



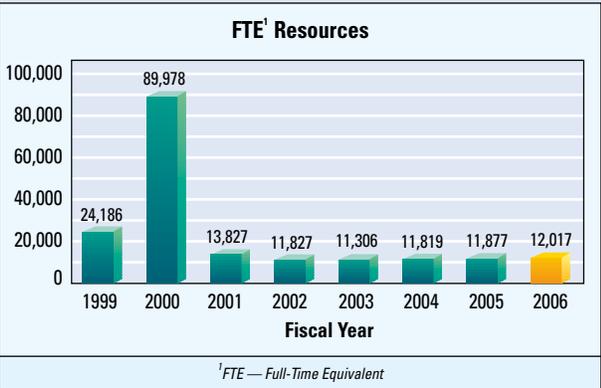
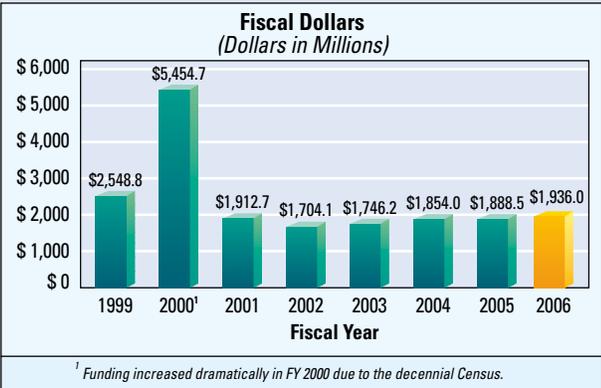
STRATEGIC GOAL 1 \* PERFORMANCE SECTION



STRATEGIC GOAL 1

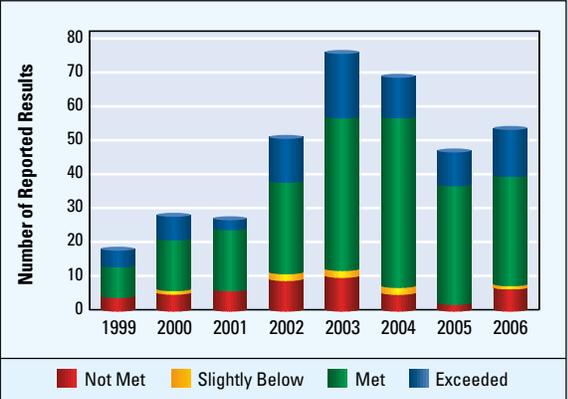
Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

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.

STRATEGIC GOAL 1 PERFORMANCE RESULTS



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



**PERFORMANCE SECTION \* STRATEGIC GOAL 1**

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ensures that export controls do not place U.S. firms at a competitive disadvantage in world markets by eliminating outdated controls and streamlining the process for obtaining export licenses for products that remain under export controls.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. The Department is at the forefront of national efforts to continually improve these statistics. Through the Census Bureau, the Department is planning a re-engineered Decennial Census, which will use technology and automation to increase the accuracy and reduce the risk of this core constitutional responsibility. The Department seeks to understand the strength and direction of the economy as well as the determinants of growth as the nation shifts to more knowledge-based and skill-based industries. Through investments in the improvement of the accuracy of gross domestic product (GDP) and international trade in goods and services measures by the Bureau of Economic Analysis (BEA), the Department can supply the economic statistics essential to sound business forecasting and monetary policy.

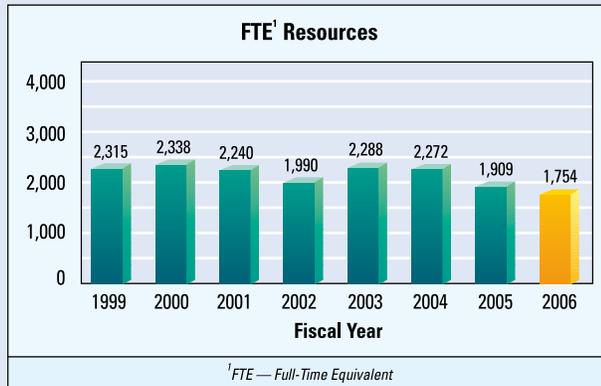
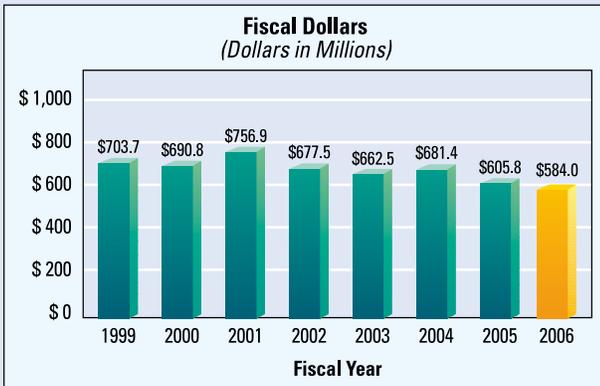
In support of disadvantaged individuals and communities, the Department, through the Economic Development Administration (EDA), promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment.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

STRATEGIC OBJECTIVE 1.1

**Enhance economic growth for all Americans by developing partnerships with private sector and non-governmental organizations**

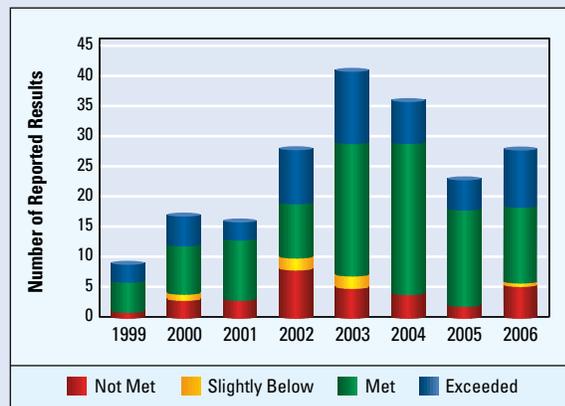
STRATEGIC OBJECTIVE 1.1 TOTAL RESOURCES



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

EDA provided a \$1 million investment to the Precision Manufacturing Institute in Meadville, PA to support renovations of space for the Edinboro-PMI Technology and Education Center.

STRATEGIC OBJECTIVE 1.1 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Increase private enterprise and job creation in economically distressed communities (EDA)	●
Improve community capacity to achieve and sustain economic growth (EDA)	●
Enhance U.S. competitiveness in domestic and international markets (ITA)	●
Broaden and deepen U.S. exporter base (ITA)	●
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	●

\* ● = MET (100%)   ● = SIGNIFICANTLY MET (75% - 99%)   ● = NOT MET (< 75%)   ● = NOT APPLICABLE



**PERFORMANCE SECTION \* STRATEGIC GOAL 1**

The Center's programs focus on high-end technical training for the robotics and nanotechnology businesses, which benefit from the positive impacts on efficiency and productivity that result from their employees' increased knowledge and ability to apply these new technologies. The region's underemployed and unemployed are provided training opportunities making them eligible for the high skill, high wage jobs that are being created. Participants will be offered training on critical skill sets needed within the industry and region. The Center allows manufacturers and workers to adopt new technologies and production techniques required to compete in a global economy. The Center staff estimates that approximately 400 jobs will be created or retained, and \$20 million in private investment will be leveraged as a result of the EDA investment.

An EDA investment in the city of Tupelo, MS assisted in the construction of a multi-story, 31,609 square foot, small business incubator was completed in November 2006. The Tupelo/Lee County Regional Business Incubator project will provide area entrepreneurs and existing businesses with an opportunity to obtain the working space, specialized technical assistance, and peer support their business endeavors need to succeed during the difficult early stages of development. EDA's investment of \$1.625 million is anticipated to leverage \$9.2 million in private investment and is projected to create 281 new jobs and 36 new businesses by the end of the start-up cycle. Another EDA investment in Worcester, MA will aid the city's declining Piedmont-Main neighborhood, a minority area in need of development. The Martin Luther King, Jr. Business Empowerment Center (MLKJ-BEC) project involves the rehabilitation of a 42,224 square foot facility, which will complete the transformation of the building from a vacant former envelope warehouse into a modern, clean incubator for small businesses and aspiring entrepreneurs. It is estimated that at least 25 new small businesses and 60 new jobs will be created as a result of the MLKJ-BEC and at least \$5 million in private investment will be leveraged.

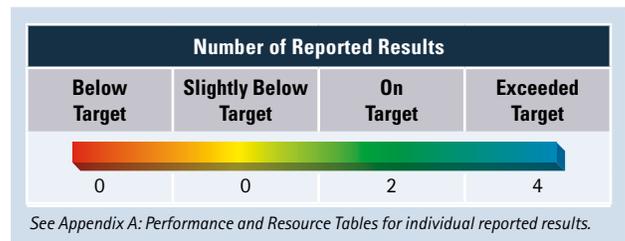
EDA's capacity-building programs include Partnership Planning, in which EDA designates and funds Economic Development Districts (EDD). EDD funding supports local officials to develop or revise and implement their Comprehensive Economic Development Strategy (CEDS). The CEDS is a long-term strategic plan for the economic growth of the region, and communities therein, that identifies projects that will attract private investment, and create and retain higher-skill, higher-wage jobs, particularly for the unemployed and underemployed in the nation's most economically distressed regions. For example, the Southern Five Regional Planning District and Development Commission in Illinois used the CEDS to identify and subsequently fund 131 new initiatives, of which 15 were related to infrastructure, 14 to building construction and rehabilitation, and 60 to technical assistance efforts.

