



United States
International Trade Commission

Budget Justification

Fiscal Year 2016



Years of Promoting and Protecting the U.S. Economy

TABLE OF CONTENTS

ALPHABETICAL LISTING OF ABBREVIATIONS	iv
INTRODUCTION	1
General Statement.....	1
Mission.....	2
Activities in Brief	2
BUDGET HIGHLIGHTS	5
Lease Renewal	5
Program Overview	7
Efforts to Strengthen Information Technology Security.....	10
Internal Controls Efforts	11
REQUESTED APPROPRIATION LANGUAGE	13
Salaries and Expenses	13
TRADE REMEDY INVESTIGATIONS	15
Import Injury Investigations.....	15

Import Injury Investigations Caseload	18
Unfair Import Investigations	19
Unfair Import Investigations Caseload	22
TARIFF, TRADE, AND COMPETITIVENESS-RELATED ANALYSIS AND INFORMATION	23
Industry and Economic Analysis.....	23
Investigations.....	23
Workload Expectations in FY 2015 and 2016	25
Industry and Economic Analysis Investigations Caseload.....	28
Tariff and Trade Information Services	29
Maintenance of the Harmonized Tariff Schedule of the United States	29
Legislative Reports.....	30
Other Online Tariff-Related Services	30
International Trade Data System (ITDS).....	31
Trade Policy Support	32
OFFICE OF THE INSPECTOR GENERAL	33
BUDGET DATA	35
Dollar Cost: Comparison by Object Classification, Fiscal Years 2014-2016	35

ANALYSIS OF CHANGE	37
Analysis of Change by Object Classification, Fiscal Years 2014-2016	37
Summary of Increases/Decreases from the FY 2015 Estimate	38
OPERATIONS COSTS.....	41
Dollar Cost: Comparison by Strategic Goal, Fiscal Years 2014-2016	41
Budget Summary by Strategic Goal Components, Fiscal Years 2014-2016	42
HUMAN RESOURCES DATA	43
U.S. International Trade Commission Office-Level Organization Chart	43
Current Permanent and Term Staffing Plan with Onboard and Gaps	44

ALPHABETICAL LISTING OF ABBREVIATIONS

AD	Antidumping	IP	Intellectual Property
ALJs	Administrative Law Judges	ISCM	Information Security Continuous Monitoring
CBP	U.S. Customs and Border Protection	IT	Information Technology
Census	U.S. Census Bureau	ITDS	International Trade Data System
Commerce	Department of Commerce	MTB	Miscellaneous Tariff Bill
CVD	Countervailing Duty	OIG	Office of the Inspector General
EDIS	Electronic Document Information System	The Byrd Amendment	Continued Dumping and Subsidy Offset Act (CDSOA)
ERM	Enterprise Risk Management	USAGE	U.S. Applied General Equilibrium
FY	Fiscal Year	USITC	U.S. International Trade Commission
GSA	General Services Administration	WCO	World Customs Organization
GSP	Generalized System of Preferences	WTO	World Trade Organization
HTS	Harmonized Tariff Schedule of the United States		
HTSA	Harmonized Tariff Schedule of the United States Annotated		

INTRODUCTION

General Statement

The U.S. International Trade Commission (USITC or Commission) is an independent, quasi-judicial federal agency, which has specific responsibilities under the U.S. trade laws. The agency investigates whether fairly- or unfairly-traded imports have injured a domestic industry and adjudicates whether imports infringe U.S. intellectual property (IP) rights. As the role of trade in the United States and the global economies has grown, our agency's investigations of unfair trade practices help U.S. firms compete effectively in a highly integrated global marketplace. The issuance of sound and timely import injury determinations helps ensure that U.S. companies and workers remain confident that the international trading system is fair and impartial. Moreover, our timely resolution of complex IP disputes is of paramount economic importance to holders of U.S. IP rights. We also provide support to U.S. Customs and Border Protection (CBP), when necessary, so that it can effectively enforce the exclusion orders we issue.

Our staff of trade experts provides the House Committee on Ways and Means, the Senate Committee on Finance, the President, and the U.S. Trade Representative with objective analyses of the most significant trade issues of the day. Because of our substantial economic and trade expertise, we are able to provide leading-edge insights to Congress and the executive branch that support the development of sound U.S. trade policy. Our reports reflect our expanding ability to examine, analyze, and estimate the effects of policy changes on producers, consumers, employment, wages, and the economy as a whole. In these reports, we analyze the many ways that changes in trade and competitiveness affect the health of the U.S. economy, including employment levels.

Since 1916, we have played a major role in maintaining and analyzing the nation's tariff schedule. Our agency is responsible for maintaining the official legal document that specifies the tariffs that are applicable to imported goods. We ensure that the tariff schedule is up-to-date, accurate, and fully reflects the United States' implemented trade agreements.

Mission

In accordance with its statutory mandate, the Commission makes determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; provides independent tariff, trade, and competitiveness-related analysis and information; and maintains the U.S. tariff schedule.

Activities in Brief

Two strategic goals guide our programmatic activities.

Our first goal is to produce sound, objective, and timely determinations in our import investigations. These investigations fall into two major classes: antidumping and countervailing duty investigations and reviews and IP-based import investigations (known as “section 337” investigations). In antidumping and countervailing duty import injury investigations, we determine whether unfairly-traded imports are causing or threatening to cause material injury to a U.S. industry, or whether the revocation of existing antidumping and countervailing duty orders will likely lead to continuation or recurrence of material injury to the U.S. industry. In most IP-based import investigations, we adjudicate allegations that U.S. patent rights are being infringed. We typically initiate these investigations in response to complaints brought by companies or domestic industries, and conduct them in accordance with the pertinent statutory requirements and relevant case law (e.g., patent law as interpreted by the federal courts). Both categories of investigation are subject to judicial review.

Our second goal is to produce objective and high-quality tariff, trade and competitiveness-related analysis for the use of the executive branch and Congress. By providing thoughtful industry and economic analysis to executive branch and congressional decision makers, our efforts help inform U.S. international trade negotiations and trade policy decisions. Under 19 U.S.C. §1332, we are required to put at the disposal of the House Committee on Ways and Means, the Senate Committee on Finance, the President, and the U.S. Trade Representative all information at our command in any matter related to international trade and industry competitiveness, whenever requested. We are also charged with maintaining the Harmonized Tariff Schedule (HTS) of the United States. We are responsible for ensuring that the HTS is accurate and up-to-date so that it meets the demands for tariff and trade information of Customs and Border Protection, U.S. exporters and importers, and decision makers in Congress and the executive branch.

Analytical investigations and informal assistance are typically requested by the House Committee on Ways and Means, the Senate Committee on Finance, and the U.S. Trade Representative. Investigations may also be required by statute or initiated by the Commission. Our requestors recognize

that, as a result of our economic and trade expertise, we have the ability to generate primary data and analyze specific industries in a manner that provides insights that are unavailable elsewhere. In fiscal years (FY) 2013 and 2014, we responded to a number of requests that required us to develop new data and analysis on a variety of topics. During these fiscal years, for example, we issued reports on digital trade, trade barriers in India, the competitiveness of the U.S. olive oil industry, the effects of the U.S.-Korea Free Trade Agreement, and the effects of existing European Union trade barriers on U.S. small and medium-sized enterprises. We also issued reports analyzing proposed changes to rules of origin affecting trade under the North American Free Trade Agreement, the probable economic effects of the United States entering into the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership, and U.S. trade with countries benefiting from the African Growth and Opportunity Act.

To meet our mission, we must maintain the staff, tools, and other resources needed to provide high-quality and objective data and analysis to the executive branch and Congress on a wide array of issues, covering thousands of industries and well over a hundred countries. To accomplish this, we need to continue investing in the development of highly skilled analysts, economists, and lawyers, creating new data and databases, collaborating with other organizations to enhance our own research, and acquiring or upgrading our analytical tools (such as our economic models, databases, and techniques for measuring the impact of non-tariff barriers).

Our management goal is to achieve agency-wide efficiency and effectiveness to advance our mission. Detailed performance goals for programmatic and management activities are presented in our Fiscal Year 2015 and 2016 Annual Performance Plan, which can be found at <http://www.usitc.gov>.

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BUDGET HIGHLIGHTS

Our FY 2016 request of \$131.5 million provides \$88.8 million in core program funding, as well as \$42.7 million to fully fund the costs of our transition to a new lease for office space. This \$42.7 million is a one-time cost related to the expiration of our lease and our new housing plan that will enable us to operate efficiently in reduced space. Over the ten decades of our existence, international trade expansion has greatly benefited the U.S. economy, and our agency has played a key role in ensuring that expanded trade is conducted fairly. The amount we are requesting for our core program funding and transition lease costs will support our efforts to carry out our mission effectively. It will allow us to reduce our housing space and make concomitant investments in technology that will support needed improvements in our productivity and transparency. In particular, we rely heavily upon a Public Courtroom Complex—which is a critical component of our housing plan—to efficiently conduct trials, and to accommodate the participation of interested parties in our trade remedy and fact-finding proceedings.

Proposed FY 2016 personnel costs account for about \$1.1 million of the increase over FY 2015 and reflect the increased resources needed to maintain critical FY 2015 staffing improvements, the cost of the anticipated 1.3 percent pay raise effective January 1, 2016, normal costs for promotions and within-grade increases, and higher benefits costs. Our human capital strategy for FY 2016 focuses on maintaining staffing at the levels needed to perform our statutory mission. The challenges of high caseloads, six major ongoing trade negotiations to support, and congressional consideration of Trade Promotion Authority require sufficient funds to maintain adequate staffing levels.

Proposed non-personnel expenses account for about \$45.6 million of the increase over FY 2015. The large majority of these anticipated costs, \$42.7 million, are associated with renewal of the agency's lease, which we discuss below in more detail. The remainder of the increase, \$2.9 million, will fund core program activities. This amount will pay for needed investments in information technology (IT) infrastructure, equipment, and cybersecurity that will help ensure a secure and efficient network, as well as for the expansion of the research and economic analysis capabilities needed to support requested studies on trade negotiations and trade policy.

Lease Renewal

Our lease expires on August 10, 2017. In the spring of 2013, we began the planning process for lease renewal. Working with the General Services Administration (GSA), we developed a description of our minimum requirements for a new lease. Two objectives drove this process. First, we sought to follow Congress's direction that our agency's public courtroom complex meet our section 337 caseload requirements and our requirements for hearings in antidumping and countervailing duty and international trade and industry competitiveness investigations. Second, we sought to follow

the direction of Congress, GSA, and the Office of Management and Budget that we reduce the cost of federal facilities for agency operations by optimizing space allocation. We believe our housing plan meets both objectives.

