

**GAO**

Testimony

Before the Subcommittee on Oversight of  
Government Management, the Federal  
Workforce and the District of Columbia,  
U.S. Senate

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For Release on Delivery  
Expected at 10:00 a.m., EST  
Tuesday, December 9, 2003

**HUMAN CAPITAL**

**Significant Challenges  
Confront U.S. Trade  
Agencies**

Statement of Loren Yager, Director  
International Affairs and Trade





Highlights of GAO-04-301T, a testimony before the Subcommittee on Oversight, of Government Management, the Federal Workforce and the District of Columbia, U.S. Senate

# HUMAN CAPITAL

## Significant Challenges Confront U.S. Trade Agencies

### Why GAO Did This Study

Recent developments in global trade have created human capital challenges for U.S. trade agencies. At least 17 federal agencies, with the Office of the U.S. Trade Representative (USTR) as the lead, negotiate, monitor, or enforce trade agreements and laws. These agencies' strategies for effectively aligning their current and emerging needs in handling international trade functions and their human capital resources are critical to improving agency performance.

GAO was asked to summarize its recent studies to illustrate important human capital challenges arising from current trade developments as U.S. trade agencies strive to negotiate, monitor, and enforce existing trade agreements and laws. For this testimony, GAO discussed the challenges that USTR, the Commerce Department, and the Bureau of Customs and Border Protection are facing in light of three recent developments in international trade: (1) the increased importance of security, (2) the ambitious U.S. negotiating agenda, and (3) the shifting global trade environment.

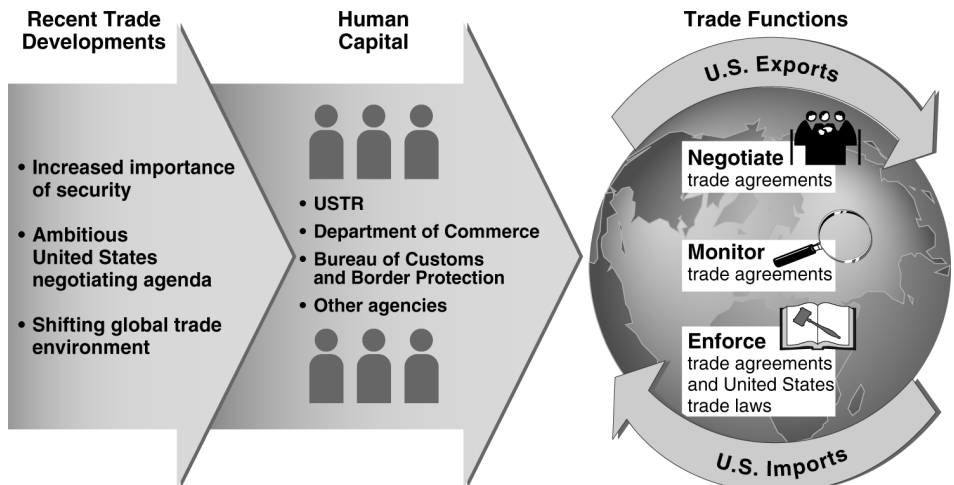
### What GAO Found

The importance of international trade to the U.S. economy has grown in the last decade, as have the responsibilities of federal agencies involved in implementing international trade functions. For example, the September 11, 2001, terrorist attacks have heightened the need for increased focus on security within the global trade environment. In response, the Bureau of Customs and Border Protection has implemented new programs to improve the security of the global supply chain. These new programs require greater attention to human capital strategies to ensure that they achieve their goals of facilitating trade while preventing terrorist acts.

In addition, the administration has continued to pursue multilateral negotiations within the World Trade Organization and with the Free Trade Area of the Americas countries as well as a series of new, bilateral and subregional trade negotiations. The increase in the number of initiatives has strained available human capital, leading to a USTR request for additional staff.