***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 1997, FY 2000, and FY 2003 indicate that these EDA investments have helped generate more than \$4.94 billion in private sector investment and create and retain 105,206 jobs.

The private investment targets for FY 1997 were \$1,162 million after nine years, \$102 million after six years for FY 2000, and \$320 million after three years for FY 2003. Data reported in FY 2006 show that EDA was 201 percent, 104 percent, and 522 percent of the respective targets. In addition, jobs created or retained in distressed communities as a result of EDA investments in the same years was 100 percent, 152 percent, and 128 percent and totaled 50,546, 42,958, and 11,833, respectively.





STRATEGIC GOAL 1 \* PERFORMANCE SECTION

In FY 2006, EDA responded to the highly distressed Gulf Coast region following the devastating effects of Hurricanes Katrina, Wilma, and Rita. In the immediate aftermath of Hurricane Katrina, EDA worked in cooperation with the Arkansas State University's Delta Center for Economic Development and other EDA grantees, to secure the deployment of four EDA-funded "Netmobiles," minivans equipped with high-technology computer equipment and satellite Internet access, to Katrina-affected areas. Business counselors used the Netmobiles to assist business owners in finding and acquiring the resources necessary to resume operations.

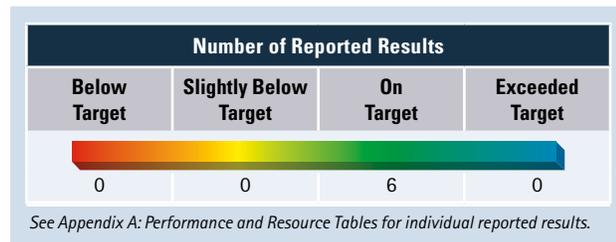
EDA has awarded 33 investments totaling \$19.3 million from its FY 2005 and FY 2006 budgets in the devastated areas of Louisiana, Mississippi, and Alabama to assist in funding Business Counseling Centers, business advertising, technical assistance to economic development corporations, and bridge loans to small businesses. It is estimated that these EDA investments will leverage more than \$170.5 million in private investment and create 1,557 jobs in this region of "greatest need."

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 EDD Partnership Planning investment recipient, 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 partnerships with local development officials: EDDs; University Centers (UC); faith-based and community-based organizations; and local, state, and federal agencies. Through these partnerships, EDA supports 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, and leverage outside resources to improve the local economy, to sustain long-term economic growth.



EDA's 11 Trade Adjustment Assistance Centers (TAAC) provide technical assistance to manufacturers and producers that have lost employment, sales, or production due to increased imports of competitive goods. The goal of the technical assistance is to assist these U.S. companies to become more competitive in the global economy. Businesses that receive TAAC aid commonly request assistance to undertake market research; develop new marketing materials, initiate e-commerce, identify technology, computer systems, and software to meet specific needs of the firm; and complete a quality assurance program. In FY 2006, the TAACs assisted 439 clients with 386 of those clients taking action as a result of TAAC assistance; 383 of those who took action achieved their expected results. Overall, clients reported \$1.8 Billion in increased sales or revenue and estimated 23,692 jobs were created or retained due to TAAC assistance in FY 2006. In FY 2004, Mid-Atlantic TAAC absorbed the New Jersey TAAC. In order to synchronize future reporting dates with the other 10 TAACs, Mid-Atlantic TAAC has an 18 month reporting period in FY 2006.



## PERFORMANCE SECTION \* STRATEGIC GOAL 1

The University Center Economic Development program is a partnership between the federal government and academia that helps to make the varied and vast resources of universities available to economic development communities. In FY 2006, EDA completed the first 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 in FY 2006, competitions were held in EDA's Seattle and Atlanta regions. In FY 2007, the cycle will be restarted with competitions in Denver and Austin.

In FY 2005, the Denver region awarded a \$1.75 million UC investment to establish a partnership between the University of North Dakota Center for Innovation in Grand Forks, ND and North Dakota State University (NDSU) Research and Technology Park in Fargo, ND. This investment aided in the construction of a business and technology incubator in the NDSU Research Park creating new opportunities for the launch of technology enterprises in that state. The program cultivates new private/public relationships between entrepreneur ventures and corporations with the two research universities to develop and commercialize technologies. The initiative is called the Red River Valley Research Corridor University Center program. In concert with EDA's emphasis on regionalism and cluster-based economic development, the Red River Valley encourages and supports regional clusters that extend as far north as Winnipeg and east to Minneapolis and credits the regional approach for much of their success.

Research endeavors, funded by EDA, significantly contribute to the economic development literature. The Research and National Technical Assistance (RNTA) program supports research of leading, world class economic development practices, and funds information dissemination efforts. This research is shared with stakeholders via publications and Web accessible documents on the EDA Web site.

Work was completed on several EDA projects including an award to the National Association of Regional Councils for the dissemination of information to economic development practitioners nationwide. Two projects completed under the Research and Evaluation program in FY 2006 were the Massachusetts Institute of Technology (MIT) and Carnegie Mellon University study, *Measuring Broadband's Economic Impact*, and an award in support of the National Institute of Standards and Technology (NIST) Small Business Innovation Research (SBIR) program. The MIT study represented a first attempt to measure the impact of already-deployed broadband technologies by applying controlled econometric techniques to data on broadband availability and economic performance for the entire United States. The results of the study support the view that broadband access does enhance economic growth and performance, and that the assumed economic impacts of broadband are real and measurable.

In FY 2006, EDA funded the Addressing Competitiveness and Innovation in Rural U.S. Regions Initiative for the development and analysis of rural clusters of innovation and linking rural and metropolitan regions. This study is a follow-up to a 2001 project funded by EDA and led by Harvard Professor Michael E. Porter entitled the Clusters of Innovation Initiative, which analyzed and identified the drivers of economic competitiveness in urban areas, and a 2002-2003 study supported by EDA which provided an overview of the research on economic development in rural regions. The Monitor study is expected to provide recommendations for a framework and process guidelines for other rural regions to draw on to do their own cluster studies and initiatives. Another investment made in FY 2006 is a RNTA program award for \$85,000 to the International Economic Development Council (IEDC) to assist presidentially-declared disaster areas in Alabama, Louisiana, Mississippi, and Texas impacted by Hurricanes Katrina and Rita by allowing volunteer members of IEDC to deploy to various economic development organizations.

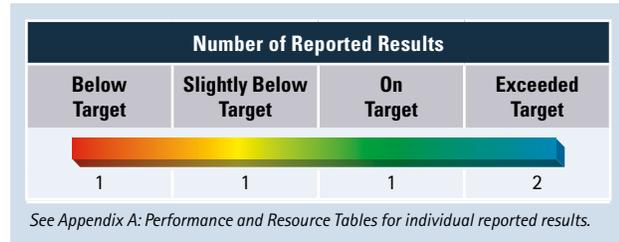
The above mentioned RNTA research studies and others can be found on EDA's Web site at <http://www.eda.gov/Research/ResearchReports.xml>.



**Performance Goal: Enhance U.S. competitiveness in domestic and international markets (ITA)**

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

ITA's Manufacturing and Services (MAS) program advances and strengthens the competitiveness of U.S. industry by researching and analyzing competitive factors that impact U.S. business sectors in domestic and international business environments. Specifically, MAS serves as the liaison with U.S. industry and trade associations to address U.S. industry's concerns (trade and otherwise) and to support U.S. industry's competitiveness. The program collects, compiles, and disseminates data on U.S. industry and trade, and provides critical advice (through the International Trade Advisory Committees) on domestic and international trade and investment policies affecting the competitiveness of U.S. industry. MAS undertakes a program of research and analysis of the manufacturing and services industries. Based on these analyses and interactions with U.S. industry, MAS develops strategies, policies, and programs to strengthen the competitive position of U.S. industries in the United States and world markets. MAS maintains a focus that ensures inclusion of U.S. SMEs since these firms are critical to the U.S. economy.



MAS industry analysts provide in-depth industry information and advice to the Secretary on trends in the manufacturing and services industries, and support the Secretary in his role as the federal government's chief advocate for the manufacturing and services sectors. These analysts evaluate the effects of domestic and international economic and regulatory policies on the ability of U.S. industry to compete in world markets. The program's industry experts analyze regulations and other proposed policies to determine their impact on cost competitiveness of U.S. firms and work with other U.S. agencies to reduce the impact of proposed and existing policies and regulations on U.S. industries.

MAS industry experts are an essential government link with U.S. industry and trade associations and work with them to identify key issues affecting competitiveness and industry specific barriers to exporting.

Additionally, MAS adjusts its resources as required to meet challenges in support of the needs of the U.S. business community and to ensure that resources continue to be focused on high-priority areas. Examples in FY 2006 include MAS's recent heightened focus on trade issues with China and MAS's analytic work assessing the industry-specific impacts of Hurricane Katrina.

**Enhancing U.S. Competitiveness** – The importance of understanding and addressing U.S. competitiveness is a key challenge for ITA. The reality of today's global economy requires that any analysis of U.S. business competitiveness be holistic in its view, accounting for both domestic and international factors. ITA consults with U.S. industry to assess the impact of proposed domestic and international regulatory policies that affect U.S. industry's competitiveness. The report, *Manufacturing in America*, detailed the intense global competition U.S. manufacturers face. Service industries, which represent approximately 70 percent of private sector output, confront an identical level of competitive intensity.

