeland Security (DHS), and by the development of a complementary prosperity strategy for economic growth, competitiveness, and quality of life lead by the Department. Through cooperation and information sharing, the SPP prosperity strategy has started to work towards improving productivity; reducing the costs of trade; and enhancing the joint stewardship of the environment, facilitating agricultural trade while creating a safer and more reliable food supply, and protecting people from disease. Commerce Secretary Gutierrez chairs prosperity working groups. ITA has been engaged in several of these key working groups including the working groups on manufactured goods, energy, business facilitation, e-commerce and information and communications technologies (ICT), transportation, financial services, and rules of origin.

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**Performance Goal: Increase access to the marketplace and financing for minority-owned businesses (MBDA)**

Achieve entrepreneurial parity for minority businesses enterprises (MBE) by actively promoting their ability to grow and to compete in the global economy.

MBDA’s mission is to achieve entrepreneurial parity for MBEs by enhancing their ability to grow and compete in the global economy.

MBDA has targeted its strategic goals and performance measures to ensure the efficient and effective allocation of its resources. Programs focused on providing access to capital and markets will continue to be the prime components of MBDA’s minority business development initiatives. The success of these results-oriented initiatives is measured by their impact on minority MBEs and the U.S. economy. These outcomes are carefully tracked and verified through electronic and manual performance reporting systems.

MBDA is successfully implementing an Agency Strategic Growth Policy designed to focus its resources on medium to large sized MBEs that have the greatest impact on the minority community and the U.S. economy. This strategic direction ensures that MBDA’s resources help to achieve entrepreneurial parity for minority businesses, particularly as it relates to gross receipts and job creation. As a result of the Agency Strategic Growth Policy, a Strategic Growth Initiative has been implemented within all agency programs.
New strategic public and private sector partnerships help MBDA leverage its resources and add value to the services provided by the MBDCs and the Minority Business Opportunity Committees (MBOC).

New strategic partnerships have led to many successful opportunities, providing value-added resources to support the services of the MBDCs and MBOCs. Specifically, partnerships with the National Urban League, USDA, Microsoft, Forbes, and the Kauffman Foundation will strengthen minority participation by leveraging resources and providing valuable assistance to grow firms. Likewise, a training program conducted by the Amos Tuck Business School at Dartmouth College provided a curriculum to service medium and large size minority firms in meeting the challenge of a fast growing minority population.

The MBDA Portal has successfully become a Virtual Business Center offering new tools, services, and a message board for information exchange for MBEs to better compete in the worldwide economy. Continuous improvements provide new enhancements and sources of information and technology to improve the services available. The portal serves as an information clearinghouse and the center for referral of opportunities and resources to registered minority firms.

On September 11-14, 2005, MBDA held its annual National Minority Enterprise Development (MED) Week conference. It is the premier conference empowering MBEs to succeed. The theme for MED Week 2005 was “The Art of the Deal: Making It Happen.” The conference featured exceptional speakers who shared best practices for successful deal making in today’s business landscape. Attendees benefited from valuable dealmaking techniques and tactics in a structured networking environment, which in some cases resulted in new business relationships. MED Week 2005 provides critical information to the minority business community, and to corporate America, which increasingly recognizes that minorities are the fastest growing segment of the nation’s population and a significant economic force.

MBDA’s Office of Performance and Program Evaluation continues to review agency programs to improve efficiency and productivity. In FY 2005, an evaluation of the MBDC and NABDC program has made recommendations to improve the design and implementation of the program to meet objectives and performance targets. As a result, current policies are being revised and a new BDC competitive solicitation will be prepared for advertisement next year.

MBDA is one of the first agencies in the Department to establish a Customer Relations Management System throughout the agency and its funded network. A delivery model that will improve client services and operations has been implemented. This further supports the PMA and will strengthen accountability.

MBDA plans to incorporate the recently approved Central American Free Trade Agreement (CAFTA) into its outreach and advocacy activities in partnership with ITA.

During 2005, MBDA established two new offices of operation, namely, the White House Initiative for Asian Americans and Pacific Islanders and the Office of Native American Business Development. They will focus services on the special needs of these ethnic groups to improve business participation and capacity.

The number of clients receiving services will fall short of the expected target. The Strategic Growth Initiative seeks larger prime contracts with higher dollar values. Larger awards are being obtained for clients to impact jobs and growth. Due to the Strategic Growth Initiative, MBDA is now assisting larger firms with growth potential. Several small minority-owned businesses are being referred to SBA, local non-profit partner organizations, and other resources available from state and local governments. Therefore, the total number of firms assisted is decreasing.
In the coming year, MBDA is committed to the following strategies for improving its performance:

- MBDA will make electronic improvements to the Phoenix-Opportunity Online Bid Matching system to allow multiple batch entry opportunities that will facilitate more awards.

- MBDCs and NABDCs are selecting and utilizing more strategic partners who can add value to the program, assist clients, and support agency performance measures.

- The MBOC program has been upgraded to include recommendations from the recent evaluation that will focus more on relationships with minority beneficiaries.

- Results from the 2005 MBDC / NABDC program evaluation will improve the delivery of services and redesign work requirements to impact the bottom line for performance.

**STRATEGIES AND FUTURE PLANS**

EDA’s “Results-Driven Performance” initiative has reached many communities and regions across the United States through satellite telecasts, forums, e-newsletters, magazines, and other means. Communities target their economic development strategies to attract private sector investments and higher-skill, higher-wage jobs using their EDA-funded CEDS process, Trade Adjustment Assistance Center (TAAC) activities, and UC assistance. EDA brings all these capacity-building resources together to provide communities with innovative and entrepreneurial talent that will achieve and sustain economic growth where it is most needed.

ITA has a strategy to address the challenges posed by changing economic, technological, and global business conditions to help U.S. firms expand and conduct business abroad. ITA has made much progress in expanding U.S. exports while supporting U.S. government foreign policy initiatives; both the Iraq and Afghanistan task forces have helped generate export sales in those countries while supporting the U.S. foreign policy goal of regional stability. By generating U.S. exports, ITA simultaneously supports the development of a stronger market-oriented economic system in areas of the world (Africa, Middle East), contributing both to U.S. economic goals and global stability.

Large portions of ITA’s resources are directed toward ensuring that U.S. SMEs, service industries, and manufacturers can compete and win in the global economy. ITA supports the President’s economic program of export expansion by reasserting leadership in international trade through negotiations, through compliance, and by seeking the removal of non-tariff trade barriers. ITA assists in the development of commercial infrastructure in target markets such as China, Turkey, and India.