At GSA's recommendation, we retained a space-planning consultant to help us develop our space requirements, housing plan, and cost estimates. Our project goal was to achieve the most efficient office and special space options for accomplishing our statutory mission, while reducing our space footprint. Our space reduction effort started with a consolidation of some office suites and a release of 4,172 square feet of office space in July 2014. The proposed Housing Plan submitted to GSA in September 2014 further reduces our overall space by an additional 41,992 square feet. The total reduction is over 26 percent, including both the initial release of space and the reductions in the proposed Housing Plan. Office space is reduced by 22 percent and other space is reduced by 52 percent (exclusive of our critically important Public Courtroom Complex).

Our need to maintain the Public Courtroom Complex at approximately its current size remains a critical component of accomplishing our mission. The Public Courtroom Complex includes three courtrooms and a Main Hearing Room. It is not used to house staff but instead is a facility that serves the public. The courtroom and hearing spaces are used to hear claims of unfair trade from domestic industries and to adjudicate patent infringement and other claims brought by intellectual property (IP) owners. The availability of the courtrooms and the hearing room is therefore critical to our ability to foster prompt adjudication consistent with congressional timeframes. In fact, in FY 2010, Congress specifically appropriated funds so that we could acquire additional space and build a new courtroom to address our heavy and complex unfair trade and IP caseload. As a result of this appropriation, we constructed a third courtroom and put it into service in 2013.

We prepared our \$42.7 million budget request for new lease-related expenses based on cost estimates developed by the USITC's consultants, RTKL and JLL, which we engaged at GSA's recommendation. RTKL and JLL are real estate advisory firms that regularly prepare cost estimates for GSA projects. The estimated costs for our new lease reflect design and furnishings that will allow us to operate in reduced space. They also reflect the current costs of construction in the greater metropolitan Washington, D.C., area and the assumption that the project will be procured in a competitive bid environment with a minimum of four qualified bidders. GSA reviewed the cost estimate, identified additional costs and offsetting tenant allowances, and recommended that we ask Congress to appropriate all funding in FY 2016 rather than deferring any part of the appropriation request. We believe our budget request represents the lowest-cost option for implementing our Housing Plan.

The end result of this process, as noted above, is a Housing Plan that would enable us to carry out our mission in reduced but more efficiently designed space. In order to achieve these goals, we require an appropriation sufficient to fund our Housing Plan. The total \$42.7 million cost includes design, construction, personal property acquisition, relocation of property we can use in the new space (furniture, IT equipment and infrastructure), and is inclusive of fees and allowances.

Program Overview

Intellectual Property (Section 337) and Antidumping/Countervailing Duty Investigations

The Commission's trade remedy investigations caseload remains high and continues to grow in complexity. Our agency provides a venue for private sector firms to bring allegations of unfair trade practices involving imports before an independent, objective, and expert quasi-judicial government body.

Intellectual property caseload

Our section 337 process provides a highly-desired arena for the resolution of disputes involving imports that allegedly infringe U.S. IP rights. Our process provides a relatively quick resolution of matters that would usually involve more protracted litigation in the U.S. district courts. In addition, the section 337 process provides unique relief in the form of exclusion of goods at the border. IP-intensive industries account for a large number of high wage jobs in industries in the United States that generate a trade surplus. Our section 337 workload, while not at the peak level seen in FY 2011, is expected to remain at elevated levels. Although section 337 investigations typically involve patent infringement allegations by private firms, the number of investigations based on trade secrets, an area of heightened concern for U.S. companies, the Administration, and Congress, is increasing. The range of technologies covered in these investigations is quite broad, covering such products as smartphones and other wireless devices, smart televisions, semiconductors, GPS devices, windshield wiper blades, and tires.

We continue to work to ensure that section 337 investigations are completed in a timely manner, which is in line with congressional intent. After several years of focusing on ensuring we had the necessary resources to handle the section 337 workload, we now have undertaken specific efforts to make the section 337 process more efficient and less costly for both the agency and litigants. Our efforts include rules changes, procedural pilot programs, and substantial investments over the past few years in our Electronic Document Information System (EDIS). Further, in FY 2016 we plan to implement electronic service of confidential documents in EDIS. We have also developed a new publicly-available information system, 337Info, which will make available more detailed information regarding investigations instituted since October 1, 2008. 337Info provides scheduling and staffing information regarding investigations as well as information regarding unfair acts alleged, disposition with respect to each party, and information related to appeals. EDIS and 337Info have enhanced both our management of the large volume of investigation-related materials and the transparency of our investigative process. These systems are also Open Data compliant, which furthers our efforts to improve the accessibility and utility of our data. Continued funding of these types of improvements will help us address the challenges of resolving section 337 matters in a timeframe that will benefit the parties with whom we work.

Antidumping and countervailing duty investigations caseload remains high

New petition filings under Title VII of the Tariff Act of 1930 in FY 2014 were consistent with historical averages. While a number of petitions filed in FY 2013 involved multiple countries, the majority of petitions during FY 2014 involved imports from a single country, with China being the predominant source of subject imports. Industries filing petitions in FY 2014 represented a wide variety of products, including chemicals, agriculture, steel, and energy-related products. Over the next two years, we plan to work to improve our data collection and verification processes and make them more efficient and effective. During FY 2014, we continued to develop and implement processes that will reduce the burden on participating parties and our staff, including the use of improved electronic processing of investigation-related data, automated databases, streamlined questionnaires, and other data collection methods. During FY 2015, we will be developing a database for Title VII investigations to assist with the efficient, timely, and accessible reporting of investigation information. Continuing these efforts will require investments in new technologies and in employees with the necessary skills to develop and manage the improved databases.

Tariff, Trade, and Competitiveness-Related Analysis and Information

We provide industry and economic analysis, tariff and trade information services, and trade policy support to the executive branch and Congress. We provide the objective and independent information and analysis that is necessary to support U.S. trade negotiations, analyze the effects of trade agreements, and identify trends in competition. This work is performed through formal investigations and/or informal expert advice. We also maintain and update the U.S. Harmonized Tariff Schedule (HTS). Customs and Border Protection relies upon the HTS to collect tariff revenues on imported goods; private sector firms use it to reference the current and future tariff amounts they will pay on imported goods. U.S. exporters and importers rely on our work in the World Customs Organization to ensure that global tariff nomenclature is up-to-date and takes into account U.S. industry interests and changing patterns of trade.

The complexity of our industry and economic analysis continues to increase

International trade touches nearly all sectors of the U.S. economy. As with our section 337 and Title VII investigations, we must constantly develop and refine our capabilities so that we can respond to requests for increasingly complex analysis in emerging areas of international trade, the economy, and policy development. As a result, we have a continued need to improve and enhance the collection of a vast array of information required for this analysis, including primary data we must gather when no data are available from other sources. For example, we recently conducted investigations that examined the role of digital trade (commerce in products such as software, digital media, and services over digital networks) in the U.S. economy and the effects of Indian trade, investment, and industrial policies on the U.S. economy. Both of these investigations required the collection and statistical analysis of new, unique data. In other instances, our staff applies new tools or methodologies to ensure that we provide a state-of-the-art

economic analysis of the matters involved in the investigation. This effort may involve working with other organizations or academic institutions to leverage specialized knowledge or expertise. Our ongoing investigation of the global rice market is an example of drawing on the support of academic experts to apply a specialized database and economic model to provide the best possible analysis.

We also provide targeted information to assist policy makers with specific issues. Our staff is increasingly involved in providing technical support to negotiators working on the Information Technology Agreement, the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, the Environmental Goods Agreement, and the Trade in Services Agreement. The ongoing development of trade-related databases and quantitative analytic techniques plays a vital role in helping us respond quickly and comprehensively to customer needs.

Our work in industry and economic analysis spans a wide variety of issues, including such issues as agricultural policies; global and regional value chains; the effects of trade and investment barriers, rules of origin, and standards on U.S. businesses, consumers, and trade flows; and the impact of government policies on small and medium-size businesses. Our reports also analyze emerging or non-traditional industries, examine the integration of goods and services in production and trade, and evaluate the offers made by foreign countries during trade negotiations. To effectively support the interests of trade policy makers, we must maintain a staff with expert knowledge and skills which will be able to provide unique, relevant, and timely insights on new and fast-evolving sectors of the U.S. economy in the global market place.

Tariff and trade information services will benefit from new technology and improved business processes

The HTS provides the foundation for the U.S. trade data maintained by the U.S. Census Bureau and enables Customs and Border Protection to manage its trade and enforcement activities. We therefore ensure that the HTS is both accurate and up-to-date so that it meets the demands for trade and tariff information from Customs and Border Protection, U.S. exporters and importers, and policy makers in the Administration and Congress. Due to the size and openness of the U.S. economy and the volume of U.S. trade, the HTS is the most heavily-used tariff schedule in the world. The HTS has over 10,700 tariff lines and must be updated and maintained throughout the year to reflect changes resulting from trade agreement implementation and other congressional and Administration actions. We are in the midst of completely reworking the information technology system underlying the HTS and its business processes for updating, searching, and providing information to all users. This system was redesigned in FY 2013, was developed as an electronic database system in FY 2014, and will become available as a resource to the public by the end of FY 2015.

As the above makes clear, we must address changing technology requirements for the tariff and trade information area as well as current and anticipated resource gaps. Our appropriation request provides funding to address these issues. The skills required to support various components of tariff and trade information services (e.g., HTS maintenance, HTS classification, rules of origin assessments, and miscellaneous tariff bill assessments) are unique and can take years to develop. Moreover, many of our agency experts who contribute to tariff and trade information services

are now, or soon will be, eligible for retirement. We therefore anticipate that human capital planning and recruitment will be a priority over the next few years.

Trade policy support may face resource constraints with ambitious U.S. negotiating agenda

We draw heavily on staff in all agency program areas to respond to requests on trade policy from Congress and the Administration that require quick turnaround times. In the past year, we provided rapid responses on a broad array of issues and topics, ranging from technical reviews of proposed laws to IP rights and technical barriers to trade. We also provided information, expertise, and software-based tools to support U.S. negotiating teams. We are seeing increasing interest from our customers on nontariff-related trade matters, as well as the numerous emerging tradable sectors such as digital trade. Moreover, behind-the-border issues related to regulation and services trade require us to re-focus our resources and apply new analytical techniques. Additionally, our staff members are often detailed to our main customers to support our customers' work while developing their own skills and experience. Our customers place a high value on our staff's ability to produce objective and independent information and analysis on their most pressing issues. To the extent that we face heavier workloads, more complexity, and staffing challenges in various areas, our ability to respond to these requests will be limited.