Finally, the shifting global trade environment has complicated efforts to monitor and enforce trade agreements. For example, the United States has become the most frequent defendant in World Trade Organization trade dispute proceedings. Furthermore, as the U.S. economy has shifted toward services and high-tech industries, the industry advisory committees that provide trade advice to the U.S. government have required structural realignment to reflect these changes. Also, China's growing influence in international trade has resulted in new challenges to its trading partners. These changing global forces require U.S. trade agencies to continuously ensure that their human capital strategies closely link to the nation's strategic trade functions.

Recent Trade Developments Create Human Capital Challenges in Performing Trade Functions



Source: GAO and Nova Development.

[www.gao.gov/cgi-bin/getrpt?GAO-04-301T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-301T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4347 or YagerL@gao.gov.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the implications of recent trade developments on the human capital strategies of major U.S. trade agencies that negotiate, monitor, and enforce trade agreements and laws. International trade is an increasingly important part of the U.S. and world economy: In 2001, world exports represented about one quarter of the world's gross domestic product (GDP), partly as a result of the succession of trade agreements that have reduced trade barriers. However, this dynamic trade environment and the growing number of trade agreements have also resulted in a significant burden on U.S. trade agencies—and their human capital—as they strive to monitor and enforce existing trade agreements and laws while simultaneously negotiating a number of new agreements.

As we have reported in numerous studies and testimonies before this Subcommittee and other congressional Committees, effective alignment between the current and emerging needs and U.S. federal agencies' human capital strategies is critical to improved agency performance. For this testimony, you asked us to summarize some of our recent studies to illustrate important human capital challenges confronting trade agencies that have arisen from recent trade developments. Specifically, today I will focus on the human capital challenges that trade agencies face in light of three recent trade developments:

- the increased importance of security,
- the ambitious negotiating agenda of the United States at the current time, and
- the shifting global trade environment.

While numerous agencies have trade responsibilities, we are focusing today on the Office of the U.S. Trade Representative (USTR) and the U.S. Department of Commerce because of their key roles and responsibilities for implementing trade functions, that is, negotiating, monitoring, and enforcing trade agreements and laws. In addition, we also discuss the Department of Homeland Security's Bureau of Customs and Border Protection (CBP), because it has primary responsibility for ensuring the security of trade in the post-9/11 environment. In performing this work, we have drawn on a number of our recent reports, some of which directly addressed human capital issues, and have also interviewed officials from relevant trade agencies.

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## Summary

The terrorist attacks of September 11, 2001, have heightened the need for increased security within the global trade environment. Combating terrorism became the number one priority for CBP and has significant implications for its human capital strategies and trade functions. Our recent work indicates that it is too soon to tell how the increased importance of security will affect the implementation of CBP's trade-related activities over the long run; however, some short-term shifts in human capital from trade to nontrade functions have occurred. Also as part of its focus on terrorism, CBP has implemented new programs to screen high-risk containers for weapons of mass destruction at overseas ports and to improve security in the private sector's global supply chain. Our recent work in this area found a need to link human capital strategies with the goals of facilitating trade and combating terrorism to establish accountability and ensure effective performance.

In recent years, the United States has been pursuing a broad trade policy agenda whose cumulative impact has tested the limits of the government's negotiating capacity. The administration has continued an ambitious negotiating agenda relating to the ongoing World Trade Organization (WTO)<sup>1</sup> and Free Trade Area of the Americas (FTAA) multilateral negotiations, plus a series of new, bilateral and subregional trade negotiations following the passage of the Trade Act of 2002.<sup>2</sup> Our work in this area shows that pursuing such a broad negotiating agenda has strained available resources, leading to requests for additional staff in recent years.

Finally, the shifting global trade environment complicates efforts to monitor and enforce existing agreements, placing a substantial burden on the human capital resources of U.S. trade agencies. Based on our recent work, the United States has become the most frequent defendant in WTO trade dispute resolution proceedings. In addition, as the U.S. economy has shifted toward services and high-technology industries, our recent work shows that the industry committee structure that provides advice to U.S. trade agencies has required realignment to reflect these changes. Finally, a new set of challenges has also evolved in response to China's growing

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<sup>1</sup>The WTO is a multilateral organization, established in January 1995, that administers rules of international trade and provides a forum for conducting trade negotiations among its 146 members as well as a dispute settlement system for resolving trade disputes among its members.