The health of the U.S. economy depends on its SMEs. The US&FCS program’s mandate is to create an environment in which all U.S. firms, including SMEs, can flourish. In order to achieve this, the US&FCS program seeks to increase export opportunity awareness among U.S. companies by identifying potential exporters who need assistance, leveraging electronic and traditional media, centralizing relationships with customers, and developing alliances and partnerships to deliver export assistance. A unique global network of trade professionals located in more than 250 offices covering 80 countries and 47 states, plus Puerto Rico, capitalizes on high export areas identified by trade patterns and as stated in the TPCC’s National Export Strategy.
The US&FCS offers a large array of specialized products and services to assist U.S companies, especially SMEs. ITA's US&FCS has also initiated a rollout of revised product prices that will enable ITA to fully recover costs for specialized products and services in accordance with the Office of Management and Budget (OMB) requirements. Full implementation is pending the FY 2006 appropriation as the Senate mark instructed the Department not to move to full cost recovery.

US&FCS remains committed to opening and expanding foreign markets for U.S. goods and services and improving U.S. export performance. In FY 2005, the US&FCS continues its focus on several key program initiatives that have helped to boost the number of U.S. companies that win contracts and export. The President and Congress have mandated several of these initiatives. These initiatives are:

- The American Trading Center initiative reaches five additional large provincial markets in China.
- The Secretarial Standards Initiative incorporates training for the staff in the field to identify and help firms overcome standards barriers in international markets.
- The African Growth and Opportunities Act (AGOA) initiative expands US&FCS operations in sub-Saharan Africa.
- The Global Diversity and Rural Export Initiatives (GDI and REI) target traditionally under-served communities. GDI takes minority firms through a comprehensive export training course. Over 200 minority/women-owned firms have graduated from the course. The REI ensures better access to export-assistance programs for rural companies.
- The Business Information Center (BIC) initiative, through establishment of business centers for China and the Middle East located in Washington, D.C., provides current information and opportunities in these markets. The BICs are built on successful models established in Central and Eastern Europe and in the Newly Independent States.

ITA's customers are U.S. businesses. U.S. firms have expressed several needs for enhanced products and service offerings and service delivery capabilities from ITA to export more successfully in a fair trade environment. U.S. businesses want online customized information products and simplified access to ITA services. The success of ITA efforts depends upon effectively addressing the challenges faced by ITA's customers in foreign markets balanced with meeting the expectations and needs of its stakeholders.

ITA will continue to achieve its customer satisfaction strategies by providing high-quality services and customized solutions to help U.S. firms export and by providing services through a unique global network of knowledgeable professionals who put their clients first.

ITA continues its focus on e-commerce as a major channel to further U.S. exports. The scope of e-commerce influence is broad, covering market access, customs, services, government procurement, and other areas of export promotion. ITA’s e-commerce export promotion program has four main goals: helping small businesses use the Internet to find markets overseas, helping established U.S. IT companies to expand overseas, helping emerging economies make the transition to the digital age, and ensuring that both the Internet and foreign markets are open and accessible.

ITA will increase efforts to promote U.S. companies' bids in regions with higher e-commerce export potential.
The Census Bureau is currently releasing the *Survey of Business Owners - 2002*, formerly titled the *Survey of Minority-Owned Business Enterprises (SMOBE) - 1997*. MBDA will conduct longitudinal research and data analysis of this survey to address the growth and changes in minority business, specifically, the number of firms by ethnic category, gross receipts changes, the increase in jobs, the business participation rates of each minority group, and geographical movements in minority business. This data will provide special profiles and support future decisions by MBDA.

**CHALLENGES FOR THE FUTURE**

The opportunities of the worldwide economy will be available to those communities that focus on innovation, entrepreneurship, and cooperative regional approaches to economic development. Communities and regions need to adapt to this reality. Many will require outside assistance to do so.

The Base Realignment and Closure Plan announced in 2005 and the severe hurricanes of 2005 further add to the demand for tools such as the Economic Adjustment Program.

Changing economic, technological, and social conditions in the last decade have altered how international trade is conducted. This changing international trading environment presents U.S. exporters with numerous challenges and opportunities, such as domestic and international competitiveness; compliance with WTO accession requirements for nations like China; standards, currency, and intellectual property issues; as well as transparency and rule-of-law requirements.

MBDA will continue to meet its challenges by sustaining the overall return on program investment; provide staff and project training in collaboration with the Amos Tuck School of Business at Dartmouth; implement phase two of the Customer Relationship Management initiative; and Re-engineer the BDC technical assistance program to better serve high growth minority firms.
STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

TOTAL RESOURCES

This objective is important to the nation as it helps to ensure fair competition in international trade, advances U.S. national security and economic interests by enhancing the efficiency of the export control system, prevents illegal exports and identifies violators of export prohibitions and restrictions for prosecution, enhances the export and transit control systems of nations that lack effective control arrangements, and ensures U.S. industry compliance with the Chemical Weapons Convention (CWC) Agreement, and undertakes a variety of functions to support the viability of the U.S. defense industrial base.

The Department is working extensively with U.S. businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies. Appropriate actions are taken when violations have been identified. The Unfair Trade Practices Team in ITA’s IA tracks, detects, and confronts unfair competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions.

PERFORMANCE GOAL

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<thead>
<tr>
<th>Ensure fair competition in international trade (ITA)</th>
<th>STATUS*</th>
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<tr>
<td>Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system (BIS)</td>
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<tr>
<td>Ensure U.S. industry compliance with the Chemical Weapons Convention (CWC) agreement (BIS)</td>
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<td>Prevent illegal exports and identify violators of export prohibitions and restrictions for prosecution (BIS)</td>
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<td>Enhance the export and transit controls of nations seeking to improve their export control system (BIS)</td>
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*○ = MET (100%) ○ = SIGNIFICANTLY MET (75% - 99%) ○ = NOT MET (< 75%)
The Department continues to face the difficult balancing act of supporting necessary shifts in foreign policy and security goals while addressing viable opportunities to expand the U.S. market base. The Department's success in maintaining this balance stems from its ability to integrate efforts to support the President's commercial and foreign policy goals to promote freedom and liberty through free and fair trade while pursuing expanding profitable markets for U.S. goods and services. For this reason, the Department is readily working to reconstruct Iraq and Afghanistan, and to bring free trade to Africa and the Middle East.

The Department carries out this objective by administering the U.S. dual-use export control system. Dual-use items, subject to the Department's regulatory jurisdiction, have predominantly civilian uses, but could also have conventional military, weapons of mass destruction (WMD), and terrorism-related applications. The Department effectively administers the dual-use export system by: (1) writing and promulgating regulations, (2) processing license applications, (3) enforcing adherence to U.S. law and regulations, (4) conducting outreach to exporters, and (5) assuring the timely availability of industrial resources to meet national defense and emergency preparedness requirements.

1. The Department promulgates clear, concise, and timely regulations that set forth the license requirements for the export of dual-use items. Principal areas of focus include implementation of controls agreed to in the four multilateral export control regimes – the Australia Group (chemical and biological nonproliferation), the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Wassenaar Arrangement (conventional arms and dual-use goods and technologies) – as well as furthering other U.S. foreign policy interests, including sanctions policies, specifying which export licensing agency has jurisdictional authority for a given item, and clarifying the rights and obligations of U.S. exporters. In the development of regulatory policy, the Department consults with industry through six Technical Advisory Committees (TAC). The TACs provide valuable input regarding industry perspectives on trends in technology as well as the practicality and likely impact of export controls. In addition, the Department often publishes significant draft rules to give the exporting community an opportunity to comment before the regulations take effect.