Efforts to Strengthen Information Technology Security

In FY 2014, we initiated the transition from our current Internet connection to the Trusted Internet Connection program, which is a federal government-wide requirement overseen by the Department of Homeland Security. This new program will improve our security and incident response capabilities on external network connections. We expect it to be operational before FY 2016. During FY 2014, we also continued our transformation of the HTS database, which allows tariff information to be more easily updated, accessed, and verified. We expect to deploy the new HTS database in FY 2015 after our staff receives security authorization to operate the system. In addition to more open data, the new HTS system will incorporate logical validation that will improve information security and ensure the availability and integrity of tariff information.

In FY 2015, we will continue to focus on strengthening our IT security and broadening the use of technology to improve our business and financial procedures. Additionally, we expect to meet significant milestones associated with deployment of technology needed to enforce strong authentication through government-issued personal identity verification cards (HSPD-12).

In FY 2016, we will continue to enhance our security posture by investing in new technologies, processes, and capabilities in line with the requirements for Information Security Continuous Monitoring and other security requirements.

Senate Report 113-181: Cybersecurity Resources

Senate Report 113-181 instructs agencies to include in their budget justifications a “detailed description of cybersecurity resources requested by the department or agency categorized according to resources that (1) prevent malicious cyber activity, including the protection of Federal systems; (2) detect, analyze, and mitigate intrusions, including investigating and prosecuting cyber criminals; and (3) shape the cybersecurity landscape, including research and development.” Our FY 2016 budget request contains nearly \$1.1 million for cybersecurity resources. Approximately \$884 thousand is requested to prevent malicious cyber activity through investments in security control assessments, Information Security Continuous Monitoring, Continuous Diagnostics and Mitigation, information security training, and licenses for security tools. Further, \$173 thousand is requested to detect, analyze, and mitigate intrusions through investments in hardware and maintenance of network logging and security event detection tools. Our current cybersecurity budget is based on using existing commercial products and tools for prevention, detection, and response to security threats and vulnerabilities. We are not currently investing in research and development of new products that would shape the cybersecurity landscape.

Internal Controls Efforts

We are committed to continuing our efforts to develop and maintain an effective system of internal controls. Internal control management affects all areas of the organization at the agency-wide and office-specific levels, including our administrative, programmatic, information technology, security, compliance, and financial activities. We have designed and developed this system to be a multi-year initiative that will incorporate Enterprise Risk Management (ERM) processes while transforming the management structure and culture of the agency.

We continue to strengthen internal controls in both the financial and operational areas. We are also integrating internal controls into our existing and new processes, and have started to conduct annual evaluations of office-level and agency-wide controls. We are also building an ERM framework to detect, prioritize, manage, and report institutional risk at all levels.

During the past year, we also changed our organizational structure to better support internal controls and risk management initiatives. We hired a director to head-up the newly established Division of Internal Control and Risk Management, which supports our agency’s Chairman and members of the Senior Executive Service as they enhance their internal control policies and institute more rigorous agency-wide oversight.

We are committed to improving our internal controls in the future, and will build upon the organizational changes and enhanced internal control initiatives just listed to make significant progress in this area in the years to come.

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REQUESTED APPROPRIATION LANGUAGE

Salaries and Expenses

“For necessary expenses of the U.S. International Trade Commission, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. § 3109, and not to exceed \$2,250 for official reception and representation expenses, \$131,500,000 to remain available until expended.”

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TRADE REMEDY INVESTIGATIONS

Our agency plays an important role in administering and applying U.S. trade remedy laws by conducting investigative proceedings regarding subsidized and dumped imports that injure a domestic industry; fairly-traded imports that injure a domestic industry; imports that infringe domestic intellectual property (IP) rights; and other unfair acts that injure a domestic industry.

Our first strategic goal is to produce sound, objective, and timely determinations in trade remedy proceedings. Our work is critical to maintaining U.S. business's international competitiveness, as well as the confidence of U.S. companies and workers in a fair and impartial global trading system. Moreover, our timely resolution of complex IP disputes (section 337 disputes) can be of paramount economic importance to holders of U.S. IP rights.

Import Injury Investigations

The Commission conducts statutory investigations to determine whether unfairly-traded imports cause or threaten material injury to a U.S. industry, pursuant to Title VII of the Tariff Act of 1930.¹ We also conduct five-year reviews of outstanding antidumping/countervailing duty (AD/CVD) orders to decide whether they should be continued or allowed to lapse. We have independent legal authority to defend our decisions in import injury investigations in appeals to the U.S. Court of International Trade and the U.S. Court of Appeals for the Federal Circuit, as well as in proceedings under the North American Free Trade Agreement; we give extensive assistance to the U.S. Trade Representative in dispute resolution before the World Trade Organization (WTO).

Unfair subsidized or dumped imports can distort trade and have an adverse impact on companies in the marketplace. Congress enacted the AD/CVD laws to provide U.S. producers and labor unions a way to obtain remedies when the USITC and Department of Commerce (Commerce) have determined that foreign competitors have benefited from unfair trade practices. The laws are therefore valued by U.S. manufacturers of a wide range of products. The laws provide for remedies, in the form of AD/CVD duties equivalent to the dumping margin and subsidy rate found for foreign producers by Commerce, to be put in place following the USITC and Commerce affirmative determinations. Our role in import injury inves-

¹ Under Section 201 of the Trade Act of 1974, we conduct global safeguard investigations and make determinations as to whether increased imports are a substantial cause of serious injury to the domestic industry producing the subject product. We have also been responsible for conducting China safeguard investigations to determine if increased imports from China are causing market disruption to the domestic industry producing the subject product. No global safeguard investigations have been conducted since 2001 and the China safeguard provision expired on December 11, 2013.

tigations is to determine whether U.S. industries are materially injured (or threatened with material injury) by the unfair imports; we therefore play a fundamental role in assessing and remedying the effects of unfairly-traded imports on U.S. industries.

Historically, a broad range of products representing many sectors of the economy have been subject to AD/CVD investigations, with a fairly large share of investigations involving intermediate products such as steel and chemicals. This trend held true for cases filed in FY 2013, as petitions filed involved products such as oil country tubular goods, steel concrete-reinforcing bar, grain-oriented electrical steel, and chemical products such as chlorinated isocyanurates and monosodium glutamate. The majority of the petitions filed in FY 2013 involved products previously investigated by the Commission and were multi-country cases involving imports from countries such as India, Korea, Oman, Thailand, the United Arab Emirates, and Vietnam. However, the majority of petitions filed during FY 2014 involved imports from a single country, with China being the predominant source of subject imports. Industries filing petitions in FY 2014 represented a wide variety of products including chemicals, agriculture, steel, and energy-related products. Collectively, AD/CVD investigations that were instituted as a result of petitions filed in FY 2014 involved about \$38.2 billion in U.S. consumption, \$6.0 billion in subject imports, and more than 37,000 U.S. production employees.

Our investigation processes and procedures are fair and transparent. We ensure that investigative records are complete and contain information from all parties so that we can make sound determinations that can withstand judicial scrutiny. In fact, one of our strategic objectives for this area is to conduct expeditious, efficient, and technically sound investigative proceedings. While we maintained timeliness objectives in FY 2014, we have set goals to continue to improve our investigative process to increase efficiency, reduce burdens and costs for industry participants, and improve accessibility of import injury investigation data and information. Specifically, we completed our migration to electronic data collection and processing, streamlined questionnaires, and revised the process of collecting other investigative data. During FY 2014, we issued a survey to outside counsel to gather feedback on potential ways to improve the way we gather and process investigative data related to lost sales and lost revenue allegations. Process changes will be implemented in FY 2015, and these should reduce the burden on firms.

To conduct import injury investigations, multi-disciplinary teams of agency staff compile information from a number of sources, including questionnaire responses from firms in the domestic and foreign industries, plant tours, testimony at staff conferences and USITC hearings, and legal briefs from parties. Our staff prepares a fact-based report upon which we rely to make our determinations. Our process for conducting import injury investigations is transparent, with interested parties' representatives having access to all the information we examine. All hearings and votes are open to the public and public versions of reports and opinions are available on our website, providing useful information to companies and individuals.

Workload in import injury investigations is a function of both new filings and reviews of existing orders; estimating the number of new filings is more difficult than estimating the number of reviews. For FY 2015 and 2016, we project a slightly higher overall caseload for import injury investiga-

tions (new filings and reviews), anticipating 48 investigations instituted in FY 2015 and 44 in FY 2016. Overall caseload fluctuates from year to year and over the last five years has ranged from a low of 32 (FY 2010) to a high of 43 (FY 2011). Over the last four years, new filings have been fairly steady, with the exception of FY 2013 when they were somewhat higher.

Review caseload has both cyclic and permanent elements to it, driven by transition reviews (i.e., for orders in place before January 1, 1995) and non-transition reviews. While there has been and will likely continue to be some decline in the number of transition reviews as old orders are revoked, the overall number of review investigations instituted will remain steady in FY 2015 and 2016, given the number of new orders put into effect since 2000.

Another significant portion of our workload related to import injury investigations is litigation concerning our determinations, which is conducted at the U.S. Court of International Trade, the U.S. Court of Appeals for the Federal Circuit, and binational review panels under the North American Free Trade Agreement. In addition, our staff assists the U.S. Trade Representative in disputes brought before the WTO involving either our import injury determinations or injury determinations made by other WTO members that bear on U.S. products.

Based on the average for the three most recent fiscal years, parties to AD/CVD investigations (original investigations and reviews) appeal our determinations 36.2 percent of the time. Parties have been more likely to appeal the determination in an original investigation (an average of 69.2 percent) than in a review (an average of 12.7 percent). At the close of FY 2014, there were 31 USITC import injury litigation matters pending, including cases challenging the actions of the USITC and U.S. Customs and Border Protection under the Continued Dumping and Subsidy Offset Act, or CDSOA (the “Byrd Amendment”²).