Manufacturers' concerns are one of the important foundations for generating policy recommendations to help ensure that government is creating conditions where U.S. manufacturers can compete in intensely competitive global markets. In FY 2006, ITA led U.S. government efforts to advance U.S. industry competitiveness through regulatory advocacy and analysis like the recent evaluation of the exposure levels from hexavalent chromium. ITA will continue to assess the impact of domestic and international



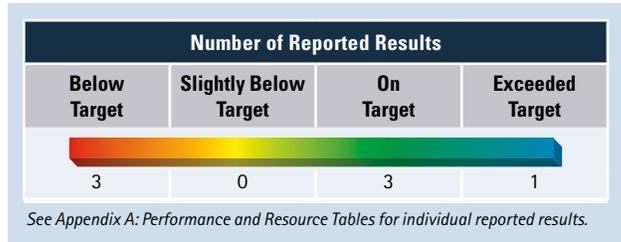
economic policies on U.S. competitiveness by completion of reports and analysis such as the FY 2006 "Sugar Study" and serve as U.S. industry's voice on regulatory impact through working groups and advisory committees. By the end of FY 2007, ITA remains committed to complete the implementation of the remaining difficult recommendations in the *Manufacturing Report*, those largely involving changes in Agency practices or shifts in current laws and regulations.

**Performance Goal: Broaden and deepen U.S. exporter base (ITA)**

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

The health of the U.S. economy depends on U.S. SMEs. ITA continues to focus on this base because 97 percent of all U.S. exporters are SMEs. Many of these firms have also been successful in doing business in countries with which the U.S. has recently negotiated free trade agreements (FTA). For example, SMEs benefit directly from new trade agreements that slash foreign tariffs and remove the barriers that disadvantage U.S. workers and exporters. Recently signed trade agreements with Singapore, Chile, Morocco, and Australia, and a Central America FTA have yielded benefits to these SMEs:

- ◆ More than 6,000 SMEs export to Chile.
- ◆ Over 4,000 SMEs export to Costa Rica.
- ◆ Approximately 3,000 SMEs export to Honduras.



The Commercial Service program's mandate is to create an environment in which all U.S. firms, including SMEs, can flourish. In order to achieve this, the Commercial Service seeks to increase export opportunity awareness among U.S. companies by identifying potential exporters who need assistance; leveraging electronic and traditional media; enhancing relationships with customers; and developing alliances and partnerships with state, local, and private partners to deliver export assistance. The Commercial Service operates a Trade Information Center that provides a single point of customer contact for all government export promotion programs, runs the Advocacy Center that supports U.S. companies bidding on major foreign contracts, and coordinates U.S. government export promotion and assistance programs through the TPCC. ITA's unique global network of trade professionals located in over 250 offices, domestically and internationally, capitalizes on high export areas identified by trade patterns and facilitates aggressive outreach to traditionally under-served rural and minority communities.

The Commercial Service helps U.S. companies take advantage of world market conditions to find new buyers around the world. A growing list of FTAs provides price and market access benefits. ITA offers four ways to help U.S. firms grow their international sales by (1) providing world-class market research, (2) organizing trade events that promote products or services to qualified overseas buyers, (3) arranging introduction to qualified buyers and distributors, and (4) offering counseling through every step of the export process.

In addition to the areas described above, two critical program priorities for ITA during FY 2006 included its efforts to strengthen public-private promotion through leveraging public and private partnerships and to promote U.S. exports in strategic and emerging markets. These priorities reinforced ITA's goal to broaden and deepen the export base.



- ◆ ITA remains committed to advancing public and private partnerships. ITA considers working with force multipliers and strategic partnerships and promoting other ITA and trade promotion agency programs as a key to leveraging and amplifying ITA's promotion efforts. In FY 2006 ITA has had several recent successes, such as:
  - An e-Bay marketing partnership to promote Commercial Service programs and services.
  - PNC Bank and the Ex-Im Bank partnerships to provide information on mechanisms for financing purchases of U.S. products and services.
  - Bilateral partnerships such as the recent U.S.-Japan Joint Initiative for Enhanced Cooperation on Intellectual Property Rights (IPR) to enhance bilateral cooperation on IPR protection and enforcement and other issues.
- ◆ ITA has continued to advance U.S. negotiated trade positions and expand trade through FTAs. ITA recognizes that although FTA countries currently consist of only seven percent of world GDP, U.S. exports to these countries in FY 2006 amounted to 47 percent of total U.S. exports. FTA countries continue to exhibit excellent results for U.S. exports, for example:
  - U.S. exports to Chile have increased 91 percent since implementation of the Chile FTA.
  - U.S. exports to Singapore have increased 25 percent since implementation of the Singapore FTA.
  - U.S. exports to Australia have increased 10.5 percent since implementation of the Australia FTA.

Continuing this trend with all negotiated FTAs will offer significant opportunities for U.S. firms in the years to come.

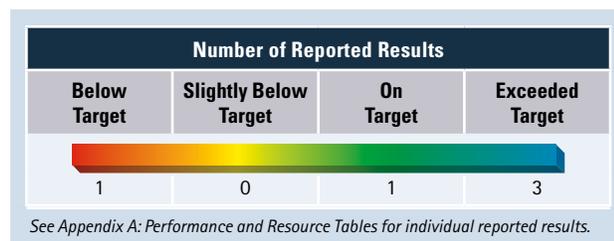
- ◆ ITA will also continue to support trade efforts in critical markets in China, India, Russia and Greater Central Asia as well. These markets address key foreign policy goals and support the President's goal of promoting democracy and liberty through free trade. ITA is working to bring free trade to these critical emerging economies. This work reinforces U.S. efforts to bring greater geopolitical stability to uncertain areas of the globe through enhanced opportunity and economic development.

Last year, U.S. firms exported almost \$1.3 trillion in goods and services, contributing to U.S. economic growth and supporting millions of jobs. Moreover, numerous innovative U.S. companies depend on the fact that 95 percent of the world's consumers live outside the United States. U.S. export opportunities remain boundless, so long as markets continue to open, artificial barriers and distortions are confronted, and U.S. firms and workers continue to adapt and innovate.

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

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

MBDA's mission is to effectively and efficiently serve U.S. minority entrepreneurs. The accomplishment of this mission involves the realization of MBDA's vision of entrepreneurial parity and equality for MBEs. For the past 38 years, MBDA has forged new ground in the growth and development of





## PERFORMANCE SECTION \* STRATEGIC GOAL 1

MBEs. During FY 2006, the Agency established several new Department initiatives and was highly productive in delivering program services for the Gulf Coast recovery effort.

In FY 2006, MBDA published a report entitled *The State of Minority Businesses: An Overview of the 2002 Survey of Business Owners*. This report analyzed the recent U.S. Census Bureau's Survey of Business Owners, a component of the 2002 economic census. The findings indicate that between the periods 1997 to 2002, the total number of MBEs increased by 35 percent, outpacing all U.S. firms which grew by only 10 percent. Likewise, annual gross receipts for MBEs increased by 13 percent, while non-minority firms showed a three percent growth rate. In addition, the number of paid employees grew by five percent for MBEs compared to a decline of seven percent for non-minority businesses. This data supports MBDA's vision of reaching parity between the percentage minority population over age 18 and the parity percentage for minority firms, the amount of gross receipts, and the total paid employees within minority firms.

MBDA accomplishes its performance goal through the implementation of several business development programs. The success of these programs is measured by the dollar value of contract awards obtained by MBEs and facilitated by MBDA's grantees and staff. The certainty that MBEs will realize the proceeds associated with these awards varies from contract to contract. Multiple-year contracts with option years are less certain as the options may or may not be exercised. In the FY 2007 PAR, MBDA will include the full potential value of multiple-year contract awards obtained and disclose the dollar value of option years in a footnote. For indefinite-delivery contracts, only the actual dollar values realized or guaranteed will be included. This revised methodology for reporting contract awards obtained is consistent with recommendations from the Department's Inspector General (IG) and was agreed to by MBDA during FY 2006.

MBDA also focuses national performance results on the number of new jobs created, the increase in annual gross receipts for firms assisted, and support from strategic partnerships, as well as the dollars obtained in contract awards and financial transactions for minority business.

The MBDA Strategic Growth Initiative (SGI) focuses service on mid to large size firms with receipts of \$500,000 or greater. These firms have a better opportunity to compete and grow in an environment of re-engineered business practices, bundled contracts, and global competition. Furthermore, MBEs face an intense push for efficiencies of scale at every level of the supply chain. To meet this challenge, MBDA has developed a new demonstration program that will encourage business-to-business (B2B) partnership linkages, joint ventures, and mentor protégé agreements. B2B forums were held in New Orleans, Biloxi, and in Washington, D.C. during the National Med Week Conference. Over 500 firms have participated in efforts to formalize partnerships to compete for large contract awards that have been identified and brought to the table for competition.

Other areas of service included the continuing efforts of the White House Initiative for Asian and Pacific Islanders and the Office of Native American Entrepreneurship and Trade. Both units within MBDA are working to forge new opportunities and business alliances with corporations and federal program services to assist these two minority groups.

In FY 2006, MBDA conducted a competitive solicitation to fund a new Minority Business Opportunity Center (MBOC) program that is client focused and will broker procurement opportunities. The new MBOC program fully responds to issues addressed by the Office of the Inspector General (OIG) in a recent audit of the previous MBOC program.

The Office of Performance and Program Evaluation (OPPE) oversees the verification and validation of performance measures, especially contract and financial transactions. OPPE initiated a review of the MBDA's Regional Enterprise Centers (formerly District/Area Offices). This review focused on the contributions made by each district office to the Agency mission and included a cost benefit analysis and review of customer satisfaction interviews with strategic partners.