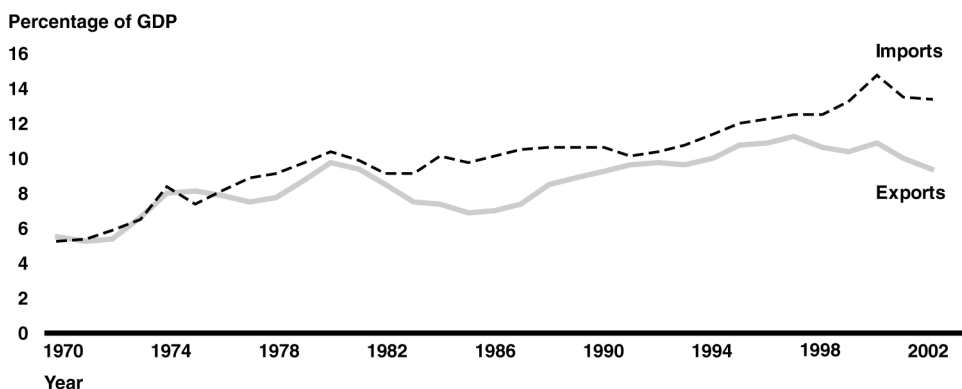
<sup>2</sup>Pub. L. No. 107-210, 116 Stat. 933, 993-1022.

influence in international trade. Our work shows that these forces have stretched the human capital resources of U.S. trade agencies. Although the government has taken steps to address some of these challenges, these and other changes in the global trade environment require that the trade agencies constantly monitor and update their human capital strategies to ensure that they are closely linked to the strategic goals of the agencies.

## Background

U.S. exports as a share of U.S. gross domestic product have grown significantly, increasing from less than 6 percent in 1970 to a peak of more than 11 percent in 1997, as shown in figure 1. The rise in U.S. imports was even greater, increasing from about 5 percent in 1970 to nearly 15 percent of GDP in 2000, according to Commerce Department statistics. Although the share of U.S. exports and imports has declined from those peak levels, they still represent a substantial part of our GDP—at 9.3 percent, and 13.3 percent, respectively, in 2002. The U.S.’s principal trading partners include Canada, Mexico, Japan, and China.

**Figure 1: U.S. Exports and Imports as a Share of GDP, 1970-2002**



Source: GAO analysis of Bureau of Economic Analysis data.