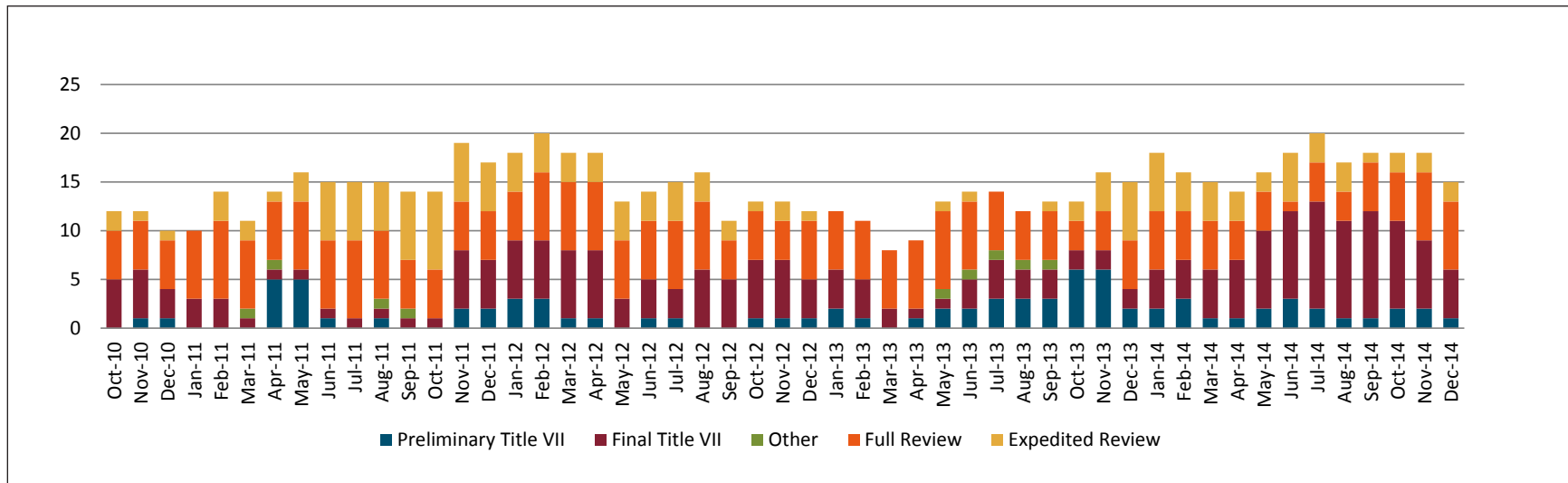
For FY 2015 and 2016, we project that the number of new appeals challenging our import injury determinations will be at levels similar to recent years, reflecting the historical rate of appeals and the projected number of new petitions and five-year reviews.

Trends in the investigative caseload and caseload estimates for FY 2015 and 2016 are shown below.

² The Deficit Reduction Act of 2005 repealed the CDSOA with respect to duties on entries of goods made and filed on or after October 1, 2007 (see Pub. L. No. 109-171, 120 Stat. 4, 154 (2006)), although litigation continues on a number of appeals.

IMPORT INJURY INVESTIGATIONS CASELOAD

Import Injury Investigations	Instituted							Completed						
	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Preliminary Title VII	3	8	8	13	9	10	10	8	8	7	9	13	10	10
Final Title VII	12	2	12	5	15	12	8	11	6	8	7	9	14	10
Other	0	2	0	1	0	1	1	0	2	0	1	0	1	1
Full Review	9	12	7	10	7	10	13	10	9	9	10	7	11	8
Expedited Review	8	19	9	9	11	15	12	8	12	17	3	15	13	14
Total	32	43	36	38	42	48	44	37	37	41	30	44	49	43



Unfair Import Investigations

The USITC investigates unfair methods of competition and unfair acts involving imported articles under section 337 of the Tariff Act of 1930. These investigations typically involve alleged infringement of statutory IP rights, primarily patent rights. Intellectual property is a key driver of the U.S. economy and we play an important role in protecting it. Section 337 investigations give U.S. IP rights owners benefits that are not available elsewhere. For example, the primary relief we offer, exclusion of goods at the border, is not available in the U.S. district courts. Moreover, we have earned a reputation for the fair and speedy adjudication of complex IP disputes as well as for expertise in resolving them. As a result, many IP rights holders, particularly in industries where the product life cycle is short, have come to see us as a vital resource for the redress of IP infringement. This interest is reflected in the unfair import investigation filings in recent years and in the high percentage of the patent trials held in the United States that are conducted at the USITC. While there has been a decline in new filings from the peak in FY 2011, we expect that the unfair import investigation caseload in FY 2015 and 2016 will remain at elevated levels and that the hearings in these proceedings will continue to account for a substantial share of the patent infringement trials conducted in the United States.

To adjudicate section 337 investigations, our Administrative Law Judges (ALJs) conduct conferences and hearings, issue initial determinations, and facilitate settlement agreements. Our Office of Unfair Import Investigations conducts pre-institution review of complaints, advises the commissioners on instituting investigations, participates (when appropriate) as a party to proceedings, and assists in facilitating settlements. The ALJs' initial determinations are subject to discretionary review, modification, or adoption by the Commission and the Commission's final determinations regarding alleged section 337 violations can be appealed to the U.S. Court of Appeals for the Federal Circuit. The Office of the General Counsel provides advice to the commissioners during the process and defends the agency's final decision during any subsequent appeal.

Although the spectrum of products and IP rights at issue in section 337 investigations is quite broad, the docket has been and will likely continue to be dominated by investigations involving the importation of sophisticated electronic devices, such as smart phones and smart televisions. There is substantial overlap between the industries that dominate our IP docket and the four industries determined in a Department of Commerce study to be the most patent-intensive industries in the United States.³ The study found that these four industries account for about 850,000 U.S. jobs. Additionally, the study found that the wages of private sector workers in IP-intensive industries were 42 percent higher than workers in non-IP-intensive industries, with the difference even higher for workers in patent-intensive industries. The Commission's IP enforcement efforts may thus contribute to strengthening the U.S. economy and employment.

³ Department of Commerce. *Intellectual Property and the U.S. Economy: Industries in Focus*, March 2012. The top four patent intensive-industries are computer and peripheral equipment, communications equipment, semiconductor and other electronic components, and other computer and electronic products.

In FY 2013 and 2014, the number of investigations involving alleged misappropriation of trade secrets in connection with imported goods continued to grow. This increase will likely continue into FY 2015 and 2016. The recent focus in both the executive and legislative branches on the protection of trade secrets highlights the importance of this part of our docket.

As mentioned earlier, one of our strategic goals is to produce sound, objective, and timely determinations in our investigative proceedings. The rapid resolution of section 337 disputes is particularly important to patent holders because the duration of patents is limited. Speed is even more crucial when disputes involve high-technology products that tend to have short commercial life cycles. Thus, in accordance with congressional intent, we strive to conclude our unfair import-based investigations as expeditiously as possible. This goal has been a challenge in recent years because of the record number of investigations filed in previous years. We are examining various options to shorten the length of investigations to provide more expeditious resolution. In addition, in FY 2014 and continuing through FY 2016, we set out to analyze which factors may contribute to the length of section 337 investigations.

We have already taken steps toward making our section 337 investigations more expeditious, efficient, and cost-effective, for both ourselves and for litigants, and are continuously considering additional initiatives. During FY 2013, we established a pilot program in which appropriate investigations would have certain dispositive issues, such as a domestic industry or importation allegations, decided by the ALJ within the first 100 days of the investigation. This pilot program attempts to address and resolve quickly those section 337 investigations brought by private parties that may lack sufficient basis for proceeding. We will ensure that this expeditious process meets statutory requirements, provides due process to litigants, builds sufficient factual records, and maintains quality decision making.

We promulgated rules in FY 2013 to promote electronic filing and place certain limits on discovery in section 337 investigations. The purpose of these procedural changes is to reduce costs and the potential for abuse of discovery in those investigations. To further pursue these goals, we have launched an initial case management pilot program under which the parties are required to produce certain information early in an investigation. We will evaluate the effectiveness of all these programs in FY 2015. In addition, we are assessing ways to improve the effectiveness of the exclusion orders we issue. As part of this process, we conduct periodic surveys of exclusion order holders.

To relieve our shortage of courtrooms, which had hampered the scheduling of evidentiary hearings in recent years as the caseload grew and the ALJ corps expanded, we acquired additional space in our current building and completed construction of a third courtroom in the first quarter of FY 2013. Hearings are now being held in three courtrooms, including the new courtroom which is specially equipped to handle the complex cases that account for much of our section 337 investigation docket.

We have also been working on initiatives to improve our ability to report data involving section 337 investigations and improve the transparency of our data to the public. As noted earlier, at the end of FY 2014, we launched 337Info, a new searchable database providing data on investigations instituted since October 1, 2008. Accessible from our website, 337Info offers members of the public easy access to information on scheduling, parties, patents at issue and unfair acts alleged in the investigation, staff assigned to the investigation, disposition of the investigation, and any appeals. We are also now using this information system to generate statistics to respond to internal and external inquiries regarding section 337.

We continue to foster settlements in our section 337 investigations, including through our mediation program; settlements reduce the number of investigations in which we make final determinations. The number of final determinations is most relevant to understanding the resource requirements for subsequent litigation.

Below is a table displaying the number of recent section 337 determinations and appeals year by year. Based on an average for the five most recent fiscal years, the appeal rate for IP-based investigations was 68 percent. During FY 2014, there were 38 active section 337 litigation appellate matters pending. At the close of FY 2014, there were 17 section 337 litigation appellate matters pending. This litigation absorbs a significant portion of employee resources from the Office of the General Counsel.

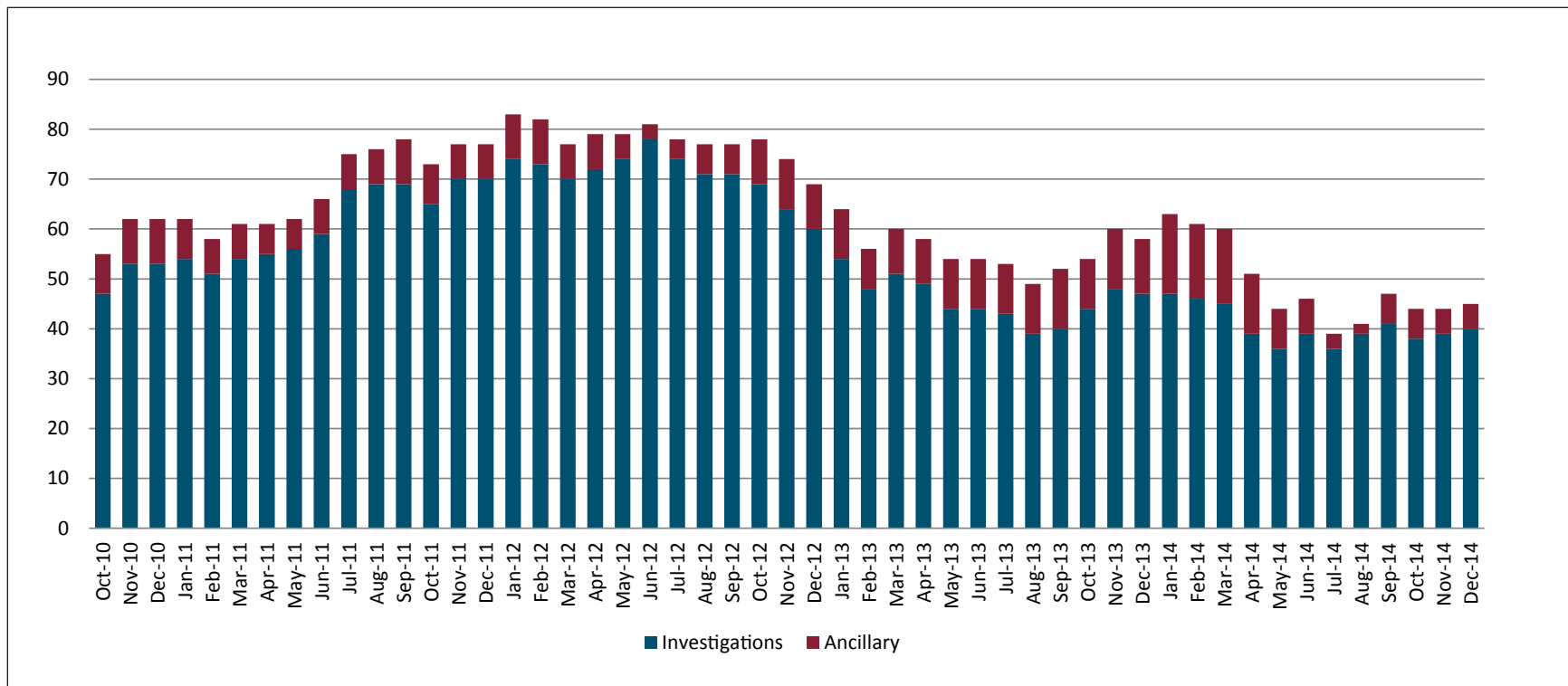
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
# of Final Determinations	25	18	22	21	18
# of Appeals	14	9	17	13	17

For FY 2015 and 2016, we project that the number of new appeals challenging section 337 determinations will remain at levels similar to those of recent years, reflecting the historical rate of appeals and the projected filings.