MBDA is faced with several management challenges, including maintaining a high Agency Return on Investment (ARO), identifying limited resources to support the rebuilding of the Gulf region, continuous improvements to the MBDA Portal Business tools to reach more minority firms, increasing the MBDA American Customer Satisfaction Index, and supporting and expanding the Knowledge Management program. Through its knowledge management efforts, MBDA will ensure that data concerning minority business development trends is shared and thoroughly analyzed.

MBDA continued its successful partnership with the Tuck School of Business at Dartmouth College to train business development specialists and project consultants to improve operations and consulting services for SGI firms.

MBDA updated its strategic plan for FY 2007 through FY 2010. This plan identifies national priorities and the strategies to achieve results. It also addresses future challenges and on-going activities to be accomplished.

## STRATEGIES AND FUTURE PLANS

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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, 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.

**Support for U.S. Government Foreign Policy Initiatives** – 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.

**Continued Focus on SMEs** – 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 U.S. SMEs. The U.S. and Foreign Commercial Service (US&FCS) program's mandate is to create an environment in which all U.S. exporters and export-ready companies, 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 over 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 Commercial Service 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 enable ITA to recover costs for specialized products and services in accordance with the Office of Management and Budget (OMB) requirements.



**Leading the National Export Strategy** – While contributing to the success of U.S. workers and firms, ITA has also served as a leader in the federal government's export assistance programs and in the federal government at large. ITA has led the implementation of the National Export Strategy and has increased and recast its Web presence. Through the creation of export.gov, a comprehensive federal government-wide portal for export information, ITA has been able to streamline the customer's interaction with the U.S. government by delivering market research, trade leads, and trade events by industry sector. Export.gov's customer utilization rate has grown exponentially, and in FY 2005 export.gov had 1.79 million unique visitors. Moreover, monthly visits increased by 223 percent from November 2003 to March 2006, and export.gov's U.S. company registry has grown from 1,200 companies at the end of FY 2003 to over 25,000 in March 2006. Additionally, ITA has recently redesigned its organization Web site, trade.gov, which highlights more information about ITA's product and service offerings.

**External Factors that Impact the Performance Goal** – ITA's success in achieving the goal to Broaden and Deepen the U.S. Exporter Base is impacted by domestic and international economic conditions. Economic shocks in foreign markets and exchange rate fluctuations can affect U.S. exports and demand for U.S. products. The cooperation of other TPCC member agencies affects the level of services provided to SMEs.

**Independent Verification and Validation (IV&V) Reviews** – In FY 2006, both the IG and auditors reviewed and found discrepancies in collected and reported Commercial Service performance data. This issue has become increasingly critical because of the heightened emphasis that is being placed on performance results. ITA's Chief Financial Officer (CFO), in conjunction with ITA Program Measure Owners, conducted IV&V reviews of selected performance measures to strengthen program management and performance. This included reviews in ITA's US&FCS program, including several US&FCS U.S. Export Assistance Centers in the domestic field, a detailed review of the US&FCS Export Transaction Measure (completed in conjunction with Department staff), and a review of export successes at US&FCS overseas posts in London, in conjunction with the independent audit. In the spirit of the President's Management Agenda (PMA), these reviews have enabled ITA to verify source measure data that express 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, China, and the Pacific Northwest; and, follow through on ITA's resulting action plans. 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.

**ITA-Wide Customer Satisfaction Survey** – ITA conducted its second tri-annual ITA-wide customer satisfaction survey in the spring of 2006. The survey evaluated the overall program success and the portfolio of ITA's services by:

- 1 Benchmarking ITA against other federal government agencies
- 2 Testing the validity of ITA's operating model
- 3 Identifying quality of service concerns
- 4 Showing which aspects of service have the greatest effect on satisfaction
- 5 Identifying recommended adjustments

ITA hired an external contractor, the CFI Group, to use their patented methodology to conduct the survey to ensure the integrity of the analysis and the anonymity of the customer responses.



The 2006 survey showed satisfaction equal to that measured in the 2003 survey. The survey showed that ITA's customers are primarily SMEs, the largest portion (40 percent) of whom are manufacturers. Its customers represent a broad range of industries and are often experienced exporters, with over a quarter of customers getting a majority of their revenue from exports. ITA's customers are most satisfied with the assistance received to resolve transaction specific problems in a foreign country and with the special/niche import programs that ITA administers. Customers value their interactions with ITA staff and find them knowledgeable about foreign markets, though they would like to see ITA have more specific industry knowledge across the organization. It will be important for ITA to understand that its customers exist at the organizational level and work to improve coordination across the program units to increase customer satisfaction over time.

**Expanded Web Presence** – ITA has developed and is utilizing Internet Web services to assist exporters. For example, Export.gov and Trade.gov are sites that enable SMEs to have low-cost access to online information on overseas markets. Web-based export services available through the U.S. government serve as one approach to minimize external factors. ITA's commercial officers stationed in over 250 offices throughout the United States and overseas provide key information to the U.S. business community on best prospects for U.S. exporters in various countries. Through domestic offices, ITA trade specialists work directly with U.S. businesses to tailor innovative solutions to their market and exporting needs. ITA partners with state commerce departments and economic development agencies to ensure that U.S. exporters receive the best services and support that both federal agencies and states have to offer.

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

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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.

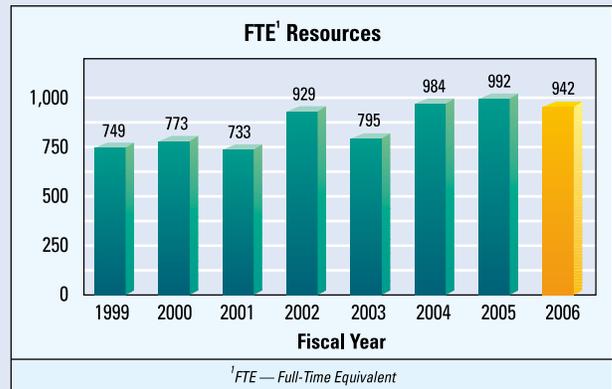
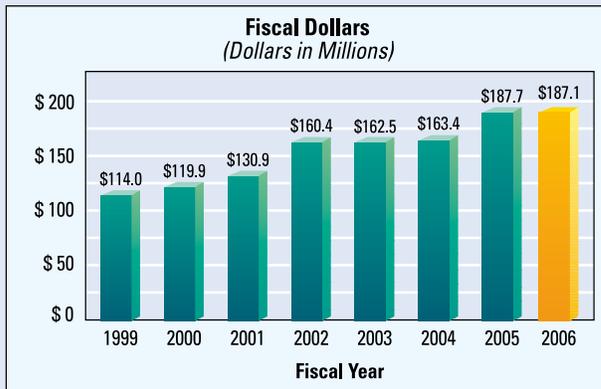
Changing economic, technological, and social conditions in the last decade have altered how international trade is conducted. This changing international trading environment presents U.S. exporters with numerous challenges and opportunities, such as domestic and international competitiveness; compliance with World Trade Organization (WTO) accession requirements for nations like China; standards, currency, and intellectual property (IP) 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 business development center (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*

STRATEGIC OBJECTIVE 1.2 TOTAL RESOURCES

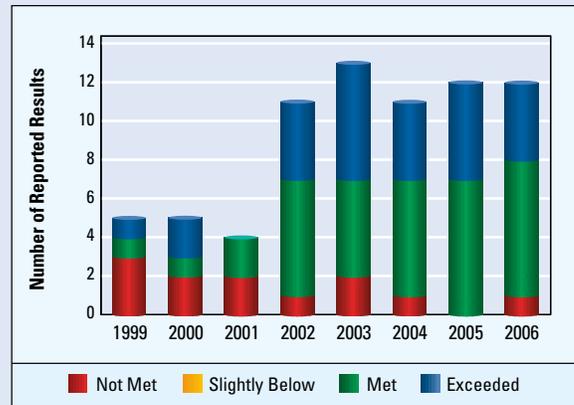


This objective is important to the nation as it focuses on ensuring fair competition in international trade, advancing U.S. national security and economic interests by enhancing the efficiency of the export control system, preventing illegal exports and identifies violators of export prohibitions and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

The Department continues to face the task of advancing U.S. foreign policy and security goals while addressing viable opportunities to expand the U.S. market base. The Department's success in reconciling these imperatives 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 supports 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 control 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, (5) strengthening the export control systems of other countries, (6) assessing the viability of key sectors of the defense industrial base, and (7) assuring the timely availability of industrial resources to meet national defense and emergency preparedness requirements.

STRATEGIC OBJECTIVE 1.2 PERFORMANCE RESULTS



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



STRATEGIC GOAL 1 \* PERFORMANCE SECTION

PERFORMANCE GOAL	STATUS*
Identify and resolve unfair trade practices (ITA)	●
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	●
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	●
Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)	●
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)**	●
* ● = MET (100%)   ● = SIGNIFICANTLY MET (75% - 99%)   ● = NOT MET (< 75%)   ● = NOT APPLICABLE	
** This goal had one measure—Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls. No assessments were completed until late in the fourth quarter, so data or estimated data will not be available before January 1, 2007. Results will be reported in the FY 2007 PAR.	