2. The Department effectively and efficiently processes export license applications and related requests to enable U.S. companies to compete in the international market while ensuring that U.S. national security is protected and U.S. foreign policy is advanced. Processing time for licenses has declined over the last few years. In FY 2005, the average processing time was 31 days versus 44 days in FY 2003 and 36 days in FY 2004. For the small percentage of licenses (eight percent) that are not referred to agency partners, licenses were processed on average in eight days.

3. The Department investigates and prosecutes violators of the dual-use export laws and regulations. Export Enforcement Special Agents are sworn federal law enforcement officers with authority to make arrests, execute search and arrest warrants, serve subpoenas, and detain and seize goods about to be illegally exported. Investigations are initiated on information and intelligence obtained from a variety of sources and are conducted to objectively and thoroughly gather testimony and evidence of alleged or suspected violations of dual-use export control laws. The Department works closely with attorneys in the Department of Justice (DOJ) and the Office of Chief Counsel for Industry and Security to prosecute criminal and administrative cases. The Department conducts checks before licenses are issued to ascertain the bona fides of potential end-users, and after licensed commodities are shipped to ensure that the items are being used by the appropriate end-users in accordance with the license conditions. The Department conducts analysis to target these end-use checks where they can be the most effective, focusing on destinations where there is concern of diversion and on "chokepoint" technologies which would significantly advance the development of WMD or conventional weapons systems. The Department also conducts post-shipment verification (PSV) checks abroad to check for diversions of licensed goods and technologies.

4. The Department advances trade while promoting national security with an industry outreach program to facilitate compliance with U.S. export controls. In FY 2005, the Department conducted 39 seminars, including a major seminar in October 2004 with over 700 participants and three overseas programs. Seminars are developed to respond to a variety of exporter needs. Seminars
include one-day programs on the major elements of the U.S. dual-use export control system and intensive two-day programs that provide comprehensive presentation of exporter obligations under the Export Administration Regulations (EAR). Special topic seminars, such as exporter obligations, doing business with key trading partners, or key technologies, are also conducted. Over 100 outreach activities were conducted on deemed exports.

Project Guardian is a targeted enforcement outreach effort building on the Department’s established relationships with the U.S. export trade community. Guardian focuses on forming key industry partnerships to develop information and leads related to specific dual-use goods and technologies related to U.S. counter proliferation, counterrorism, or other export enforcement priorities which are known to be targeted for acquisition by hostile foreign entities. Guardian’s objectives are to identify goods and technologies targeted for hostile acquisition; share appropriate information with the manufacturers, shippers, and exporters of those goods/technologies; and solicit ongoing cooperation and assistance in identifying suspicious inquiries regarding those goods/technologies and pursuing significant investigations.

The Department also plays a role in defense preparedness under the Defense Priorities and Allocations System (DPAS). DPAS assures the timely availability of industrial resources to meet national defense and emergency preparedness program requirements and provides an operating system to support rapid industrial response in a national emergency. This also includes offering defense trade advocacy for U.S. industry, providing U.S. government certifications for U.S. industry participation in the North Atlantic Treaty Organization (NATO) Security Investment Program, assessing the impact of defense memorandum of understanding (MOU) and sales of excess defense articles on U.S. industry, evaluating the effects on national security of imports of certain items and foreign investments in U.S. companies, and assessing the viability of various sectors of the U.S. defense industrial base.

**Performance Goal: Ensure fair competition in international trade (ITA)**

*Help build a rules-based trading system in which international trade is both free and fair for U.S. firms and workers.*

ITA’s MAC program’s overall objectives are to obtain market access for U.S. firms and workers and to achieve compliance with trade agreements that the U.S. has signed with other countries. The IA program defends U.S. industry against injurious and unfair trade practices by administering the antidumping (AD) and countervailing duty (CVD) laws of the United States and enforcing other trade laws and agreements negotiated to address such trade practices.

ITA successfully completed 100 percent of AD/CVD cases on time in accordance with its statutory mandate. The number of AD/CVD cases completed on time is a reflection of the diligence of IA staff to complete its casework within the statutory timeframe. Domestic industry generates AD/CVD cases, and timeliness of case activity is a critical factor for delivering customer satisfaction. Timeliness of casework is also essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests. The stated target reflects management’s prioritization of adherence to statutory requirements. ITA must always complete these cases within the limits set forth in law.

ITA faces new demands as the international trade environment changes from year to year: new barriers are erected, the role of international organizations and alliances is strengthened, and other foreign regulatory measures are implemented that have a
negative impact on ITA exports. This performance measure assesses the extent of ITA’s efforts to monitor trade agreements, identify and initiate MAC cases on behalf of U.S. businesses, and work to their resolution. Market access cases arise from complaints received by ITA from U.S. companies experiencing overseas barriers to U.S. exports, which are not covered by trade agreements. Compliance cases rise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the U.S. and through monitoring efforts by ITA compliance officers.

ITA is in the vanguard of commerce to ensure fair competition by obtaining greater market access, and measures performance through concluded compliance cases. The number of MAC cases concluded is based on a number of cases processed by ITA where no further action by ITA is warranted, such as a case successfully resolved; complaint was groundless, i.e., no violation; industry decides not to pursue a complaint; case referred to USTR for consideration for formal dispute settlement resolution; or the problem cannot be resolved despite ITA efforts. ITA met its annual target. MAC concluded 85 market access and trade compliance cases.

Leveling the Playing Field by Removing Barriers that Hinder American Exporters

Free and fair trade is a two-way street that requires all parties to play by the rules. When the access of U.S. farmers, ranchers, workers, and businesses to foreign markets is thwarted by the failure of other governments to live up to their international commitments, the Department takes aggressive actions to remove barriers for U.S. exporters. The Administration regularly negotiates solutions to potential WTO cases and unfair trade practices that achieve timely and meaningful results for U.S. companies and workers and avoid drawn-out, costly litigation battles. The Administration’s tough, practical, problem-solving approach has helped level the playing field for U.S. manufacturers, innovators, and workers, as well as farmers and ranchers. Examples include:

- **Telecommunications.** Opening Korea’s closed telecommunications and wireless market to ensure that U.S. telecom companies and workers can continue to expand by selling their products in this important market.

- **Textiles.** Relaxing India’s burdensome import certification requirements on U.S. textiles exported to India.

- **Auto Parts.** Removing Mexico’s barriers to U.S. auto parts.

- **Patent Protection.** Settling ongoing IPR disputes with the Dominican Republic regarding patents and winning commitments for improved enforcement against piracy and counterfeiting.

- **Optical Media Protection in the Philippines.** Encouraging the Philippines to enact key legislation that will provide greater protection for the optical media industry. This legislation addresses piracy at a high level and is part of an ongoing effort to prevent piracy of U.S. intellectual property in the Philippines.