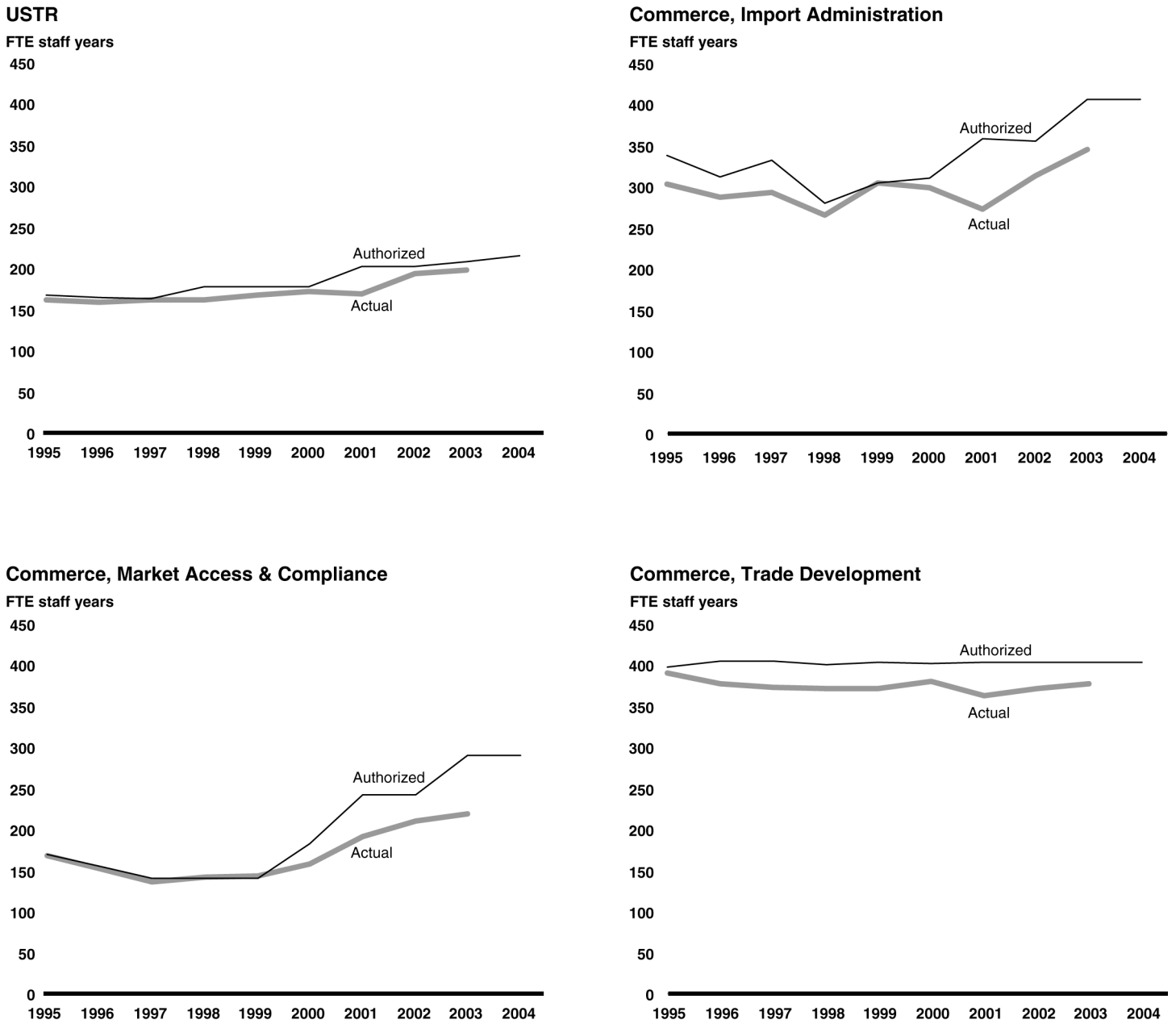
At least 17 federal agencies, led by USTR, are involved in developing and implementing U.S. trade policy. USTR’s role includes developing and coordinating U.S. international trade policy and leading or directing negotiations with other countries on trade matters. It also has primary statutory responsibility for monitoring and enforcing U.S. trade agreements. The Department of Commerce has a relatively broad role with respect to trade agreement activities, with three units in the International Trade Administration performing the key trade functions: The Import Administration helps enforce U.S. trade laws; Market Access and Compliance is responsible for ensuring that other nations live up to their

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trade agreements; and Trade Development focuses on advocacy for U.S. companies, export promotion services, support for trade negotiations, and market analysis. Trade functions at the CBP are primarily directed toward enforcing U.S. import and export laws and facilitating legitimate trade as well as collecting duties, fees, and other assessments (more than \$23 billion in fiscal year 2002). Other agencies also play important roles, such as the departments of Agriculture and State, which have relatively broad roles with respect to trade agreement activities. The departments of the Treasury and Labor have more specialized roles, such as advising on financial services or labor and workers' rights issues. Federal trade policy development and monitoring and enforcement efforts are coordinated through an interagency mechanism comprising several management- and staff-level committees and subcommittees.

The number of authorized full-time staff at USTR, Commerce's Import Administration, and Commerce's Market Access and Compliance division has increased in recent years (see fig. 2). However, actual staff levels are still in the process of catching up with authorized levels in Commerce and USTR offices. USTR has requested additional staff resources for 2004.

**Figure 2: Authorized and Actual Full-time Equivalent (FTE) Staff Years at USTR and Commerce's Key Trade Offices, 1995-2004**



Sources: USTR and Department of Commerce data.

Note: The authorized level shown for 2004 is based on the administration's budget request for fiscal year 2004.