- 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. For example, in FY 2006, the Department published an important regulation updating controls on high performance computers to bring them in line with technological and market developments. 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 rules in proposed form to give the exporting community an opportunity to comment before the regulations take effect. For example, in FY 2006 the Department published a proposed update to China policy in proposed form for exporter comment.
- 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. In FY 2006, the Department continued to ensure the timely review of all licenses applications with an average processing time of 33 days. This slight increase over the average processing time of 31 days in FY 2005 is primarily due to a two percent increase in the average processing time for all referred applications and a 13 percent increase in the volume of applications reviewed. The Department processed 18,934 export license applications in FY 2006. This marked an increase of 13 percent over the 16,719 applications processed in FY 2005 and represented the highest number of applications processed since FY 1993, when the Department reviewed over 25,000 applications.
- 3 The Department investigates and prosecutes violators of the laws and regulations governing dual-use exports, antiboycott policy, and the Fastener Act. Department 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. 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. In FY 2006, the Department took 872 actions that deterred an illegal action, resulted in a criminal prosecution, or led to an administrative charge; 79 percent of these actions were focused on the priority areas of WMD proliferation, terrorism, and transfers of advanced conventional weapons. The Department also conducts checks before licenses are issued to ascertain the *bona fides* of potential end-users, and after licensed commodities



**PERFORMANCE SECTION \* STRATEGIC GOAL 1**

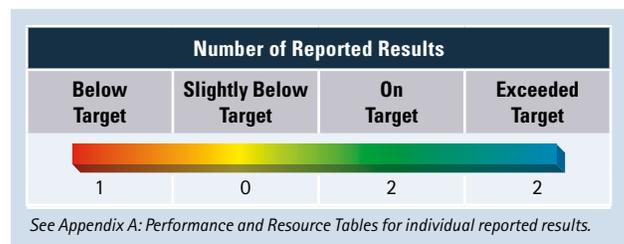
are shipped to ensure that the items are being used by the appropriate end-users in accordance with the license conditions. In FY 2006, the Department performed 942 such end-use checks.

- 4 The Department advances trade while promoting national security with an industry outreach program to facilitate compliance with U.S. export controls. In FY 2006, the Department conducted 53 seminars, including a major seminar in October 2005 with over 700 participants, as well as five overseas programs. 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 120 outreach activities were conducted on the release of sensitive technologies ("deemed exports") to foreign nationals in the United States.
- 5 The Department provides technical support to countries developing strengthened export control systems, as required by UN Security Council Resolution 1540. In FY 2006, the Department addressed 40 targeted deficiencies in cooperating countries. The Department also worked with India on steps to strengthen its export control system.
- 6 The Department performs detailed studies of strategic industries targeted at assessing the viability and competitiveness of the U.S. defense industrial base. In FY 2006, the Department completed one such study and launched two more.
- 7 The Department also plays a role in defense preparedness and disaster response 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. In FY 2006, the Department used its DPAS authority to support U.S. forces in Iraq and Afghanistan, and in support of relief and reconstruction efforts in the wake of Hurricane Katrina.

**Performance Goal: Identify and resolve unfair trade practices (ITA)**

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

U.S. industries are entitled to the benefits of trade agreements negotiated by the United States. They are also entitled to the aggressive investigation of unfair trade practices that undercut those agreements. Two program units in ITA, Import Administration (IA) and Market Access and Compliance (MAC), are committed to ensuring that the U.S. firms receive those benefits and obtain prompt relief from unfair trade practices.



Dumping (i.e. when products of one country are introduced into the commerce of another country at less than the normal value of the products) and the provision of certain subsidies have been condemned by the international community as reflected in the General Agreement on Tariffs and Trade (GATT) and subsequently in the WTO Agreement. IA's administration of the U.S. antidumping/countervailing duty (AD/CVD) laws<sup>1</sup> and its subsidy enforcement activities provide U.S. companies with appropriate

<sup>1</sup> *Tariff Act of 1930: Sections 701 – 783 • Uruguay Round Agreements Act: Section 281 (Subsidies Enforcement Office)*



## STRATEGIC GOAL 1 \* PERFORMANCE SECTION

remedies to address unfairly traded imports consistent with U.S. law and international obligations. The Agency's work at the WTO helps ensure that access to these needed remedies is not weakened or undermined. In addition, IA's assistance to U.S. exporters subject to foreign AD/CVD proceedings helps ensure that these companies receive fair treatment in proceedings that adhere to that country's obligations under the WTO. Further, the Steel Import Monitoring and Analysis (SIMA) system was designed to provide U.S. steel producers and users with important real-time market information in an area that has traditionally been subject to market disruptions and unfair trade in a manner consistent with U.S. WTO obligations regarding import licensing.

IA identifies and monitors import surges created by imports that are sold in the United States at less than fair market value, foreign governments' subsidy practices, and other harmful import trends. It defends U.S. industry against injurious trade practices by administering the AD/CVD laws of the United States. IA expedites investigations when warranted by import surges and foreign subsidy practices, defends the use of unfair trade remedies before the WTO, and coordinates the Department's role in the Administration's steel strategy. IA's Unfair Trade Practices Team confronts unfair foreign competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA's China Compliance office devotes more resources to China cases and issues unique to non-market economies, such as IPR violations affecting the U.S. textile industry.

Trade compliance with negotiated trade agreements and access to foreign markets are existing problems faced by U.S. businesses that choose to sell their products overseas. These problems require U.S. government support. The MAC program unit ensures market access for American businesses, advances the rule of law internationally, and creates a fair, open, and predictable trading environment. In addition, the MAC program conducts critical trade policy analysis and negotiation support for the Office of the U.S. Trade Representative (USTR) and represents the Department in trade-related dealings with other U.S. government agencies.

MAC uses a range of techniques to advocate on behalf of U.S. businesses 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, their laws, and regulatory regimes. Based on customer need, MAC has a sizeable caseload each year from U.S. firms that have encountered a trade barrier.

Government to government interaction is often required to influence and shape trade policies developed by foreign governments so the policies don't become impediments to U.S. access of their market. The MAC program addresses the specific existing problem of helping U.S. firms become more aware of their rights and benefits under all trade agreements (bilateral, regional, or multilateral) signed by the United States, and to ensure that they encounter a level playing field when they enter a foreign market. MAC monitors or oversees the monitoring of over 250 trade agreements.

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 U.S. exports. Market access cases frequently arise from these foreign regulatory measures. Complaints are received by ITA from U.S. companies experiencing overseas barriers to U.S. exports that are not covered by trade agreements. Compliance cases arise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the United States and through monitoring efforts by ITA compliance officers.



ITA takes the lead in the Department 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 the number of cases processed by ITA where no further action by ITA is warranted, such as when: a case is successfully resolved; the complaint was groundless (i.e., no violation); industry decides not to pursue the complaint; the case is referred to USTR for consideration for formal dispute settlement resolution; or where the problem cannot be resolved despite ITA efforts.

### **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 has taken 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. Two key areas that have been the focus of much effort under this goal include:

**Trade Relations with China** – Over the last five years, China's economy has continued to grow at roughly 10 percent per year, and its growth has been closely tied to the open trade and investment regimes of the major economies of the world. Exports account for 40 percent of China's GDP. China has depended on the growth of its export sector to spur the modernization of its economy, and has demonstrated that trade can support improved standards of living and lift millions of people in China out of poverty. According to Chinese data, the U.S. market has accounted for 21 percent of China's export growth since 2001. Together, the United States and China are responsible for almost half of the economic growth globally in the past four years. U.S. consumers now have access to a wider variety of less-costly goods from China, and this has helped spur U.S. economic growth while keeping inflation in check. Access to Chinese inputs has also helped make U.S. companies and workers more competitive in the global economy.

Since 2001, when China joined the WTO, U.S. exports to China have grown five times faster than have exports to the rest of the world, and China has gone from being the ninth largest to the fourth largest export market for U.S. farmers, ranchers, manufacturers, and service providers. In fact, U.S. exports to China increased by an impressive 21 percent in 2005, building on similar growth in prior years and making China the fastest growing export market among major U.S. trading partners. ITA considers it is likely that China will remain a challenge and a priority for years to come. ITA will work to ensure that this significant trading partner is both transparent and fair:

- ◆ ITA is committed to extensive follow-up from the commitments made during the China Joint Commission on China Trade (JCCT) meetings in April 2006, through the establishment of working groups and analysis of recent Chinese JCCT commitments (e.g. Government Procurement Agreement).
- ◆ ITA has stepped up its engagement with China through the JCCT Structural Issues Working Group and the newly established Steel Dialogue intended to address steel subsidy issues. Subsidy concerns cover a wide variety of programs, including industrial policies, the role of state-owned enterprises, and China's continued use of price controls.
- ◆ Transparency remains a major obstacle to identifying and measuring subsidies in China, a difficulty furthered by China's continuing failure to provide its annual subsidy notification to the WTO.
- ◆ ITA currently maintains 58 antidumping orders on imports from China, including consumer goods, steel products, agricultural products, seafood, and chemicals. These orders represent 22 percent of all current U.S. antidumping orders. The estimated value of trade affected in 2005 by these orders was more than \$5.25 billion.