Trends in the investigative caseload and caseload estimates for FY 2015 and 2016 are shown below.

UNFAIR IMPORT INVESTIGATIONS CASELOAD

Status	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Instituted	58	78	56	52	49	45	45
Completed	52	58	57	72	59	50	48



TARIFF, TRADE, AND COMPETITIVENESS-RELATED ANALYSIS AND INFORMATION

To fulfill our agency's mission, we must provide timely, objective, high-caliber information and analysis to U.S. policy makers to assist them in negotiating trade agreements and in evaluating the effect of legislation or other policy actions on the U.S. economy and industry competitiveness.

We have statutory responsibilities to provide advice, analysis, data and other information, and reports to Congress, the President and the U.S. Trade Representative. In response to U.S. policy makers' requests, we and our staff provide objective, independent information and analysis on numerous topics, both through formal investigations (industry and economic analysis investigations) and informal expert advice (trade policy support). To ensure that we develop and maintain the technical expertise we need to fulfill our statutory requirements, we also identify priority research areas in international trade, industry competitiveness, and the U.S. and global economies. With the exception of requested confidential studies, we provide our industry and economic analysis and research, containing valuable trade-related information, to trade professionals and the public.

As noted earlier, we also publish and maintain the Harmonized Tariff Schedule of the United States (HTS), which serves as the basis for collecting customs duties, compiling trade data, and formulating many trade actions. The HTS plays a significant role in developing the international nomenclature for goods in trade.

Industry and Economic Analysis

INVESTIGATIONS

We conduct investigations on a wide range of international trade and competitiveness issues that are of interest to U.S. policy makers and affect U.S. firms, industries, and consumers. The industry and economic analysis investigations we conduct may be either confidential or public reports. Authority for our investigations is granted in section 332 of the Tariff Act of 1930, by various specific trade agreement implementation statutes, and by several general trade statutes. These investigations primarily fall into three broad categories:

- General factfinding and analytical investigations

- Investigations examining the probable economic effect of proposed trade policy changes
- Assessments of negotiated trade agreements

External events that impact international trade and domestic competitiveness affect the timing and scope of requestors' requirements and interests. Consequently, the nature and timing of requests for these investigations are unpredictable. The number and complexity of requested industry and economic analysis investigations reflect the interests of trade policy makers and depend on such factors as the number and status of trade negotiations, global competition in specific sectors or with certain trading partners, the international economic environment, or emerging issues and industries about which little public information is available. The interplay of these factors makes accurate forecasting of future workloads uncertain.

The industry and economic analysis we conduct is widely viewed as expert and objective and is routinely cited by parties representing all sides in trade debates. Our ability to collect, compile, and assess unique data is widely sought after by industry and policy makers. Trade policy makers rely on us for authoritative information on a wide spectrum of trade-related issues to support informed decision making.

Our studies frequently focus on issues that affect U.S. trade or important parts of the U.S. economy. Recent examples include the following:

- Examining the effect of concluding an agreement on trade in environmental goods
- Analyzing the impact of India's trade, investment, and industrial policies on the U.S. economy
- Investigating the growing area of digital trade, which we estimate contributes over \$500 billion to the U.S. gross domestic product annually

Moreover, our customers rely on us to gather unique primary data, often about industries or activities for which little or no published data exist (e.g., the digital trade and India reports noted above). These industries or activities often account for a sizeable share of economic activity in the United States or have a significant impact on U.S. businesses. For instance, our 2014 report on Digital Trade in the U.S. and Global Economies estimated that digitally intensive U.S. firms exported goods and services valued at \$223 billion and imported goods and services valued at \$106 billion. The benefit to U.S. companies' affiliates in India of India's liberalizing of foreign direct investment and adopting world-class intellectual property protection policies was estimated at \$20 billion.

Customers also rely on us to provide expert information about the effect of certain policy changes—such as those affecting rules of origin or tariff preference programs—on specific, often narrowly-defined products. We also provide customers with analyses of the global competitiveness of a wide range of U.S. industries and sectors. Recently completed or ongoing examples of such work include reports on the rules of origin in the African Growth and Opportunity Act, digital trade in the U.S. and global economies, environmental goods, and global competitiveness in the rice industry.

Requested investigations often overlap with each other and with mission-critical work in other investigative areas. Moreover, requests often require new analytical methods; collection and analysis of unique primary data obtained through sector-specific questionnaires; or research and analysis of new industries, competitive conditions, or trade barriers. During FY 2014, our employees simultaneously handled multiple industry and economic analysis projects, as well as other work required by statute (import injury investigations, trade policy support, tariff and trade information services). We dedicated nearly 36 workyears, or approximately \$5.0 million, in personnel costs to industry and economic analysis investigations. For FY 2015 and 2016, we anticipate devoting a slightly higher number of workyears to industry and economic analysis work. A list of FY 2014 economic and analysis publications is included in our FY 2014 Annual Performance Report.

WORKLOAD EXPECTATIONS IN FY 2015 AND 2016

In FY 2015 and 2016, we expect the number of active investigations to remain at levels similar to those of the past year, given the active trade policy agenda of the executive and legislative branches, as well as the increasing scope and complexity of certain requests. In both fiscal years, one to two requests are likely to require the development and administration of questionnaires. These activities, along with the subsequent analysis of questionnaire responses, require a relatively large amount of agency resources. Possible passage of Trade Promotion Authority legislation could mean additional work, as draft bills have included clauses that would require us to undertake new research efforts. We will continue to advance our use of electronic survey tools and methods, which have contributed to productivity gains in recent questionnaire-based investigations. In addition, during both FY 2015 and 2016, we will produce multiple recurring reports. Our staff periodically discusses these reports with the requestors to ensure their continued interest in the information provided or to furnish additional information to meet emerging needs.

For FY 2015, we anticipate responding to requests or statutory direction for approximately 10 reports providing unique data and analysis. The reports will be intended to inform policy makers' efforts in international trade negotiations or their development of domestic policy. Reports already completed or underway include:

- Rice: Global Competitiveness of the U.S. Industry
- Trade and Investment Policies in India, 2014-2015
- Trade, Investment, and Industrial Policies in India: Effects on the U.S. Economy
- Cuban Imports of Goods and Services: Effects of U.S. Restrictions

In addition to these, as mentioned earlier, we will publish several reports that we produce on a recurring basis.

We anticipate a robust analytic workload in FY 2015 and 2016, and have a performance goal of expanding our capability to anticipate and address new areas of economic and industry analysis. To achieve this goal, we will focus research and data development in high-interest areas such as:

- Advancing our modeling capabilities in areas such as the distributional effects of trade on households, incorporating baseline projections for U.S. and global economies, and updating our framework for the analysis of the probable economic effects of trade agreements
- Expanding analysis of emerging issues in areas such as the economic and trade effects of energy markets, technologies, and related services; non-tariff barriers both at and behind countries' borders; supply chains; product space analysis; and the trade and trade policy effects on labor markets
- Increasing our capabilities and knowledge related to unilateral, bilateral, regional, and multilateral trade-related agreements

Such preparatory work expands our resident expertise and can help us respond effectively and efficiently to requests for analytic investigations, while also contributing to work in import injury, tariff, and trade policy support activities elsewhere in the agency. These high-interest areas tend to require information that is not readily available. Moreover, such work often requires significant staff resources to refine existing analytic tools or develop new ones. Our research agenda has kept us at the forefront of emerging analytic areas, such as product space analysis, quantification of non-tariff measures, developing expertise in trade-reliant industries, and the impacts on trade of government policies such as intellectual property regimes. An increased commitment of resources to support such work will be necessary to maintain the world-class quality of products we deliver to our customers.

External factors that are likely to influence the scope and number of requests for analytic investigations in FY 2015 and 2016 include:

- The negotiation/conclusion/implementation of several trade agreements (e.g., the Trans-Pacific Partnership, the European Union-United States Trade and Investment Partnership, the Environmental Goods Agreement, the Trade in Services Agreement, possible expansion of the Information Technology Agreement, and possible renewal of Trade Promotion Authority)
- Interest by trade policy makers in new technologies, industries, and business models (e.g., digital trade, advanced manufacturing, the effects of changing energy markets on U.S. competitiveness, the evolving interplay of services and manufacturing activities)
- Challenges and opportunities presented by shifting trade patterns and relationships between the United States and countries such as China, Brazil, and members of the Organisation for Economic Co-operation and Development (e.g., competitive pressures in specific industries)
- Miscellaneous tariff bills and nomenclature work