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As of January 23, 2003, the CBP had 3,269 positions dedicated to performing trade-specific functions: 2,263 specialists, auditors, and attorneys and 1,006 associated positions<sup>3</sup> carry out trade activities such as auditing trade compliance; processing entry documents; collecting duties, taxes, and fees; assessing and collecting fines and penalties for noncompliance; and advising on tariff classification issues. CBP is expected to maintain these staff levels, as the Homeland Security Act of 2002 stipulates that the Secretary of Homeland Security may not reduce the staffing levels attributable to such functions on or after the effective date of the act.<sup>4</sup> In addition, more than 18,000 CBP inspectors perform trade and nontrade functions depending on the nature of their assignment. For example, inspectors may screen and inspect cargo for illegal transshipment of textiles, counterfeit cigarettes, illegal drugs, and other contraband; and enforce compliance with U.S. trade and immigration laws.

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## The Increased Importance of Security Has Significant Implications for Human Capital Strategies and Trade Functions

After September 11, 2001, combating terrorism became the priority mission for the U.S. Customs Service and remained so when the Customs Service was transferred to the Department of Homeland Security and incorporated into CBP. While it is too soon to tell how the increased importance of security will affect the implementation of CBP's trade-related activities in the long run, some short-term shifts in human capital from trade to nontrade functions have occurred. As part of its focus on terrorism, CBP has implemented new programs to screen high-risk containers for weapons of mass destruction at overseas ports and to improve security in the private sector's global supply chain. CBP has made progress in getting these programs up and running but has not devised systematic human capital plans to meet long-term staffing needs for both programs. The increased importance of security requires human capital strategies that link with the goals of combating terrorism and facilitating trade to establish accountability and ensure effective performance.

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<sup>3</sup>Associated positions support the specialists, auditors, and attorneys and include positions such as CBP managers, paralegals, account managers, and clerical staff dedicated to trade activities.

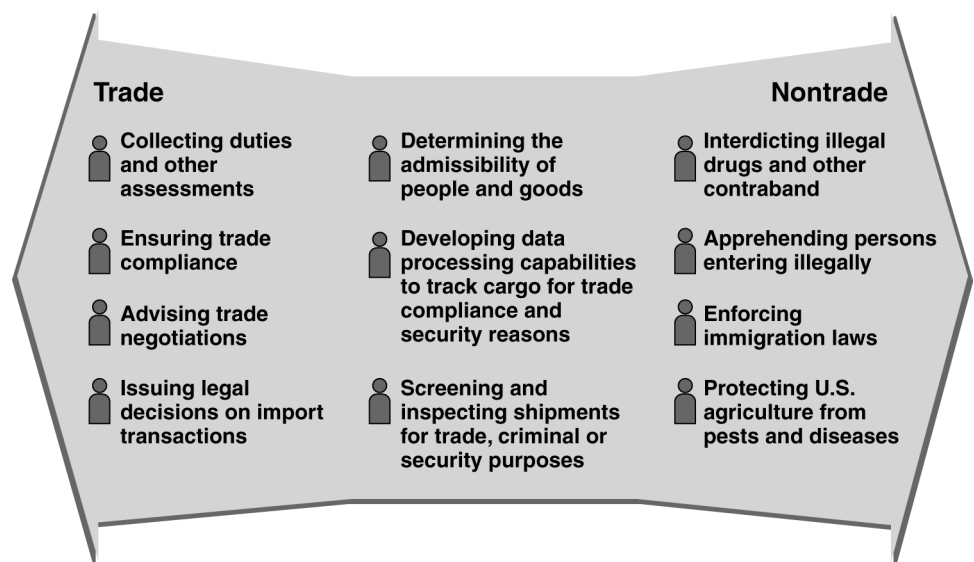
<sup>4</sup>Section 412(b)(2) of the Homeland Security Act, Public Law 107-296, 116 stat. 2180, states that the Secretary of Homeland Security may not reduce the staff levels attributable to functions performed by the following personnel and their associated support staff: import specialists, entry specialists, drawback specialists, national import specialists, fines and penalties specialists, attorneys of the Office of Regulations and Rulings, Customs auditors, international trade specialists, and financial systems specialists.