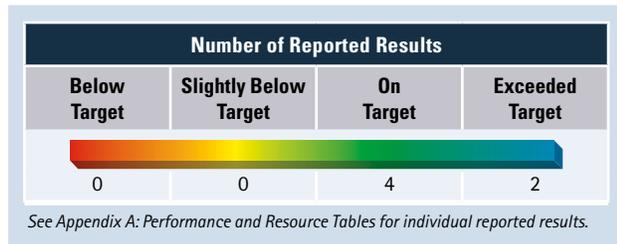


**Market Access Challenges** – ITA is committed to addressing the removal of existing trade barriers and compliance with negotiated trade agreements. ITA will continue through bilateral and multilateral efforts to strengthen policy dialogues in key markets such as China, India, North America, and the European Union (EU). ITA advances trade policy through its close and significant support for the USTR in FTA, bilateral (e.g. JCCT, India Commercial Dialogue) and Doha negotiations. ITA is a critical player in monitoring compliance with existing trade agreements, and in initiating and resolving MAC cases. ITA remains tenacious in its focus on key crosscutting issues, such as standards and IPR. IPR protection is an essential component of a sound commercial foundation. ITA is a partner in the U.S. Strategy Targeting Organized Piracy (STOP, available online at [www.stopfakes.gov](http://www.stopfakes.gov)), and ITA combats violators of IPR around the world. ITA will identify perpetrators along the entire chain, including manufacturers and importers, and will exert pressure on countries where problems are found. ITA is committed to working with U.S. industry and coordinating with other U.S. agencies, including USPTO and the U.S. Food and Drug Administration (FDA), to investigate allegations of piracy and to help resolve market access and trade compliance cases. Standards and related technical regulations affect an estimated 80 percent of world trade. ITA recognizes the importance of how it addresses standards-related issues, since standards can both distort trade and undermine U.S. competitiveness.

**Performance Goal: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)**

*The Department administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of WMD, combat terrorism, and pursue other national security policy goals. The Department also serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC).*

The Department 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.



In FY 2006, the Department successfully promulgated 26 regulations that adapted export controls to the evolving national security and economic situation. Noteworthy regulations published include multilateral export control regime changes from 2005/2006 Plenary meetings, an updated metric for controlling exports of high performance computers, revisions to the Libya regulations in light of its removal from the list of state sponsors of terrorism, and a draft revision to China licensing policy to restrict exports to Chinese military end-users while facilitating civilian trade with trusted end-users.

The Department processed 18,934 export license applications and related requests in FY 2006. This marked an increase of 13 percent over the 16,719 applications processed in FY 2005 and represented the highest number of applications processed since FY 1993, when the Department reviewed over 25,000 applications. Nevertheless, the Department continued to process these applications in a timely manner with an average processing time of 33 days, thereby benefiting exporting companies and industries, and in the U.S. economy, while protecting national security and foreign policy interests.

The Department 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 continues to work with Congress to pass 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 Department also develops and implements export control policies toward key countries such as China and India. In FY 2006, the Department published a proposed China policy update and established a High Technology and Strategic Trade Working Group. The Department also supported President Bush's Nuclear Initiative with India, including the strengthening of India's export control system.

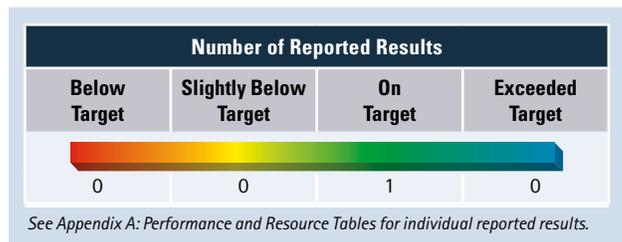
The following are reviews conducted by the Government Accountability Office (GAO) and the IG related to this goal:

- ◆ In March 2006, the IG released a report on dual-use export controls to the People's Republic of China (China). The review found that coordination between the various federal export licensing agencies was adequate during the dispute resolution process for export license applications involving China. In addition the IG made a number of recommendations related to U.S.–China export control activities. BIS has already completed action on four of the nine recommendations, and has plans in place to complete action on the remaining five.
- ◆ In June 2006, GAO released its report on dual-use export controls in the post 9/11 environment. In light of the September 2001 terror attacks, GAO was asked to examine BIS's dual-use export control system. In response, GAO reported on BIS's (1) evaluations of and changes to the system, (2) screening of export license applications against its watchlist, and (3) actions to correct weaknesses previously identified by GAO. In this review GAO recommends that the Secretary of Commerce systematically evaluate the dual-use export control system, correct certain omissions in BIS's watchlist and weaknesses in the screening process, and take action to address GAO's prior unimplemented recommendations.

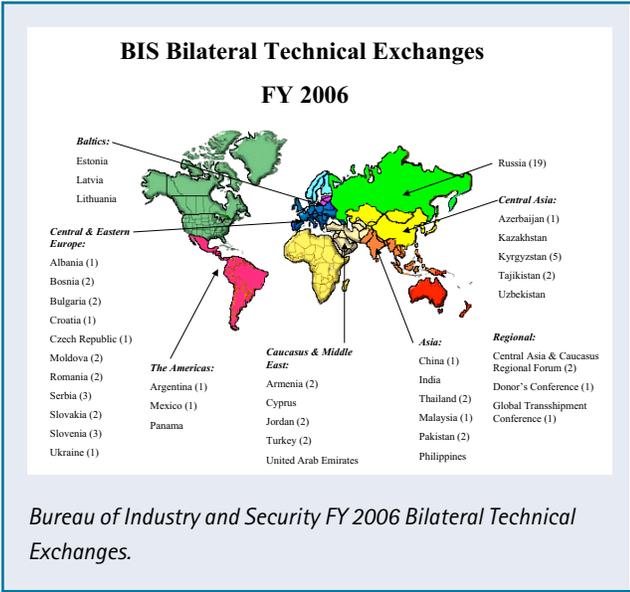
**Performance Goal: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)**

*The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of the multilateral export control regimes and cooperates with other countries to help them establish effective export control programs.*

The Department helps improve the effectiveness of the multilateral export control regimes (Australia Group for chemical and biological weapons items, Missile Control Regime, Nuclear Suppliers Group, and Wassenaar Arrangement for dual-use technologies and conventional weapons) by participating in U.S. efforts to update and adapt their control lists to the threats facing the United States.



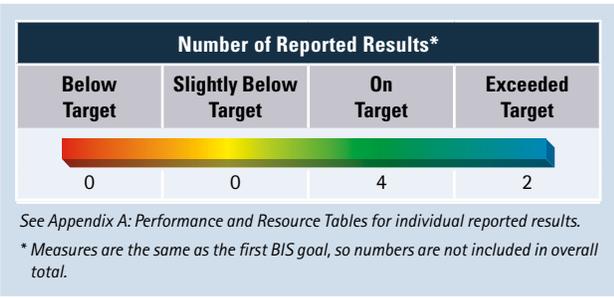
The Department also assists in implementing its international activities by coordinating and managing BIS participation in the U.S. government's Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective export control systems. In FY 2006, the Department successfully remedied 40 deficiencies in the national export control systems of countries receiving technical assistance under the EXBS program.



**Performance Goal: Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)**

*The Department'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, the Department gives top priority to investigations and enforcement actions involving the proliferation of WMDs, terrorism, and military diversion.*

The Department 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 control 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 Department 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 2006, the Department exceeded its targets by completing 872 actions that resulted in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge, as well as conducting 942 end-use checks. The Department also met its goal of ensuring that 79 percent of its investigation case load was targeted on the priority areas of WMDs, terrorism, and military diversion. These actions resulted in 34 convictions for criminal export violations and the imposition of \$3 million in criminal fines and the assessment of \$13 million in administrative penalties.

In addition to dual-use export controls, BIS enforces the antiboycott provisions of the EAR. Implemented to support countries friendly to the United States 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. In FY 2006, the Department supported nine cases resulting in imposed administrative sanctions of \$78,950. As well as investigating criminal and administrative violations of the antiboycott regulations, the Department actively supports the State Departments efforts to dismantle Arab governments' boycott of Israel. The Department provides guidance to the exporting community regarding the antiboycott regulations through public outreach and its telephone and e-mail advice line.



*Assistant Secretary for Export Enforcement Darryl W. Jackson (center) and Hong Kong Customs and Excise Department's Head of Trade Controls Raymond Y.M. Wong (far right) tour the container port of Hong Kong with Hong Kong port security officials.*

***Performance Goal: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)***

The Department works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to national security. To this end, the it analyzes the impact of export controls and trade policies—including deemed export policy—on strategic U.S. industries, studies the impact of defense trade offsets, advocates for U.S. defense companies competing for international sales opportunities, and evaluates the security impact of certain proposed foreign investments in U.S. companies. The Department also administers the federal government's DPAS, which 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.

In FY 2006, the Department completed an important study of the U.S. imaging and sensors industry, while launching two other studies of strategic industries essential to U.S. security. In addition, the Department established the Secretary's Deemed Export Advisory Committee to provide recommendations for policies that will continue to provide U.S. industry, academia, and research institutions with access to talented foreign researchers while ensuring that U.S. security requirements are met. The Department also issued its annual report on the impact of defense offsets on U.S. industry and actively participated in an interagency committee to develop and implement policies for mitigating the use of offsets by U.S. trading partners.

**STRATEGIES AND FUTURE PLANS**

The Department 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.

The Department continues to refine U.S. export controls in light of geopolitical and global market realities to ensure that they meet U.S. national security requirements. The Department 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.

The Department will also continue its efforts to strengthen multilateral cooperation on export controls to help strengthen U.S. security by extending controls over sensitive items beyond U.S. borders, and to help ensure a level playing field for U.S. exporters and otherwise permit them access to foreign markets. The Department will continue to develop and implement policy initiatives to integrate other key countries, such as China and India, more tightly into the global dual-use export system, thereby increasing U.S. security and facilitating the export of sensitive U.S. items to these markets.

Strong enforcement of U.S. export regulations is critical to protect U.S. national security interests. The Department 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.