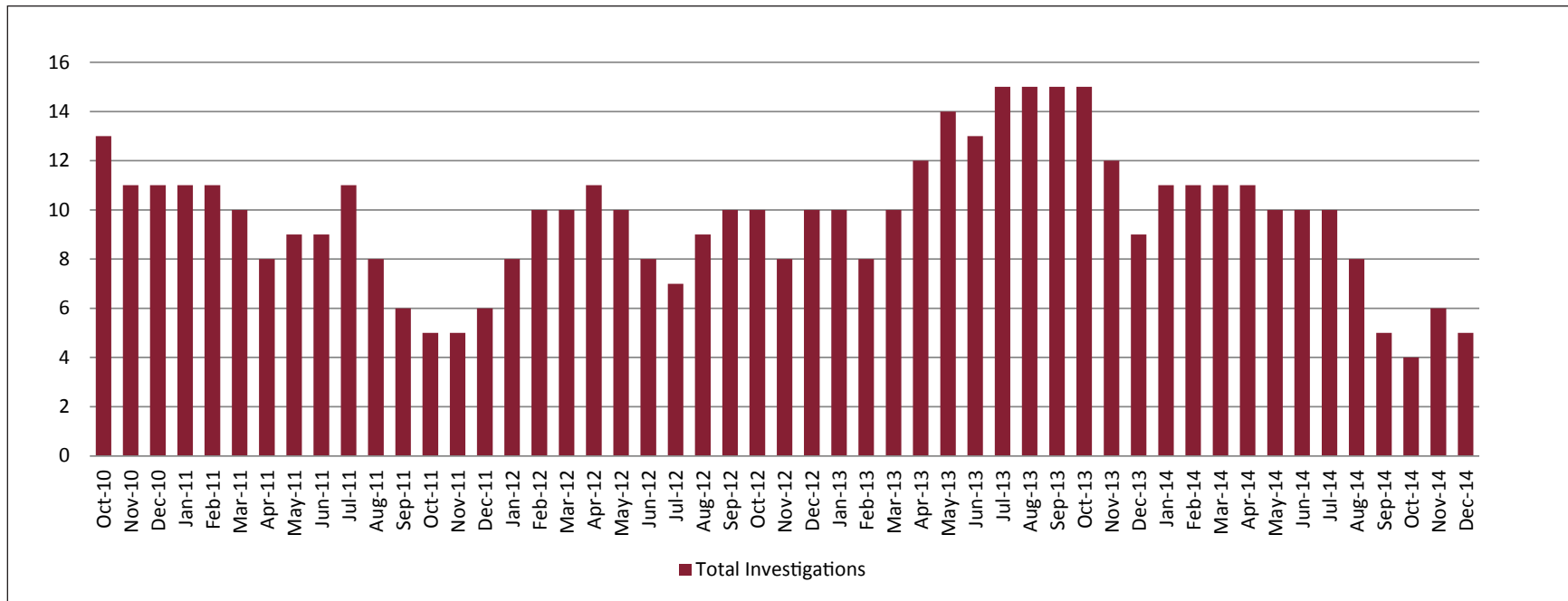
To respond to these requests effectively and efficiently, we must recruit, develop, and maintain a high level of industry, regional, and economic expertise. Skilled personnel are our single most important resource. An important aspect of developing these capabilities is staff research and external communication and collaboration to help develop information and methodological tools that we expect to be useful in customer-requested investigations. These activities are conducted under the broad authority of sections 332(a) and (b) of the Tariff Act of 1930 and often result in publication of articles or in presentations at international meetings of experts and multilateral institutions. Expertise is also developed and research is made available through direct interaction with many international and domestic government agencies, at academic gatherings, and with private sector associations. These activities provide an important forum for external technical review of new analytical approaches and often suggest new, relevant areas of potential interest. Although we continue to pursue expanded videoconferencing capabilities as a cost-effective and efficient communication and collaboration tool, staff travel is often necessary to share and gather knowledge from domestic and international experts.

We also invest funds to ensure we have the capability to respond efficiently and effectively to customer requests through the continuous acquisition, development, and improvement of analytical tools, information resources, and research methods, including survey methods and statistical, econometric, and simulation analyses. These funds are primarily spent on information databases, expert consulting services, and specialized software. In particular, our staff works with outside experts to continue to refine and further develop our simulation model of the U.S. economy—the U.S. Applied General Equilibrium (USAGE) model—and its underlying database. Using the most updated and advanced version of the USAGE model is essential if we are to accurately estimate the economic effects of changes in trade policy, including their effects on key indicators such as wages and employment. During FY 2015 and 2016, we will work to ensure that such tools accurately capture the effects of trade policy changes by supplementing in-house expertise with specialized contract resources.

Trends in the investigative caseload and caseload estimates for FY 2015 and 2016 are shown below.

INDUSTRY AND ECONOMIC ANALYSIS INVESTIGATIONS CASELOAD

Status	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Instituted	16	8	9	10	8	10	10
Completed	13	11	6	12	10	10	10



Tariff and Trade Information Services

The USITC maintains and publishes the Harmonized Tariff Schedule (HTS) of the United States under the Tariff Act of 1930 and Section 1207 of the Omnibus Trade and Competitiveness Act of 1988. In support of this activity, we maintain online interactive and in-house databases and an online HTS search tool; chair the interagency Committee for Statistical Annotation of the Tariff Schedules; conduct section 1205 studies to propose to the President certain amendments to the HTS; and participate in the U.S. Delegation to the World Customs Organization (WCO). Staff expertise developed in these areas contributes to our investigative work as well as to trade policy support provided to the agency's legislative and executive branch customers. We also provide technical reports to Congress on miscellaneous tariff legislation and advise the U.S. Trade Representative on aspects of the trade agreements program. To support our strategic goal, we strive to improve the availability of and access to high-quality and up-to-date tariff and international trade information and technical expertise to support the executive and legislative branches, the broader trade community, and the public. For FY 2015, we have set performance goals that further our ability to effectively carry out these responsibilities.

MAINTENANCE OF THE HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES

Maintaining and providing an accurate and up-to-date tariff schedule is of critical importance to the U.S. Government and private sector. U.S. Customs and Border Protection (CBP) relies upon the HTS for collecting all tariff revenues, estimated to be nearly \$34 billion on more than \$2.3 trillion in U.S. goods imports in FY 2014. The public relies upon it for accurate information for importing all goods into the country. In fact, as noted earlier, the HTS is the most heavily used tariff schedule in the world based upon the volume of trade covered. The HTS underlies the U.S. trade data maintained by the Department of Commerce's Census Bureau (Census) and enables CBP to manage all of its trade enforcement activities.

The Harmonized Tariff Schedule of the United States Annotated (HTSA) consists of the HTS, its statistical annotations, and other related information. In addition to updating the HTSA to reflect changes in tariff rates and nomenclature information, we chair the interagency Committee for Statistical Annotation of the Tariff Schedules in coordination with CBP and Census, and we also participate in or lead the U.S. Delegation to various committees of the WCO. Continued funding for staff to attend WCO-related meetings is an agency priority, as part of U.S. Government efforts to ensure that the international tariff nomenclature takes U.S. economic interests into account.

During FY 2014, we invested in developing a state-of-the-art database management system to update the system in place for maintaining the HTS. This new system will be deployed by the end of FY 2015 and will serve as the foundation for improving all HTS services in later years.

In mid-February, we will publish an annual edition of the HTS in hard copy to reflect yearly staged rate reductions under free trade agreements, as well as other modifications proclaimed by the President or otherwise approved. It may also be necessary to publish HTS supplements in hard copy

during FY 2015, depending on the timing and extent of amendments arising from the annual Generalized System of Preferences (GSP) review and implementation of trade agreements. Ongoing support to the U.S. Trade Representative in developing and analyzing rules of origin for negotiations and implementation of agreements is an additional responsibility that will require significant staff time, particularly in connection with the Trans-Pacific Partnership and existing free trade agreements. As noted in the following section, our staff also assists the office of the U.S. Trade Representative in preparing the final versions of the implementing proclamations for trade agreements and other actions affecting the HTS.

LEGISLATIVE REPORTS

The House Committee on Ways and Means and the Senate Committee on Finance periodically ask the agency for technical drafting assistance and reports on miscellaneous tariff bills (MTBs). Our experts provide tariff nomenclature advice and customs revenue loss estimates for the Congressional Budget Office. Our MTB-related activity is dependent on the level of congressional consideration of MTBs, which is normally conducted on a two-year cycle.

During FY 2012, we streamlined our process for analyzing and developing what proved to be a formidable number of reports. Over 2,000 separate bills to temporarily reduce or suspend tariffs on a wide variety of products were introduced during the 112th Congress, resulting in more than 1,325 reports. However, no omnibus trade legislation was passed in either the 112th or 113th Congress. It is anticipated that the 114th Congress will require assistance from us to analyze and prepare reports on another large set of bills to temporarily reduce or suspend tariffs in FY 2015. Under legislation pertaining to MTBs introduced in each of the last four Congresses, we may be given additional responsibilities that would require extra resources.

OTHER ONLINE TARIFF-RELATED SERVICES

We also provide online trade services, such as the USITC DataWeb and the HTS tariff database. The DataWeb is a valuable tool used by our staff, external customers, and the public to organize U.S. import and export data for analysis, while the HTS tariff database reflects not only normal duty rates (“column 1-general tariff rates”) but also various preferential rates applicable under free trade agreements, the GSP, and other preferential duty programs. Our staff also maintains an online reference tool for searching the HTS which is frequently used by the public. The new system for preparing the official HTS is compatible with these other systems and will be used to update them. Further development of the HTS system will form the basis for upgrading all of our HTS online services. Approximately 81 percent of all Internet queries directed to us in FY 2014 concerned tariff information, which amounts to roughly 4.1 million visits for the year, or nearly 11,275 per day. Several workyears of staff time are devoted

to the HTS functions listed above, as well as providing customer service for thousands of emails and telephone inquiries annually. After the new system is brought on line in FY 2015, we will begin to seek feedback from the public to learn how the system can be further improved.

INTERNATIONAL TRADE DATA SYSTEM

We actively participate in a U.S. Government multi-agency initiative to develop a comprehensive, harmonized port documentation system that will allow for the electronic collection, use, and dissemination of international trade and transportation data. The International Trade Data System (ITDS) will also benefit the trading public by providing a “single window” for reporting foreign trade transactions to the U.S. Government. We consulted with the ITDS working group in developing our new HTS system, and we took several suggestions made by ITDS agencies into account to ensure that agencies accessing HTS information from us would be able to do so in formats that are compatible with their systems. The increased efficiencies and ease of use for all agencies, businesses, and the public at large are a great benefit of developing the new HTS system. The access to all trade data in one system will also add efficiencies to many of our investigatory responsibilities.

Trade Policy Support

We draw on knowledge developed during statutory investigations and research from within the agency to respond to trade policy makers' requests for "rapid-response" technical expertise and data that support the development of well-informed U.S. international trade policy. This trade policy support, provided under section 332 of the Tariff Act of 1930, includes (1) providing information and analysis on current issues related to trade and competitiveness; (2) providing technical comment on draft legislation; (3) preparing draft tariff legislation and annexes for presidential proclamations, memoranda, executive orders, and final decisions by various agencies; (4) providing information and analysis in briefings and meetings; (5) temporarily detailing staff to our oversight committees and the U.S. Trade Representative; and (6) assisting trade delegations and negotiating teams.

Providing technical assistance allows us to fulfill our strategic goal of producing objective, responsive tariff, trade and competitiveness-related analysis and information. We use regular communication and formalized feedback mechanisms to seek out information that will help us foresee policy makers' needs and proactively develop expertise to meet anticipated requests for assistance.