## Combating Terrorism Becomes a Priority, Shifting Human Capital from Trade Activities

The historical mission of the U.S. Customs Service has been to collect customs revenues and ensure compliance with trade laws, but this mission has shifted over time. For example, in the 1970s Customs expanded its functions to include the interdiction of narcotics entering the United States. Since September 11, 2001, combating terrorism has become Customs' priority mission, culminating in the creation of CBP on March 1, 2003. On that date, the U.S. Customs Service was transferred from the Department of the Treasury to the Department of Homeland Security as part of the Homeland Security Act of 2002.<sup>5</sup> Figure 3 illustrates the range of trade and nontrade activities that CBP performs.

**Figure 3: Range of CBP Activities**



Source: GAO.

While two of the nine key mission-related offices within CBP<sup>6</sup> are primarily dedicated to trade, most offices and most of CBP's more than 40,000

<sup>5</sup>CBP was formed through the merger of most of the U.S. Customs Service and immigration inspectors and the U.S. Border Patrol of the former Immigration and Naturalization Service and the agricultural border inspectors of the U.S. Department of Agriculture. While most of Customs transferred to CBP, its Office of Investigations did not. Instead, the more than 5,000 Customs investigators and staff were transferred to the Bureau of Immigration and Customs Enforcement within the Department of Homeland Security.

<sup>6</sup>The Office of Strategic Trade and the Office of Regulations and Rulings are the two offices within CBP that are primarily dedicated to trade.

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employees perform a range of activities that support both trade and nontrade goals. Moreover, about a fifth of the 3,269 CBP positions dedicated to performing trade activities are located in the trade-specific offices, but most are located in offices that support both goals. Within this kind of organization, activities performed by persons in the offices that support both goals could shift from trade to nontrade activities when security threat levels are higher without actually seeing a reduction in the number of staff dedicated to trade. Moreover, the activities of the 18,000 plus CBP inspectors who perform trade and nontrade functions could shift to focus on combating terrorism when security concerns are heightened.

Several examples illustrate the types of shifts from trade to security activities that have occurred.

- After September 11, 2001, CBP temporarily detailed approximately 380 inspectors to international airports around the country to strengthen security measures—reducing the number of inspectors available to work on trade activities.
- During the first 2 quarters of fiscal year 2002, CBP audits on export compliance were not conducted so that 150 inspectors could be temporarily redeployed to land ports along the northern border to strengthen security measures.
- During fiscal year 2002, the Compliance Measurement program, which determines compliance with U.S. trade laws, regulations, and agreements, was temporarily discontinued for 11 months because import specialists and inspectors were redirected to border security activities. Due to the limited compliance sampling, CBP was unable to calculate an overall trade compliance rate for fiscal year 2002. Moreover, compliance measurement helps ensure the quality of trade data, and unreliable trade data increase the risk that critical threats will not be identified.
- In fiscal year 2003, 3 of 14 scheduled textile production verifications were canceled when the national security alert level increased, so that the verification teams could remain at their ports and field offices to focus on security-related activities. The textile production verification teams, comprised of CBP import specialists and special agents, examine the production facilities in nations where there is potential for illegal transshipment of textiles.

While the Homeland Security Act stipulates that the Secretary of the Department of Homeland Security may not reduce the staffing levels

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attributable to specific trade-related activities, our examination found that measuring inputs such as the number of staff assigned to trade-related positions does not adequately capture possible shifts away from trade activities—as the number of people assigned to trade-related positions may remain the same, but the focus of their work may shift to nontrade duties. In addition, those positions that were not included in the legislation, such as inspectors, but conduct trade and nontrade activities, may increasingly shift their focus away from trade and concentrate on homeland security activities. Measuring changes in CBP's outputs and outcomes will be important in assessing how the increased emphasis on combating terrorism and Customs' transfer to the Department of Homeland Security have affected trade activities and whether human capital strategies need to be readjusted accordingly.