- **Updating Copyright Law in Uruguay.** Convincing Uruguay to revise its antiquated 1937 copyright law to address U.S. industry IPR losses estimated at $32 million annually.

- **Stopping Transshipment and Piracy in Paraguay.** Renegotiating an IPR Memorandum of Understanding with Paraguay to reduce transshipment, piracy, and counterfeiting challenges to U.S. industry.
Real Results Through Tough Policy Positions With China

The Department has advanced tough trade policy positions and utilized practical problem solving to level the playing field by improving access for U.S. exporters to China. As a result, China agreed to the following:

- **Soybeans and Cotton.** Reduce barriers and relax market constraints in the soybeans and cotton markets. As a result of U.S. negotiations with China, U.S. soybean exports reached an all-time high of $2.9 billion in 2003 and cotton exports were up 431 percent over 2002 and have already reached record levels ($1.3 billion) this year. China is the largest U.S. export market for both soybeans and cotton.

- **Wireless Standards.** A more open approach to developing Wireless Internet Standards in China, ensuring the free flow of information, and preserving competition for U.S. technology companies.

- **Advanced Telecommunications.** Support technology neutrality with respect to Third-Generation (3G) Mobile Phone Standards — preserving competition for U.S. telecom and equipment manufacturers.

- **Intellectual Property Rights (IPR) Protection.** Stricter enforcement and more severe penalties for piracy and counterfeiting of U.S. ideas and innovations. This includes the Department's pressing the Chinese to agree to a detailed action plan to address the piracy and counterfeiting of U.S. ideas and innovations, particularly through increased Chinese criminal penalties for violators.

- **Reducing Red Tape for Exporters.** Provide distribution rights to U.S. companies, which allow U.S. firms to engage in wholesaling and retailing U.S. products directly within China.

- **Express Delivery.** Preserve a growing market for U.S. express delivery service providers by eliminating regulations that would have protected Chinese providers.

- **Approval of Biotech Farm Products.** Reduce barriers on U.S. biotech soybeans, canola, and corn.

- **Opening Financial Services.** Reduce capital requirements for financial services and open the auto-financing sector to U.S. competitors.

- **Opening Insurance Services.** Change insurance regulations to make it easier for U.S. insurance companies to do business in China.
Performance Goal: Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system (BIS)

BIS regulates the export of dual-use items that are determined to require export licenses for reasons of national security, nonproliferation, foreign policy, or short supply; ensures that approval or denial of license applications advances U.S. economic and security interests; promotes the understanding of export control regulations within the business community; represents the Department in interagency and international fora relating to export controls, particularly multilateral regimes; monitors and seeks to ensure the availability of industrial resources for national defense under the authority of the Defense Production Act; and assesses the security consequences for the United States of certain imports.

BIS processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with EAR. An integral part of BIS’s mission is to facilitate compliance with U.S. export controls by keeping U.S. firms informed of export control regulations through an extensive domestic and foreign outreach program. BIS provides timely information to U.S. industry regarding the updating of export controls and compliance with EAR.

In FY 2005 BIS successfully promulgated 36 regulations that improved the ability of U.S. companies to compete internationally by streamlining export controls on less sensitive items while enhancing U.S. national security and furthering U.S. foreign policy interests by expanding export controls in key areas. Noteworthy regulations published include multilateral export control regime updates from 2004/2005 Plenary meetings, expanded license requirements for Australia Group controlled chemical/biological dual-use items to non-Australia Group members, revisions to licensing policy for exports to India, revisions to the rules for deemed exports “Technology Transfers to Foreign Nationals in the U.S.,” and a rule to lift certain restrictions on items used by U.S. persons in Libya.

BIS processed over 23,350 export license applications and related requests in FY 2005 benefiting exporting companies and industries, and in turn the U.S. economy, while protecting national security and foreign policy interests.

The basic BIS licensing program that establishes licensing policy, promulgates regulations, and applies the policy and regulations in evaluating and acting on license applications for export of dual use commodities largely accomplishes its fundamental objectives.

BIS is able to fully and effectively meet its responsibility for administering the dual-use export control system using current legal authorities. However, there would be benefits in securing comprehensive dual-use export control legislation. Thus, the Administration seeks a revised, reauthorized Export Administration Act (EAA) that will increase penalties, clarify outdated control requirements, further specify interagency licensing processes, and codify procedural rights of exporters.

The following are reviews conducted by the Government Accountability Office (GAO) and the IG related to this goal:

- Cruise missiles and unmanned aerial vehicles (UAV) pose a growing threat to U.S. national security interests as accurate, inexpensive delivery systems for conventional, chemical, and biological weapons. GAO recommended that BIS assess the adequacy of EAR end-user, or “catch all” controls in addressing missile proliferation and indicate ways in which such controls
might be modified to increase their effectiveness. BIS published a revision to the EAR that expanded missile catch-all controls to further address missile proliferation by non-state actors. The regulation strengthened the controls contained in section 744.3 of EAR. BIS also conducted a review of licensing transactions with respect to UAVs/cruise missiles. BIS identified those commodities, end-uses, and destinations requiring additional scrutiny for selection of PSVs.

◆ To comply with the National Defense Authorization Act’s (NDAA) FY 2004 requirement, the IG conducted an interagency review to assess whether the current deemed-export control laws and regulations adequately protect against the illegal transfer of controlled U.S. technologies and technical information by foreign nationals to countries and entities of concern. The IG determined that some areas of deemed-exports, such as the outreach program, are working well, and acknowledged the steps BIS has taken to strengthen the rest of the program. BIS has also been considering revisions to the deemed export rules and soliciting comments on the IG recommendations.

◆ In March 2005, the IG released a report on its review of the export licensing process for chemical and biological commodities. The IG said the process is generally working well, but made several recommendations, including improvements in the licensing process, timely publication of Australia Group control list updates, control of certain items on the Animal and Plant Health Inspection Service (APHIS) select agent list, and interagency coordination on Australia Group matters. BIS has already completed action on three of the 11 recommendations.

**Performance Goal: Ensure U.S. industry compliance with the Chemical Weapons Convention (CWC) agreement (BIS)**

BIS collects, validates, and aggregates data declarations from U.S. companies that produce, use, or trade certain toxic chemicals and related precursors in quantities above thresholds established by the CWC. BIS hosts international inspections at U.S. companies conducted pursuant to CWC inspection provisions. BIS also provides outreach and assistance to U.S. companies to prepare them for possible inspection and apprise them of their treaty rights and obligations.

BIS successfully conducted 12 CWC site assistance visits (SAV) in FY 2005. During SAVs, BIS helps companies comply with CWC regulations and helps companies develop measures to protect confidential business information. None of the companies receiving a SAV were selected for inspection by the Organization for the Prohibition of Chemical Weapons (OPCW) in FY 2005.