The Department will also continue to strengthen its ability to promote U.S. competitiveness by improving deemed export policy, studying the impact of export controls and other factors on strategic industries, and evaluating the effects on national security of imports of certain items and foreign investments in U.S. companies.

## CHALLENGES FOR THE FUTURE

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

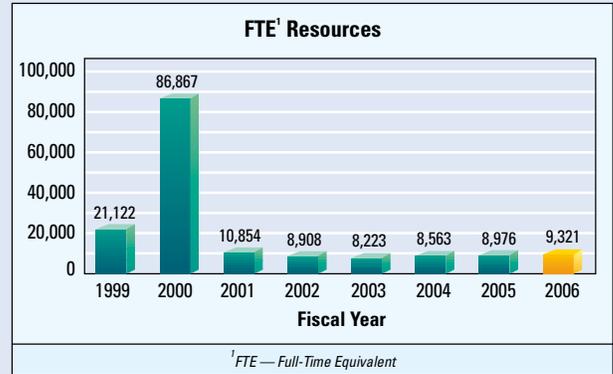
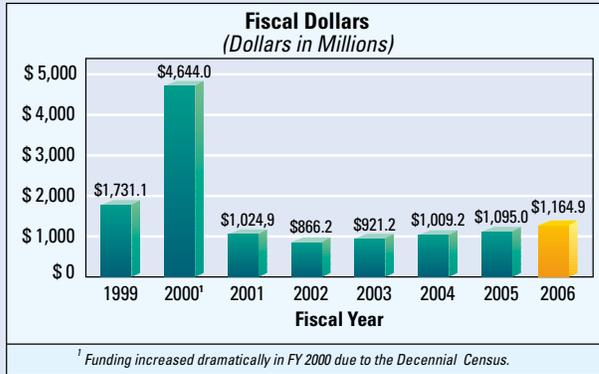
*Strengthening the legal foundation of the dual-use export control system.* The EAA lapsed on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Compo 783 (2002), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (FR 45273, Vol. 70, 150, of August 5, 2005) continues the regulations in effect under the International Emergency Economic Powers Act (IEEPA). While the Department 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.

*Managing export controls to maximize security with minimum impact on U.S. competitiveness.* Trade must rest on a firm foundation of security, yet controls on trade must not disadvantage U.S. exporters needlessly. To meet this challenge, the Department will use its new Office of Technology Evaluation and other resources to understand better the impact of technology, markets, and geopolitical developments on U.S. security and competitiveness.

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*

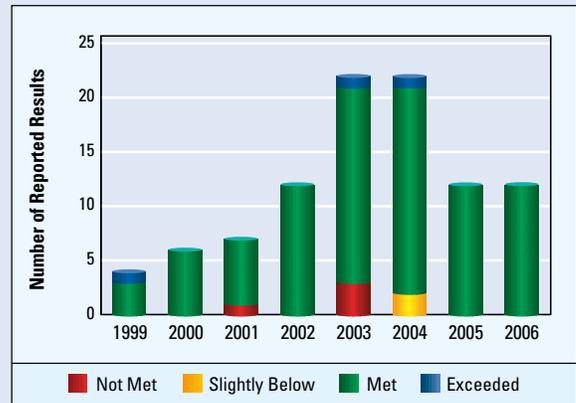
STRATEGIC OBJECTIVE 1.3 TOTAL RESOURCES



This objective is important to the nation's economic well being in that it focuses on meeting 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 focuses on promoting 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.

STRATEGIC OBJECTIVE 1.3 PERFORMANCE RESULTS



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

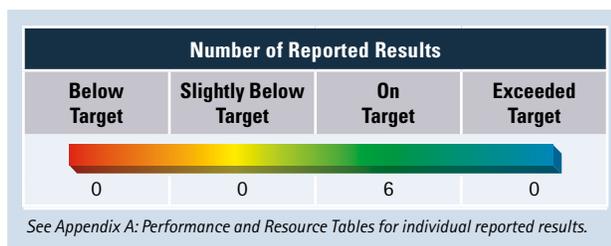
PERFORMANCE GOAL	STATUS*
Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)	●
Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)	●
* ● = MET (100%)   ● = SIGNIFICANTLY MET (75% - 99%)   ● = NOT MET (< 75%)   ● = NOT APPLICABLE	



**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.*

The Census Bureau's 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 2006 the Census Bureau released over 400 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. In an effort to provide information about the evacuees from Hurricane Katrina, the Census Bureau and the Bureau of Labor Statistics (BLS) added questions to the CPS, beginning in October 2005, that provide monthly estimates of the evacuee population, their labor force status, and whether they have returned to their original residence.
- ◆ 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 Census Bureau also began efforts to design a new and more efficient data collection and processing system on income and federal and state program dynamics to meet the policy and operational needs of the country, which will eventually replace the SIPP.
- ◆ 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.

The Census bureau met its target to achieve at least 90 percent of the planned response rates for the current economic and demographic surveys. Response rates are a measure of the quality of survey data.

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; and the Decennial Census program.



## PERFORMANCE SECTION \* STRATEGIC GOAL 1

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 2006, the Census Bureau released 51 reports from the 2002 Economic Census. In addition, work began on the forms content and initial forms design for both the 2007 Economic Census and Census of Governments.

The Intercensal Demographic Estimates program provides updated estimates of the U.S. population for the country, states, counties, cities, and townships in the years between the decennial censuses. In addition to meeting the schedule for the release of the official set of July 2005 population estimates for the nation, states, counties, cities, and townships, the Intercensal Demographic Estimates program designed special methodology, to deliver to BLS beginning in October, monthly survey controls for the CPS that took into account the unprecedented impact of Hurricanes Katrina and Rita. The Intercensal Demographic Estimates program also produced a set of January 1, 2006 total household population estimates for the 117 counties identified by the Federal Emergency Management Agency (FEMA) as eligible for Individual and Public Assistance (IPA). Because of the unique nature of the methodology and data used, these special estimates were not part of the official estimate series but were produced to provide data users with some information on population size of the affected areas.

The Demographic Surveys Sample Redesign 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 for the National Health Interview Survey were released on schedule. The Census Bureau began investigating the acquisition and use of commercial address lists for the National Health Interview Survey and other programs with the goal of reducing survey costs. The Census Bureau is also investigating if the use of the American Community Survey (ACS) as a sampling frame for the Dynamics of Economic Well-being System would be cost effective.

The Decennial Census program completed all planned FY 2006 activities and operations related to the 2006 Census Test, and awarded two of the major automation contracts for the 2010 Census itself. The ACS, which collects and tabulates long-form data every year throughout the decade, achieved a 97.6 percent weighted response rate, using three modes of data collection (mail-out, telephone, and personal interview). The ACS also released social and demographic data for all places with a population of 65,000 and larger based on the first full year of ACS data collection at the full national sample size. The Boundary and Annexation Survey (BAS) program achieved an 86.6 percent response rate. BAS is used to update information about the legal boundaries and names of all governmental units in the United States. In addition, street features have been corrected in the Topologically Integrated Geographic Encoding and Referencing System (TIGER) database for the planned 700 counties in FY 2006, bringing the total completed to just over two-thirds of all 3,232 counties in the United States and Puerto Rico.

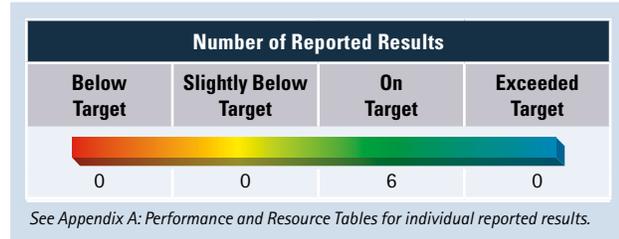
The data used to evaluate the effectiveness of performance goal achievements are reviewed on a quarterly basis. The Census Bureau continues to validate the performance data and ensure that all programs have verifiable processes in place to collect, store, and calculate all performance information reported 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.

**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 Bureau of Economic Analysis (BEA) produces some of the nation's most important economic statistics, including the GDP, the broadest measure of economic activity. BEA produces economic statistics for four major program areas:

- ◆ **National Economic Accounts** includes GDP, personal income and outlays, corporate profits, and capital stock estimates. These statistics are key ingredients in federal budget planning, monetary policy, and business investment decisions.
- ◆ **Industry Economic Accounts** are directly linked with the national income and product accounts (NIPA) and other economic accounts. The annual input-output accounts and the GDP-by-industry estimate are an integrated set of accounts that provide a time series of detailed information on the changing structure and performance of the U.S. economy. These statistics are critical for studying the inter-relationships among U.S. industries and the sources of productivity. In addition, the industry economic accounts produce industry satellite accounts, including travel and tourism and a preliminary research and development (R&D) account, which provide more detail on selected economic activities and their contributions to economic growth.
- ◆ **International Economic Accounts** include the international transactions accounts (balance of payments), the international investment position accounts, and the estimates of the activities of multinational companies (for both U.S. direct investment abroad and foreign direct investment in the United States). These statistics are important for understanding the financial position of the U.S. in the world as well as for studying the phenomenon of offshoring.
- ◆ **Regional Economic Accounts** provide estimates of personal income and earnings by industry for 50 states and the District of Columbia, 938 metropolitan and micropolitan areas, 3,111 counties, and 179 BEA economic regions. Along with the estimates of gross state product by industry, these statistics are used by the federal government for the distribution of over \$215 billion in federal funds; by state and local governments for budget forecasts and spending caps, economic development, and transportation planning; and by businesses for site locations, planning, and investment decisions.