In 2014, technical assistance requests covered a wide range of topics and issues, and the resources we devote to this activity increasingly support trade negotiations, in addition to general policy making. The variety of these requests underscores the complexity of trade policy issues, as well as recognition of our unique capabilities and expertise. In FY 2014, we committed almost nine workyears, or approximately \$1.4 million, in personnel costs to providing trade policy support.

We anticipate that technical assistance efforts for FY 2015 and 2016 will remain at high levels. One reason for this is the heavy U.S. activity in various trade negotiations (e.g., Trans-Pacific Partnership, Environmental Goods Agreement, Transatlantic Trade and Investment Partnership, Trade in Services Agreement, Information Technology Agreement); another is our outreach efforts, aimed at ensuring our statutory customers are well informed of the staff's capabilities. Congressional interest in obtaining "real-time" assistance with draft legislation is expected to continue, as will executive branch interest in support with trade agreement negotiations and with appearances before WTO bodies. In some instances, we have found that the most effective way to meet our requestors' requirements is to detail one of our staff members to our oversight committees or to the U.S. Trade Representative. As budget and statutory workload permit, we will likely continue to provide a limited number of personnel details to these customers, at their request.

OFFICE OF THE INSPECTOR GENERAL

The USITC's Office of the Inspector General (OIG) provides audit, inspection, and investigative support services covering all of our programs and strategic operations. Its mission is to promote and preserve the agency's effectiveness, efficiency, and integrity. The OIG is required by statute to conduct reviews of two annual reports prepared by the USITC: (1) a report combining the financial statements describing our financial activity for the year and performance statements describing our goals and associated measures for the year, and (2) a report on our information security program and practices in accordance with provisions of the Federal Information Security Management Act. The Inspector General is also required to perform a risk assessment of our charge card program, report on our compliance with the Improper Payments Elimination and Recovery Improvement Act, and issue a report on the performance and management challenges facing us. In addition to these reviews, and based on available resources, the OIG has identified 16 potential areas for review in the FY 2015 Annual Audit Plan.

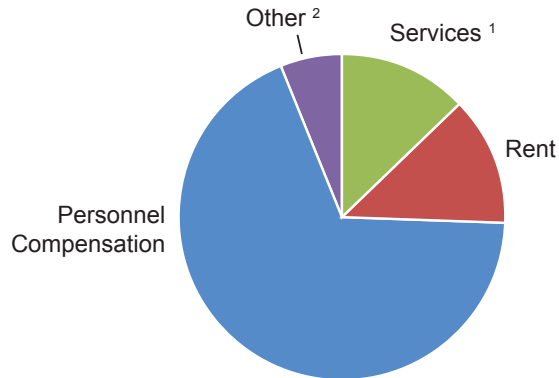
The OIG non-personnel budget request for FY 2016 is \$193 thousand and reflects steady-state funding from the FY 2015 available resources, which were also \$193 thousand. Included in the FY 2016 request is \$164 thousand for contract audit services for the audit of our financial statements and other audit services, \$26 thousand for technical equipment and supplies to conduct IT security-related reviews, and \$3 thousand for the annual contribution to the Counsel of the Inspectors General on Integrity and Efficiency. Additionally, the budget request includes \$8 thousand for travel and \$12 thousand for training to meet the continuing professional education requirements for leadership, technical knowledge, and skills. Our budget request contains enough resources to support the four full-time members of the OIG staff in FY 2015 and 2016.

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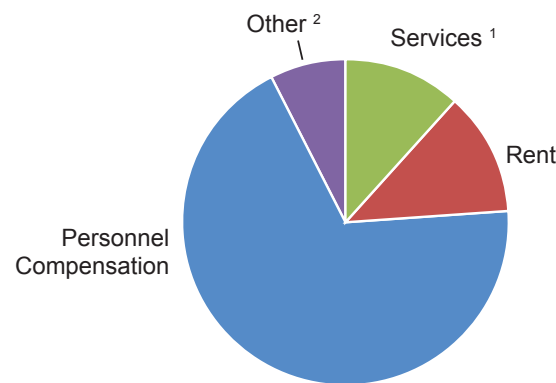
Dollar Cost: Comparison by Object Classification, Fiscal Years 2014-2016

(Dollar Amounts in Thousands)

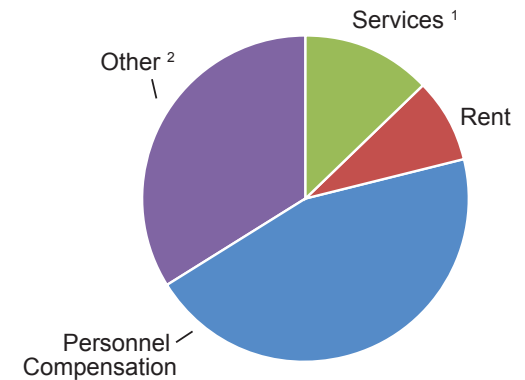
FY 2014: \$83,349







FY 2015: \$84,842



FY 2016: \$131,500



CATEGORY OF OBLIGATION	FY 2014 Actual		FY 2015 Estimate		FY 2016 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
1. Personnel Compensation 	\$56,834	68.1%	\$58,070	68.4%	\$59,155	45.0%
2. Rent 	10,742	12.9%	10,408	12.3%	11,251	8.6%
3. Services ¹ 	10,728	12.9%	10,029	11.8%	16,857	12.8%
4. Other ² 	5,045	6.1%	6,335	7.5%	44,237	33.6%
TOTAL	\$83,349	100.0%	\$84,842	100.0%	\$131,500	100.0%

Note: Dollars may not add due to rounding in this and subsequent charts.

¹ Services include, but are not limited to, obligations for contractor staff (IT service desk; security guards; financial management, internal controls, and financial audits), software licenses, and equipment maintenance.

² Other includes budget object classes such as equipment, supplies, communications and equipment rental, travel, training, printing and reproduction, land and structures, postage and contractual mail, and transportation.

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Analysis of Change by Object Classification

Fiscal Years 2014-2016

(Dollar Amounts in Thousands)

	FY 2014 Actual Obligations	FY 2015 Estimate	FY 2016 Request	FY 2015-2016 Change
Personnel Compensation	\$56,834	\$58,070	\$59,155	\$1,085
Non-personnel Obligations				
Rent	\$10,742	\$10,408	\$11,251	\$843
Services	10,728	10,029	16,857	6,828
Supplies	1,655	1,836	1,905	69
Equipment	1,384	1,863	18,649	16,786
Travel	471	590	575	-15
Training	435	626	601	-25
Communications and Equipment Rental	716	987	1,020	33
Transportation	12	17	17	0
Postage	45	69	69	0
Land and Structures	9	50	21,102	21,052
Printing and Reproduction	317	270	270	0
Official Reception and Representation	1	27	29	2
Subtotal Non-personnel Obligations	\$26,515	\$26,772	\$72,345	\$45,573
Total Obligations	\$83,349	\$84,842	\$131,500	\$46,658

Summary of Increases/Decreases from the FY 2015 Estimate

Personnel Cost Change

(Dollar Amounts in Thousands)

Personnel Costs **+\$1,085**

Personnel costs are expected to increase by approximately \$1.1 million as a result of maintaining critical staffing gains made in FY 2015, the proposed 1.3 percent pay raise effective January 1, 2016, the normal cost of promotions and within-grade increases, and higher benefits costs.

Non-Personnel Cost Changes

Rent **+\$843**

Rent costs are expected to increase by \$843 thousand to accommodate escalations in real estate taxes and operating costs included in the leases.

Services **+\$6,828**

Services costs are expected to increase by \$6.8 million. The largest component of this increase, \$5.3 million, is for expenses related to the lease transition, such as relocation of the data center, digitization of paper records, and consolidation of the print shop. The remainder of the increase, approximately \$1.5 million, will support several critical investments, including enhancements to the database developed to improve management of import injury investigations, cybersecurity investments to ensure critical systems are compliant with the Federal Information Security Management Act, increased funding for the recent government-wide Information Security Continuous Monitoring (ISCM) cybersecurity requirement, and economic research/consulting services.

Supplies **+\$69**

Supplies costs are expected to increase by \$69 thousand for data purchases to support research requirements.

Equipment **+\$16,786**

Equipment costs are expected to increase by approximately \$16.8 million. The largest component of this increase, \$16.4 million, is for expenses related to the lease transition, such as IT equipment and infrastructure, audiovisual equipment and wiring for the Public Courtroom Complex, building security systems, and furniture. The remainder of the increase, approximately \$400 thousand, will support investment in Virtual Desktop Infrastructure (which will be a critical component of seamless IT support through the lease transition) and equipment for the ISCM cybersecurity requirement.

Travel **-\$15**

Travel is expected to decrease slightly during the lease transition but will be sufficiently funded to accommodate the anticipated workload, the Administration’s ambitious trade agenda, and continued congressional interest in trade issues.

Training **-\$25**

Training is expected to decrease slightly during the lease transition but will be sufficiently funded to meet staff licensing, certification, and professional education requirements.

Communications **+\$33**

Communications costs are expected to increase by \$33 thousand primarily for investments in the agency’s disaster recovery site.

Land and Structures **+\$21,052**

Land and structures costs are expected to increase by approximately \$21.1 million for construction costs related to the lease transition.

Official Reception and Representation **+\$2**

Official reception and representation funds are expected to increase by \$2 thousand, which has been the level of funding provided in the last several annual appropriations.