BIS has worked closely with the Department of State to address shortcomings in overall treaty implementation, particularly State Party compliance with the CWC requirements to establish penal legislation criminalizing chemical weapons, establish a National Authority, and enact administrative measures to collect industry declarations and host industry inspections. On behalf of the Department of State and government of Romania, BIS drafted and distributed an Implementation Assistance Program (IAP) to promote universal compliance with these requirements and developed and hosted an IAP-dedicated Web site. In coordination with Department of State and OPCW Technical Secretariat officials, BIS representatives conducted assistance visits with States Parties in Africa, South America, and Asia in FY 2005 in support of the IAP. BIS also developed the concept paper for establishing State Party guidelines for CWC compliance assessments by November 2005. A U.S. government paper incorporating these concepts was distributed to OPCW States Parties by the Department of State in June 2005.
BIS did not conduct any implementation activities, (e.g., issuing regulations, collecting declarations, hosting inspections, conducting assistance visits) related to the International Atomic Energy Agency (IAEA) Additional Protocol to the Safeguards Agreement in FY 2005, since the implementing legislation has not yet been passed. However, BIS drafted forms, including forms on behalf of the Nuclear Regulatory Commission (NRC), for U.S. industry use in compiling and submitting declarations to BIS, and provided them to select companies for testing purposes. BIS also compiled a list of abandoned uranium mines that will be subject to declaration under the Additional Protocol upon entry into force, thereby avoiding the need for a data call to industry upon issuance of final regulations. BIS also completed the development of an Additional Protocol Reporting System that will process industry declarations, including those subject to NRC jurisdiction, and will compile interagency data into a combined U.S. national declaration for transmission to the IAEA.

Performance Goal: Prevent illegal exports and identify violators of export prohibitions and restrictions for prosecution (BIS)

BIS’s enforcement efforts focus on sensitive exports to hostile entities or those engaged in onward proliferation, prohibited foreign boycotts, and related public safety laws. In the area of dual-use exports, BIS gives top priority to investigations and enforcement actions involving the proliferation of WMD, terrorist activities, significant exports to state sponsors of terrorism, and dual-use exports destined for unauthorized military / government uses.

BIS engages in activities to prevent violations before they occur and to investigate and prosecute violators to dismantle illicit proliferation networks and deter future violations. Preventive activities include screening license applications for enforcement concerns; conducting end-use checks abroad to confirm the bona fides of parties to export transactions, confirm compliance with license conditions, and uncover diversions to unauthorized end-users/uses; and reviewing Shippers Export Declarations and foreign visitors’ visa applications to identify potential export issues. Outreach activities include educating U.S. businesses on export control requirements and identifying suspicious transactions leading to successful preventative and investigative actions. Investigation and prosecution activities involve BIS Special Agents conducting cases focused on significant proliferation, terrorism and military end-use export violations, and the vigorous pursuit of criminal and administrative sanctions.

In FY 2005, BIS completed 583 investigative actions that resulted in the prevention of a violation and cases which resulted in a criminal and/or administrative prosecution. These actions resulted in 31 convictions for criminal export violations and the imposition of $7.7 million in criminal fines and the assessment of $6.8 million in administrative penalties. BIS enhanced its enforcement capabilities by implementing new procedures to focus enforcement activity on the most significant violations, reduce aging case inventories, and strengthen interagency partnerships; and implementing a new, focused outreach program to U.S. businesses manufacturing and exporting specific goods and technologies targeted for hostile foreign acquisition. In FY 2005, BIS completed over 500 PSVs, a form of end-use check to confirm export license conditions are complied with and identify any unauthorized diversions, and is working to enhance end-use checks by expanding regional responsibilities of BIS Export Control Officers overseas.
As a part of its deemed export review, the IG recommended that BIS implement a program to verify compliance with deemed export licenses issued. BIS conducted its first pilot verification check of a deemed export license holder, and is finalizing the development of this program for implementation.

BIS also expanded its role in the Proliferation Security Initiative (PSI), an interagency, multilateral effort to prevent illicit trafficking in WMD materials. BIS successfully coordinated with PSI partners to interdict two shipments of WMD materials destined to restricted destinations and is actively pursuing two investigations of potential criminal and administrative violations based on those shipments.

In addition to dual-use export controls, BIS enforces the antiboycott provisions of the EAR. Implemented to support countries friendly to the U.S. and eliminate impediments to the U.S. economy, the antiboycott regulations direct U.S. businesses not to participate in foreign boycotts that the United States does not sanction. As well as investigating criminal and administrative violations of the antiboycott regulations, BIS actively supports the State Department’s efforts to dismantle Arab governments’ boycott of Israel. BIS provides guidance to the exporting community regarding the antiboycott regulations through public outreach and its telephone and e-mail advice line.

The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction issued its report to the President on March 31, 2005. The Commission specifically sought out BIS input in its deliberations, and took particular note of the Department’s significant role in U.S. counter proliferation efforts and its contributions to the intelligence community’s efforts. The Commission praised BIS for its efforts in thwarting WMD networks; recommended giving BIS stronger law enforcement powers through renewal of the EAA; and urged the Intelligence Community to take advantage of BIS’s unique role in export controls.

**Performance Goal: Enhance the export and transit controls of nations seeking to improve their export control system  (BIS)**

Through a series of bilateral cooperative activities co-sponsored with the State Department, BIS helps the nations that it works with to: (1) develop the procedures and requirements necessary to regulate the transfer of sensitive goods and technologies, (2) enforce compliance with these procedures and requirements, and (3) promote the industry-government partnerships necessary for an effective export control system.

BIS assists in implementing the Department’s international activities by: (1) coordinating and managing BIS participation in the U.S. government’s Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective systems that are identified as potential locations for export transshipment or transit of WMD materials; (2) coordinating and managing BIS participation in the Export Assurance and Security Assistance (EXBA) program, which provides technical assistance to nations that have identified weaknesses in their export control systems; and (3) working with the Department’s Office of Economic Analysis to ensure that information and data on the export of controlled goods and technologies is accurate and complete.

**Number of Reported Results**

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<tr>
<th>Below Target</th>
<th>Slightly Below Target</th>
<th>On Target</th>
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<td>0</td>
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See Appendix A: Performance and Resource Tables for individual reported results.
nuclear, chemical, biological, or radiological weapons; missile delivery systems; or the commodities, technologies, or equipment that could be used to design or build such weapons or their delivery systems; (2) preparing input for reports and other information on BIS international cooperative programs; (3) representing the Department in ongoing interagency dialogues on international export control assistance programs and other international nonproliferation and export control issues; and (4) providing policy and implementation support for the Office of the Under Secretary for international dialogues and activities.

BIS successfully remedied 40 deficiencies in the national export control systems of countries receiving technical assistance under the EXBS program. Some highlights include: Kazakhstan and Romania passed legislation to improve their respective export control legal frameworks and bring them up to international standards; Armenia adopted a national control list that meets international standards; and more than 170 Russian customs officials from more than 70 customs posts, ports, airports, and other customs entities were trained in use of the Product Identification Tool (PIT). This tool helps customs officials identify dual-use items by sight to better monitor which products require a license and which do not. Cyprus, Turkey, and Kazakhstan made high-level commitments to work with BIS to develop and deploy an indigenous version of the PIT and to train their respective customs officials. BIS conducted industry awareness programs and deployed Internal Control Program software tools in over 400 Russian, Ukrainian, Romanian, and Kazakh enterprises.