BEA draws on the data collection and analyses conducted by the Census Bureau, BLS, Internal Revenue Service (IRS), Federal Reserve, and others to produce over 50 public releases of economic statistics a year. Using these data, BEA estimates the nation's economic accounts. These estimates provide a comprehensive, integrated, and consistent measure of U.S. economic activity and are used as critical ingredients in budget appropriations and forecasts, international trade and policy formulation, and business and personal financial





## PERFORMANCE SECTION \* STRATEGIC GOAL 1

strategies. Without these measures, the nation's leaders would have little objective information on which to base monetary and fiscal policy decisions and the domestic and global market would have few statistics to understand the health of the U.S. economy.

Measures such as the GDP, U.S. and local area 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 key uses of BEA measures:

- ◆ The Office of Management and Budget (OMB), Congressional Budget Office, Council of Economic Advisors, and the Department of Treasury (DOT) use trend GDP and a wide range of NIPAs data including trend growth in real GDP and inflation, wages and salaries, profits, and other types of data to make important policy decisions.
- ◆ Federal Reserve uses real GDP and BEA's measures of inflation to help set monetary policy.
- ◆ U.S. businesses use BEA data to guide over \$2 trillion in U.S. private business in investments plant, equipment, and new housing construction to assess the macroeconomic and international trade outlook, and in making location decisions in the United States and around the world.
- ◆ Federal programs—such as Medicaid, Foster Care, and SCHIP—use BEA's state personal income estimates to allocate over \$215 billion in federal funds.
- ◆ Virtually all 50 states and the District of Columbia use quarterly state personal income to estimate revenue and expenditure projections.
- ◆ U.S. trade policy officials use trade and other international account statistics to develop trade policy and to assess the impact of international investment and trade on the U.S. economy.
- ◆ U.S. private investors use BEA's economic data to help them in managing over \$22 trillion in investments in stocks and bonds.

BEA has worked to make these critical measures more accurate and more accessible for all users. BEA has significantly accelerated the release of eight key economic statistics and expanded the level of detail of both new and historical data available. BEA has also incorporated more real-time data and more detailed IRS source data into key sector estimates. BEA has increased the speed and quality of its information dissemination by implementing a Really Simple Syndication (RSS) feed on [www.bea.gov](http://www.bea.gov) and launching a new online digital library to make available to the public important historical information about the national accounts. During FY 2006, BEA also reached out to virtual users by revising the Industry Accounts input-output interactive tables and developing a database-driven, user-friendly glossary for the BEA Web site.

BEA has modernized its statistical processing systems and has made great progress in addressing the significant long and near-term challenges that the organization faces. During FY 2006, BEA achieved a number of important data improvement and availability targets, including:

- ◆ Implemented a new GDP core processing system, System for Tabling and Aggregating Time Series (STATS), for both the Annual Revision and the Current Estimate. This new GDP processing system will improve processing time, reduce error rates, and enhance customer service.
- ◆ Released the preliminary R&D satellite accounts for the first time.



- ◆ Expanded geographic detail on U.S. international transactions to better understand the nation's financial position in the world.
- ◆ Launched an online, interactive system for BEA data on multinational companies. The new system allows users to create time series data tables and charts interactively.
- ◆ Completed the accelerations of the releases of gross state product with industry detail and metropolitan area personal income.
- ◆ Worked with the Federal Reserve to jointly publish integrated estimates of the NIPAs and flow of funds.
- ◆ Launched a new online digital library and expanded the BEA Web site to include important archive files including estimates for local area personal income, state personal income, gross state product, and state personal income.

BEA has met all six of its FY 2006 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 using the Program Assessment Rating 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 online survey of its users to monitor their satisfaction with BEA products and services. For four years running, customers of BEA products and services have indicated high levels of satisfaction. In 2006, BEA conducted its third Organizational Assessment Survey (OAS), administered by the Office of Personnel Management (OPM), to assess its organizational culture. BEA is one of the highest scoring federal agencies among those surveyed and it scored above the median on all measures and matched or bettered the highest ratings on seven measures.

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 arising from innovative and advancing technologies, and provides recommendations from the perspectives of the economics profession, business, and government.

## STRATEGIES AND FUTURE PLANS

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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. One way the Census Bureau is doing that is through a multi-year effort to re-engineer the census. This effort 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 Master Address File (MAF) and geographic database (TIGER), and a re-engineered short-form



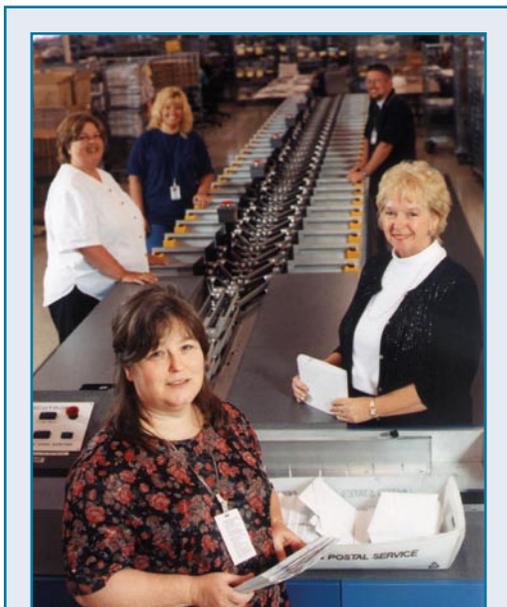
PERFORMANCE SECTION \* STRATEGIC GOAL 1

only 2010 census. The Census Bureau will continue the ACS and release products for geographic areas and population groups of 65,000 or greater for the second year in a row.

Other plans for FY 2007 include completing evaluation reports for the 2005 National Census Test; completing operations and evaluations for the 2006 Census Test; continuing major contracting efforts related to field data collection automation, data response integration, and data access and dissemination; beginning to award printing contracts for the 2010 Census; continuing preparations and pre-census operations for the 2008 Dress Rehearsal; continuing the overall management and integration of planning, testing, development and implementation efforts for the 2010 Census; and conducting early operations for the 2010 Census.

The Census Bureau began efforts in FY 2006 to re-engineer the SIPP. SIPP's household longitudinal design, with an interview every four months across several years, provides a wide breadth of detail on a wide range of topics, but is extremely burdensome on respondents, complicated to edit and process, and expensive to conduct. The Census Bureau is working with stakeholders and moving rapidly to develop a new system on the dynamics of economic well being, and is considering several design options. The redesigned data collection system is expected to lower attrition, reduce respondent burden, and increase the timeliness of the data, while addressing the same basic issues covered by SIPP. This effort will result in a survey that meets the most important data needs of policymakers, at a reduced cost to taxpayers.

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.



*Census Bureau employees manage, operate, and support a variety of data collection, data capture, and data processing operations. Photographed by Ted Wathen for the U.S. Census Bureau.*

In addition, this year the Census Bureau has undertaken an independent review of the Government Statistics programs. The review, conducted by the Committee on National Statistics, is aimed at assessing program content and recommending improvements. In June, the panel held a two-day workshop where several themes recurred throughout— improving timeliness; filling gaps in the current data; measuring relevance of the historical data scheme in the current economy; the Census Bureau's role in providing data analysis; and the importance of increasing the program's visibility. The final report is expected by December 2006.

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 five-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 2006, BEA expanded external communications and outreach efforts to inform existing users of upgrades and changes to BEA data and to educate new users on how they can use BEA data to make better

informed decisions. Areas of particular focus for BEA's FY 2006 outreach were the hurricane-affected areas of the Gulf State region. BEA staff conducted training and participated in conferences designed to inform users of recent improvements to and expansion of publicly available data that reflected the economic consequences of the three major hurricanes of 2005. BEA also provided its regional input-output modeling system (RIMS) multipliers for these areas to government and non-government users in order to develop a more complete understanding of the affects of the hurricanes on regional economies and specific industries.

BEA staff also use these and other outreach opportunities to understand the needs of users which are then discussed and considered during the annual revision of the BEA 5-year Strategic Plan. This plan is updated annually through a series of BEA directorate-level planning retreats and a senior staff retreat. At the retreat, a review of the past Strategic Plan is conducted and a report of the progress toward meeting the milestones is prepared and made public. Senior staff also use the retreat to set the directions and priorities for the Agency for the next year to five years. This updated plan 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.



*A census-taker collects information from a household that did not mail in the form for the 2006 Census Test. Photographed by the U.S. Census Bureau.*

## CHALLENGES FOR THE FUTURE

Given the major changes in overall design and methodology, the efforts involved with re-engineering the 2010 Decennial Census program will continue to present a significant management challenge for the Census Bureau and the Department.

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 continues to face three major challenges in the near future. To tackle them, BEA has developed a detailed, public plan in its Strategic Plan for FY 2006 - FY 2010. The three major challenges facing BEA are:

*Measuring a constantly changing economy.* The U.S. economy is in constant flux. In order to measure a constantly changing economy, BEA must meet important challenges such as understanding the structural changes in the economy, improving measurement methodologies in areas like pensions and R&D, monitoring changing tax and accounting laws, and locating and incorporating data sources to capture the changes. BEA must 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. BEA has continued to integrate its industry accounts with the NIPAs, and is working with BLS and the Federal Reserve to integrate shared accounts. The federal



**PERFORMANCE SECTION \* STRATEGIC GOAL 1**

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 workforce. 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 innovative solutions to measurement are increasing. BEA must continue to prepare its employees for these challenges.