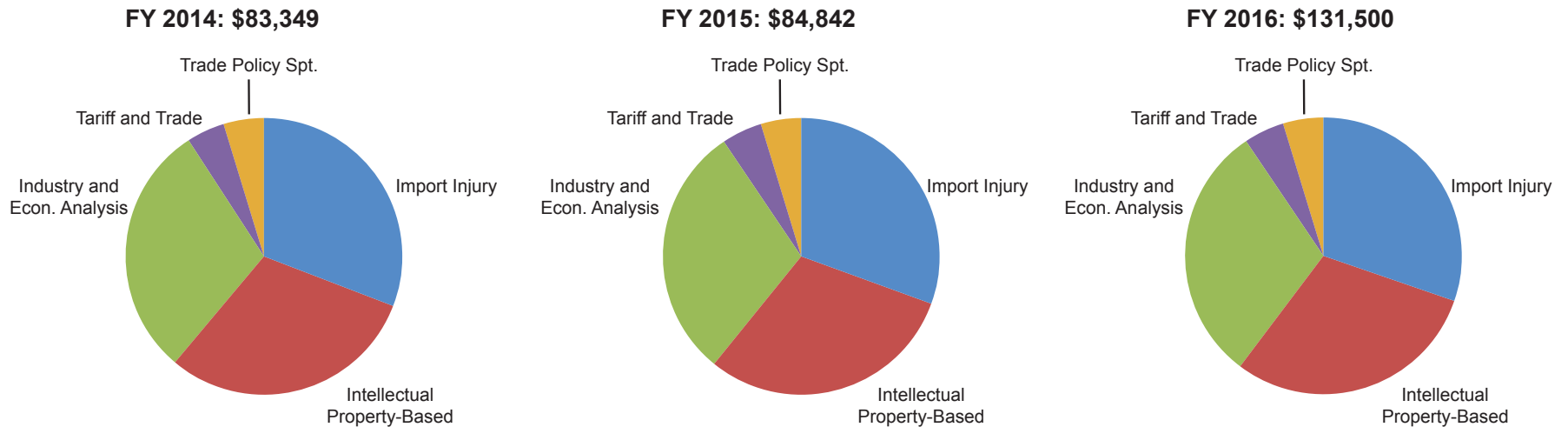
Net Non–Personnel Cost Changes **+\$45,573**

Total Adjustment to Base (\$84,842) **+\$46,658**

Total Budget Request **\$131,500**

Dollar Cost: Comparison by Strategic Goal, Fiscal Years 2014-2016

(Dollar Amounts in Thousands)



CATEGORY OF OBLIGATION	FY 2014 Actual		FY 2015 Estimate		FY 2016 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
Trade Remedy Investigations (Strategic Goal 1)						
Import Injury	\$25,768	30.9%	\$26,089	30.7%	\$40,165	30.5%
Intellectual Property-Based	25,398	30.5%	25,535	30.1%	39,243	29.8%
Tariff, Trade, and Competitiveness-Related Analysis and Information (Strategic Goal 2)						
Industry and Economic Analysis	24,764	29.7%	25,424	30.0%	40,005	30.6%
Tariff and Trade Information Services	3,633	4.4%	3,839	4.5%	5,981	4.5%
Trade Policy Support	3,786	4.5%	3,955	4.7%	6,106	4.6%
TOTAL	\$83,349	100.0%	\$84,842	100.0%	\$131,500	100.0%

Budget Summary by Strategic Goal Components Fiscal Years 2014-2016

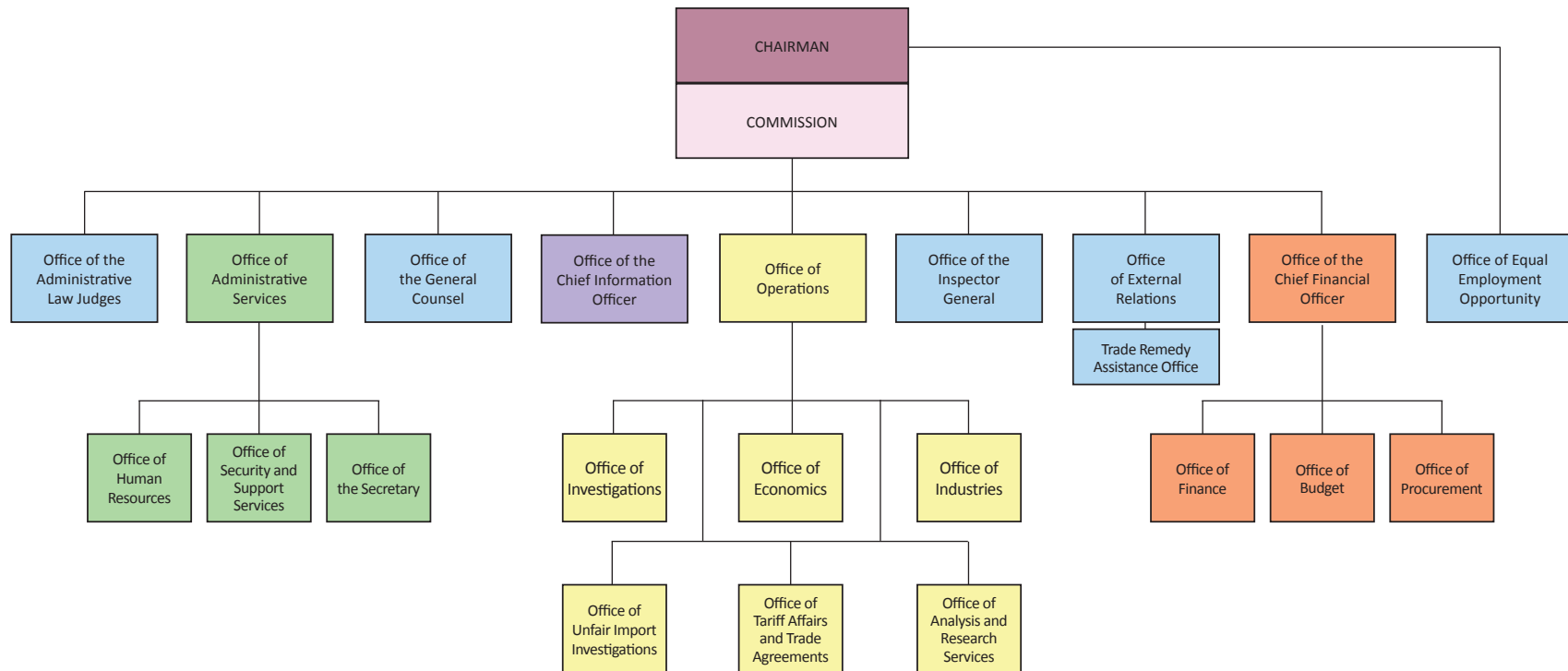
(Dollar Amounts in Thousands)

Operation	FY 2014 Actual		FY 2015 Estimate		FY 2016 Request		FY 2015-2016 Change	
	Workyears	Dollars	Workyears	Dollars	Workyears	Dollars	Workyears	Dollars
A. Direct Costs ¹								
1: Import Injury Investigations	59	\$9,030	61	\$9,318	64	\$9,641	3	\$323
2: Unfair Import Investigations	57	9,339	58	9,554	60	9,747	2	193
3: Industry and Economic Analysis	59	8,327	65	9,178	70	9,657	5	479
4: Tariff and Trade Information Services	8	1,263	9	1,337	9	1,358	0	21
5: Trade Policy Support	9	1,388	9	1,455	9	1,485	0	30
Subtotal	192	\$29,347	202	\$30,842	212	\$31,888	10	\$1,046
B. Indirect Costs ²								
1: Import Injury Investigations	63	\$16,738	63	\$16,771	64	\$30,524	1	\$13,753
2: Unfair Import Investigations	60	16,059	59	15,981	60	29,496	1	13,515
3: Industry and Economic Analysis	60	16,437	59	16,246	60	30,348	1	14,102
4: Tariff and Trade Information Services	9	2,370	9	2,502	9	4,623	0	2,121
5: Trade Policy Support	8	2,398	9	2,500	9	4,621	0	2,121
Subtotal	200	\$54,002	199	\$54,000	202	\$99,612	3	\$45,612
C. Total Costs								
1: Import Injury Investigations	122	\$25,768	124	\$26,089	128	\$40,165	4	\$14,076
2: Unfair Import Investigations	117	25,398	117	25,535	120	39,243	3	13,708
3: Industry and Economic Analysis	119	24,764	124	25,424	130	40,005	6	14,581
4: Tariff and Trade Information Services	17	3,633	18	3,839	18	5,981	0	2,142
5: Trade Policy Support	17	3,786	18	3,955	18	6,106	0	2,151
Total	392	\$83,349	401	\$84,842	414	\$131,500	13	\$46,658

¹ Direct costs include personnel and travel costs directly attributed to the five strategic operations.

² Indirect costs include personnel costs such as general administration and IT support services. Indirect costs also include virtually all non-personnel costs, such as contractual services, supplies, equipment, space rental, travel not directly attributed to the five strategic operations, and training. Most indirect costs are allocated to the operations according to the percentage of total costs directly charged to each operation.

U.S. International Trade Commission Office-Level Organization Chart

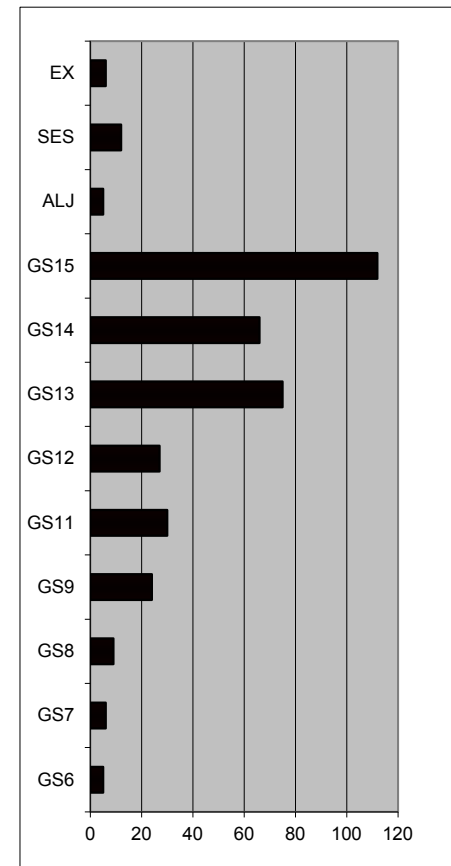


Revised October 2014

Current Permanent and Term Staffing Plan with Onboard and Gaps

Office	FY 2015		
	Permanent and Term Positions in Staffing Plan	Permanent and Term On Board (as of Jan. 9, 2015)	Gap
Commissioners' Offices	32	32	0
External Relations	5	5	0
Inspector General	4	4	0
General Counsel	44	42	2
Administrative Law Judges	24	20	4
Equal Employment Opportunity	2	2	0
Chief Information Officer	31	33	-2 *
Subtotal Independent Offices	142	138	4
Operations	7	5	2
Analysis and Research Services	20	18	2
Import Injury Investigations	27	24	3
Unfair Import Investigations	21	21	0
Economics	42	37	5
Tariff Affairs and Trade Agreements	14	14	0
Industries	84	62	22
Subtotal Operations	215	181	34
Chief Financial Officer	4	4	0
Budget	2	2	0
Finance	9	8	1
Procurement	6	6	0
Subtotal Chief Financial Officer	21	20	1
Administrative Services	5	5	0
Human Resources	8	9	-1 *
Security and Support Services	12	8	4
Secretary and Dockets	16	16	0
Subtotal Administrative Services	41	38	3
Commission Total	419	377	42

Onboard Staff by Grade (as of Jan. 9, 2015)



* We are constantly evaluating our workload and align resources to meet emergent needs. In the short term, the Commission may approve requests for staffing that may exceed office allocations to meet workload challenges. If those workload challenges persist, the Commission may make the adjustment permanent by shifting positions, subject to the total staffing constraint of 419 permanent and term positions.



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