BIS initiated an upgrade of the Performance Tracking and Results System (PTRS). New PTRS capabilities will include the ability to track program failures as well as successes and will enable the user to more easily determine the cost associated with remediing a particular deficiency in a program country’s export control system. PTRS is an electronic repository of technical exchange information and supporting documentation related to each country’s performance in developing an export control system.

STRATEGIES AND FUTURE PLANS

ITA will expand its analytical infrastructure to support timely and accurate assessments of: (1) the impact on U.S. industries of the growth of regional trade pacts, and (2) the impact of major competitors exporting their discriminatory technical regulations to third markets in the developing world; develop strategies to support bilateral and multilateral trade negotiations that prevent the adoption of discriminatory international standards and regulations against U.S. products; work closely with foreign governments and regulatory officials in developing strategies that address regulatory barriers, head off potentially harmful regulations, and help shape good regulations and standards; monitor economic data from U.S. global competitors and vigorously investigate evidence of unfair subsidization and production distortions; identify legal remedies available to counter unfair trade practices and ensure that they are eliminated, rather than leave these small and medium-sized manufacturers in the United States with costly trade litigation; and focus and sharpen expertise on China through the recently created China Compliance office in IA. This effort devotes more resources and dedicated experts to China for compliance issues.
BIS continues to refine U.S. export controls in light of geopolitical and global market realities. BIS also seeks to enhance the effectiveness of the EAR by educating exporters and other stakeholders in the export licensing process, thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.

BIS conducts outreach and educational programs to train U.S. exporters and foreign customers to identify and avoid illegal transactions. In FY 2005, BIS conducted 39 outreach programs. BIS conducted outreach programs in countries such as India, South Korea, and Singapore. In addition, BIS works with its foreign counterpart agencies to encourage other governments to implement enforcement measures to complement BIS's export enforcement efforts. BIS unveiled an outreach program that includes a new standardized outreach presentation, increased solicitation of industry feedback via surveys, and new outreach tools. Informative feedback from industry is being used to better target the critical issues that are of interest to industry. The standardized presentation will be given to industry representatives in order to educate them on BIS's enforcement activities. In addition, all BIS agents have been trained on delivering this presentation and will be reaching out to new audiences that have little experience in the export control arena.

Strong enforcement of U.S. export regulations is critical to protect U.S. national security interests. BIS will continue to focus on preventing, investigating, and prosecuting the most significant export violations involving proliferation, terrorism, and military end-uses. Focused partnerships with U.S. businesses will be maintained regarding specific goods and technologies sought for hostile acquisition, and the deemed export compliance program will be finalized and implemented.

One of BIS's primary roles in CWC activities is to ensure that confidential business information is protected during inspections of U.S. firms. In addition, with the ratification by the U.S. Senate of the Additional Protocol to the IAEA Safeguards Agreement, BIS will serve as the lead U.S. government agency in U.S. industry's compliance and will be required to carry out responsibilities similar to those imposed under the CWC. This responsibility includes facilitating domestic visits of international inspection teams to determine compliance with the multilateral treaty obligations by covered U.S. facilities and informing industry of its obligations under the treaty. Industry SAVs prepare covered facilities to receive a team of international inspectors.

U.S. national security interests can also be jeopardized if sensitive materials and technologies from other nations reach countries of concern or terrorists. For this reason, BIS's strategy includes promoting the establishment of effective export control systems by other nations.

Challenges for the Future

Implementing an export control system that advances U.S. national security, foreign policy, and economic objectives in a dynamic technology and geopolitical environment.

Strengthening the legal foundation of the dual-use export control system. The EAA lapsed on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp 783 (2002), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (FR 45273, Vol. 70, 150, of August 5, 2005) continues the regulations in effect under the International Emergency Economic Powers Act (IEEPA). While BIS effectively exercises its authority under IEEPA, the legal foundation for the dual-use export control system can be strengthened. The Administration has vigorously advocated a streamlined and strengthened export control system that effectively promotes both U.S. national security and U.S. economic
interests. To address this challenge, the Department continues to work with congressional members and staff on export control reforms that enhance the Department’s ability to facilitate legitimate global trade while reducing illicit traffic in dual-use items and targeting export control resources on transactions of greatest risk.

Processing export license applications and related tasks promptly and accurately. In light of evolving technologies and increasing globalization, and new threats, BIS continues to strengthen its internal processes, develop enabling technologies, and work with other license application reviewing agencies to ensure that the process is effective and efficient. BIS also continues to seek to enhance its ability to ensure that U.S. exporters and foreign customers have ready and timely access to regulatory and policy changes. BIS will expand efforts to help key transshipment countries prevent the diversion of dual-use items through their ports. Finally, BIS continues to refine enforcement targeting to ensure investigation and prosecution of the most significant dual-use export and antiboycott cases.

Controlling the most sensitive technologies. BIS is continually faced with the challenge of updating technology controls to reflect the current state of technology. BIS will continue to quickly update the Commerce Control List to reflect changes in the multilateral export control regimes to ensure controls do not burden U.S. industry with outdated controls. BIS is developing and plans to implement in the near future a new metric to identify the most sensitive high performance computers. This effort will include obtaining multilateral agreement on a new metric and revising the EAR to reflect the agreed-upon interagency metric. The new metric is needed to more accurately identify the most sensitive high performance computers. To meet this challenge FY 2006 budget priorities include funding for an office to monitor and assess technology developments.

Implementing U.S. export control policy to reflect geopolitical developments. Dual-use export controls must reflect geopolitical developments and new partnerships as they evolve. For example, in late 2003 Libyan commitments to dismantle their WMD programs prompted revisions to dual-use export controls. As the situation with Libya further develops through 2005 and 2006, BIS will be challenged with how best to respond to these developments. In July 2005 India and the United States concluded the Next Steps in Strategic Partnership and formed a new partnership in several areas, including civilian nuclear cooperation. BIS will again be faced with the challenge of responding to these developments with revisions to dual-use export controls.
**STRATEGIC OBJECTIVE 1.3**

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

### TOTAL RESOURCES

<table>
<thead>
<tr>
<th>Fiscal Dollars (Dollars in Millions)</th>
<th>FTE Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2002</strong></td>
<td><strong>FY2003</strong></td>
</tr>
<tr>
<td>$866.2</td>
<td>$921.2</td>
</tr>
</tbody>
</table>

1 FTE — Full-Time Equivalent

This objective is important to the nation’s economic well being in that it serves to meet the needs of policymakers, businesses and non-profit organizations, and the public for current measures of the U.S. population, economy, and governments, while respecting individual privacy, ensuring confidentiality, and reducing respondent burden. It also seeks to promote a better understanding of the U.S. economy by providing timely, relevant, and accurate economic data in an objective and cost-effective manner.

The Department’s statistical programs and services are widely used by policymakers, business leaders and the U.S. public. As a primary source for measures of macroeconomic activity, the Department provides the nation with the picture of its economic health.

### PERFORMANCE GOAL

<table>
<thead>
<tr>
<th>Number of Reported Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Target</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

See Appendix A: Performance and Resource Tables for individual reported results.

<table>
<thead>
<tr>
<th>PERFORMANCE GOAL</th>
<th>STATUS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)</td>
<td>✅</td>
</tr>
<tr>
<td>Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost–effective manner (ESA/BEA)</td>
<td>✅</td>
</tr>
</tbody>
</table>

* ✅ = MET (100%)  🟢 = SIGNIFICANTLY MET (75% - 99%)  ⚫ = NOT MET (< 75%)
APPENDIX A: PERFORMANCE AND RESOURCE TABLES

Performance Goal: Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)

Census Bureau collects and disseminates a wide range of current demographic and economic information and provides benchmark measures of the nation’s economy and population to help decisionmakers and the public make informed decisions.

ESA's Census Bureau produces both current statistics and benchmark measures to help decisionmakers, businesses, and the public to make informed decisions. Current surveys and statistics programs provide current measures of the U.S. economy and population.

The current economic statistics program provides public and private data users with annual national statistical profiles for every sector of the U.S. economy. In FY 2005 The Census Bureau released over 300 reports with information on retail and wholesale trade and selected service industries; construction activity; quantity and value of industrial output; capital expenditure information; e-commerce sales; foreign trade; and state and local government activities.

The current demographic statistics programs provide accurate, timely, and efficient information on the social and economic condition of the population. These programs include:

- The Current Population Survey (CPS) provides monthly information on labor force characteristics and provides official government estimates of annual data on work experience, income, migration, and school enrollment.

- The Survey of Income and Program Participation (SIPP) is the major source of information on the economic well-being of Americans over-time. The data are used to estimate future costs and coverage for government programs and to provide detailed statistics on the distribution and source of income in the United States.

- The Survey of Program Dynamics (SPD) provides sub-national estimates of poverty and receipt of government assistance; and the State Children's Health Insurance Program (SCHIP) provides state-based estimates of health insurance coverage of children.

Targeted response rates, which are a measure of the quality of survey data, were successfully achieved for the demographic surveys. Data products for SIPP, CPS, and the American Housing Survey (AHS) were released as scheduled.

The Census Bureau’s cyclical programs provide the foundation for critical national, state, and local data. These include the Economic Census and Census of Governments, which are conducted every five years, Intercensal Demographic Estimates, Demographic Surveys Sample Redesign (DSSR), and the Decennial Census Program.

The Economic Census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The data help build the foundation for GDP and other indicators of economic performance. The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments.
During FY 2005, the Census Bureau released 883 geographic area series reports from the 2002 Economic Census, two reports from the 2002 Survey of Business Owners, and preliminary data from the 2002 Business Expenses Survey. In addition, detailed project plans were developed for conducting both the 2007 Economic Census and Census of Governments.

The Intercensal Demographic Estimates program provides updated estimates of the United States population for the country, states, counties, cities, and townships in the years between the decennial censuses.

The DSSR program provides improved sampling methodologies, and updated samples of households, based on the most recent census information, for major recurring household surveys conducted by the Census Bureau. Census 2000-based samples were released, as planned and on schedule, for several demographic surveys.

The re-engineered 2010 Decennial Census Program is designed to improve the relevance and timeliness of census long-form data, reduce operational risk, improve the accuracy of census coverage, and contain costs. The program is made up of three integrated components:

- The American Community Survey (ACS), which collects and tabulates long-form data every year throughout the decade using a large household survey. The ACS was successfully expanded to its full national sample size. The target response rate was successfully achieved and data products were released as scheduled.

- The MAF/TIGER\(^1\) Enhancement Program to modernize geographic resources and systems by enhancing and improving the Census Bureau's MAF/TIGER. TIGER features have been brought into global positioning system alignment for an additional 623 counties.

- The planning, development, and testing of short-form only census in 2010 that builds on opportunities made possible by the ACS and MAF/TIGER efforts. Critical testing and preparatory efforts for the 2010 Census were completed, including evaluations of the 2004 Census Test, preparations for the 2005 National Census Test, and design requirements and early operations for the 2006 Census Test.

The data used to evaluate the effectiveness of performance goal achievements are reviewed on a quarterly basis. In response to GAO and Office of Inspector General (OIG) requirements, the Census Bureau has also implemented an on-going internal review process, which involves collecting detailed data from programs in support of each performance goal, measure, and target. The purpose of these reviews is to validate the data and ensure that all programs have verifiable processes in place to collect, store, and calculate all performance information reported in the Annual Performance Plan (APP) and the Performance and Accountability Report (PAR). Based on Census Bureau analysis and review, the Department can attest to the accuracy and reliability of the data used to report performance results.

\(^1\) Master Address File/ Topologically Integrated Geographic Encoding and Referencing system.
Performance Goal: Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)

ESA’s BEA produces some of the nation’s most important economic statistics, including the GDP, the broadest measures of economic activity. BEA produces economic statistics for four major program areas:

- National Economic Accounts produces GDP, personal income and outlays, corporate profits, and capital stock estimates.
- Industry Accounts produces GDP by industry, input–output estimates, capital flow, and U.S. travel and tourism accounts.
- International Accounts produces U.S. balance of payments accounts, international trade in services, international investment position, foreign direct investment, and the operation of multinational companies.
- Regional Accounts produces gross state product, state and local personal income, and regional multipliers.

BEA draws on the data collection and analyses conducted by the Census Bureau, Bureau of Labor Statistics, Internal Revenue Service, Federal Reserve, and others to produce over 50 public data releases a year. By pulling together a diverse set of statistics ranging from profits to retail sales and other indicators collected by the Census Bureau and other statistical agencies, BEA provides a comprehensive and integrated measure of U.S. economic activity. These economic measures are used by policymakers, business leaders, and the U.S. public to make decisions on economic matters that are critical to the efficient operation of the U.S. economy. Without them, the nation would have no objective sense of the direction or magnitude of U.S. economic activity and would be unable to provide the government or the public with a picture of its economic health.

Measures such as the GDP, U.S. and local personal income, international trade in goods and services, and gross state product are important components to the work of government, business, academia, and other organizations. Some specific public benefits of BEA measures:

- OMB, Congressional Budget Office, Council of Economic Advisors, and the Department of Treasury use trend GDP to calculate federal budget projections.
- Federal Reserve uses real GDP and wage inflation to help set monetary policy.
- Federal programs, such as Medicaid, Foster Care, and State Children’s Insurance Program, use BEA’s state personal income estimates to allocate over $190 billion in federal funds.
- State and local budget offices use quarterly state personal income to estimate revenue and expenditure projections.
- U.S. trade officials use trade and other international account statistics to develop trade policy and assist in trade negotiations.
BEA has worked in the past year to make these critical measures more accessible to all users and to ease the burden of response to BEA’s international surveys. In FY 2005, BEA significantly increased the accessibility and level of detail of its economic estimates. A new search engine and e-mail delivery service for its major releases was initiated, additional interactive tables on www.bea.gov were launched, and historical data were provided. During FY 2005, BEA also completed implementation of its electronic reporting system that allows all survey respondents to report online, thereby reducing their burden and improving data quality.

BEA has modernized its statistical processing systems and take on challenges such as accelerating the release of a number of major economic accounts. During FY 2005, BEA achieved a number of important data improvement goals, including:

- Improved estimates of banking, software prices, and housing.
- Continued work on research and development (R&D) satellite account.
- Provided historical GDP-by-industry estimates on NAICS (North American Industrial Classification System) basis.
- Accelerated local area industry data and prototype gross state product estimates.
- Expanded electronic survey collection.

BEA has met all six of its FY 2005 performance targets, thereby providing the U.S. public with a reliable source of accurate and comprehensive economic data. BEA has met each of its targets for all three of its long-term performance measures for the past three years. These long-term measures – reliability of release, customer satisfaction, and percent of GDP estimates correct – track the core attributes of BEA’s mission. Three budget-related measures, which are tied directly to specific budget initiatives, monitor BEA’s performance toward achieving the projects for which funds were provided. BEA has accomplished all the major milestones defined in the BEA Strategic Plan related to these budget initiatives; thus meeting the performance targets.

BEA programs are evaluated through a variety of means. OMB has evaluated BEA twice in as many years using the Program Assessment Performance Tool (PART). In FY 2002 and FY 2003, BEA was awarded the highest rating of effective and was ranked within the top five percent of all federal programs reviewed. BEA also conducts an annual survey of its users to monitor their satisfaction with BEA products and services. For three years running, customers of BEA products and services have indicated high levels of satisfaction. A certification and accreditation review of BEA’s security plans was performed by the Department’s Office of IT Security and given a green light.

The BEA 5-year Strategic Plan is the most important evaluation of BEA programs and performance. The Strategic Plan is a detailed operating plan that guides BEA’s planning with more than 160 detailed milestones per year. Managers are responsible for ensuring that the milestones are met as they feed directly into the performance measures and budget requests of the Agency.

Twice a year, the blue-ribbon 13-member BEA Advisory Committee meets publicly to review and evaluate BEA statistics and programs. The Committee advises the Director of BEA on matters related to the development and improvement of BEA’s national, regional, industry, and international economic accounts, especially in areas of new and rapidly growing economic activities. The committee also provides recommendations from the perspectives of the economics profession, business, and government.
STRATEGIES AND FUTURE PLANS

The Census Bureau strives to provide accurate, timely, and useful information to users in the most cost-effective manner while honoring privacy, protecting confidentiality, and conducting work openly. For the 2010 Census, the Census Bureau plans to award two contracts next year for capturing and integrating response data and for automating data collection in the field. Census Bureau economic data related to this goal allow users to gauge competition, calculate market share, locate business markets, locate distributors, design sales territories, prepare operating ratios, and analyze change in the nation’s economic structure. Likewise, cost-effective and relevant demographic data provide accurate information to decisionmakers so that funds can be allocated appropriately to the U.S. public.

The Census Bureau will continue to review performance data on a quarterly basis to ensure that they are meeting the Department’s goals. Work will continue in the area of data validation and verification to ensure accuracy and relevancy of reported performance information.

Census Bureau economic benchmark data are the foundation of the nation’s economic statistics programs. They provide core information on virtually all non-farm businesses and related data on business expenditures, commodity flows, minority and women-owned businesses, and other topics. The Census Bureau plans to enhance the 2007 Economic Census to ensure the usefulness and relevance of the programs; improve the timing of respondents, especially for large companies; increase response rates; improve internal processing efficiency; and improve the timeliness of statistical products.

The multi-year effort to re-engineer the census will allow the Census Bureau to meet the nation’s ever-expanding needs for social, demographic, and geographic information by improving the relevance and timeliness of census long-form data, reducing operational risk, improving accuracy of census coverage, and containing costs. The strategy is to accomplish that through the use of the ACS, enhancements to the MAF and geographic database (TIGER), and the short-form only 2010 census.

BEA conducted extension outreach to its user communities in order to better understand their statistical needs. As part of the annual updates to the BEA 5-year Strategic Plan, BEA provides all its stakeholders and users an opportunity to review the 5-year plan and make recommendations. In addition, BEA senior staff have participated in conferences and meetings to share the priorities and changes at BEA in order to help users understand improvements and to get feedback on their priorities.

During 2005, BEA began a series of user conferences to invite data users into BEA and help educate them on the proper uses of BEA's economic accounts as well as provide them with access to senior BEA staff. In July of 2005, BEA jointly sponsored an important conference with the U.S. Chamber of Commerce in which leaders in business and the public sector came together to share their insights and priorities for the nation’s economic accounts.
All this feedback is used by BEA senior staff to develop future plans announced in the BEA 5-year Strategic Plan. This plan is updated annually through a series of internal account meetings and a senior staff retreat. At the retreat, a review of the past Strategic Plan is conducted and a report of the successes of meeting the announced milestones is prepared and made public. Senior staff also set the directions and priorities for the agency for the next year and next five years. The directions and priorities are set out in the updated plan, which is made available to the public for comment. Through this process, BEA is able to clearly define a path that reflects the needs and interests of the U.S. public.

**CHALLENGES FOR THE FUTURE**

Given the major changes in overall design and methodology, the efforts involved with reengineering the 2010 Decennial Census Program will continue to present a significant management challenge for the Census Bureau and Department of Commerce.

The Census Bureau continues to address the significant management challenges of meeting user demands for reliable data, obtaining and maintaining targeted response rates for the various surveys conducted, and continuing to maintain respondent confidentiality.

BEA faces three major challenges in the near future. To tackle them, BEA has developed a detailed, public plan in its Strategic Plan for FY 2005 – FY 2009. The three major challenges facing BEA are:

*Measuring a constantly changing economy.* The U.S. economy is in constant flux. BEA is challenged to understand the structural changes in the economy, improve measurement methodologies, and locate and incorporate data sources to capture the changes. Its challenge is to continue to keep pace with these changes in order to provide the nation with the most timely, relevant, and accurate economic statistics possible.

*Integrating federal economic accounts.* The demand for greater consistency between the various economic accounts in a decentralized statistical system is growing among users of federal economic statistics. The federal agencies responsible for the production of U.S. economic accounts must continue working together to integrate the accounts by harmonizing definitions, methodologies, and analytical techniques in order to provide consistent estimates to users.

*Building and developing a skilled workforce.* BEA is its people. The quality of BEA statistics is dependent on the knowledge and skills of its staff. With the increasingly complex and changing economy, the demands on BEA staff to be at the leading edge of economic change and provide for innovative solutions to measurement are increasing. BEA must continue to prepare its employees for these challenges.