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## New CBP Antiterrorism Programs Paid Little Attention to Human Capital Planning

Responding to heightened concern about national security since 9/11, CBP assumed the lead role in improving ocean container security and reducing the vulnerabilities associated with the overseas supply chain. In November 2001, CBP initiated the Customs-Trade Partnership Against Terrorism program, where companies agree to voluntarily improve the security of their supply chains in return for reducing the likelihood that their containers will be inspected for weapons of mass destruction. In January 2002, CBP also initiated the Container Security Initiative whereby CBP officials are placed at strategic foreign seaports to screen cargo manifest data for ocean containers to identify those that may hold weapons of mass destruction. We reported in July 2003<sup>7</sup> that CBP had not taken adequate steps to incorporate human capital planning, develop performance measures, or plan strategically—factors crucial to the programs' long-term success and accountability.

Initially, 10 officials were assigned to roll out the Customs-Trade Partnership Against Terrorism. Under the program, companies enter into partnership agreements with CBP and agree to self-assess their supply chain security practices and document it in a security profile. These 10 officials provide guidance to companies on how to prepare their security profiles as well as review the completed security profiles and prepare feedback letters. As of May 2003, more than 3,300 agreements had been

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<sup>7</sup>U.S. General Accounting Office, *Container Security: Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors*, [GAO-03-770](#) (Washington, D.C.: July 25, 2003).

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signed, 1,837 security profiles reviewed, and 1,105 feedback letters prepared. However, early on CBP realized that it did not have a cadre of staff with the skills necessary to conduct site visits to observe supply chain practices and make substantive recommendations for improving security. In October 2002, CBP began the process of developing a new position, called “supply chain specialists,” to review company security profiles, visit companies to validate information contained in the security profiles, and develop action plans that identify supply chain vulnerabilities and the corrective steps companies need to take. CBP was authorized to hire more than 150 supply chain specialists and expected to hire 40 supply chain specialists in fiscal year 2003. As of October 2003, CBP has visited more than 130 companies to verify their supply chain security practices. While CBP officials acknowledged the importance of human capital planning, they said they had not been able to devote resources to developing a human capital plan that outlines how the program will increase its staff 15-fold and implement program elements that require specialized training.

The Container Security Initiative seeks to deploy 120-150 inspectors, intelligence research analysts, and agents to 30 overseas ports by the end of fiscal year 2004. CBP eventually plans to expand to 40 to 45 ports. Deploying four-to-five person CSI teams to foreign ports will be a complex, multiyear task. CBP seeks candidates with specialized skills needed to review cargo manifest data and identify suspicious containers for inspection as well as diplomatic and language skills to interact with their foreign counterparts. While CBP officials told us that they did not experience significant difficulties in finding qualified staff to fill their short-term human capital needs from among the pool of existing CBP employees, CBP had only 12 ports up and running under the Container Security Initiative at that time (May 2003). In addition, the teams were on 120-day temporary duty assignments; however, CBP plans to create 2- to 3-year assignments to replace the 120-day temporary duty assignments. In spite of the potential challenges CBP could face, CSI officials had not devised a systematic human capital plan.

To help ensure that the Container Security Initiative and the Customs-Trade Partnership Against Terrorism achieve their objectives as they transition from smaller start-up programs to larger programs with an increasingly greater share of the Department of Homeland Security’s budget, we recommended in July 2003 that CBP develop human capital plans that clearly describe how these programs will recruit, train, and retain staff to meet their growing demands as they expand to other countries and implement new program elements. Human capital plans are

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particularly important given the unique operating environments and personnel requirements of the two programs. According to CBP officials, the professional and personal relationships that supply chain specialists and the Container Security Initiative teams build with their clients over time will be critical to the long-term success of both programs. For example, the success of the Customs-Trade Partnership Against Terrorism will depend, in large part, on the supply chain specialists' ability to persuade companies to voluntarily adopt their recommendations. Similarly, a key benefit of the Container Security Initiative is the ability of CBP officials to work with foreign counterparts to obtain sensitive information that enhances their targeting of high-risk containers at foreign ports. If CBP fails to establish these good working relationships, the added value of screening manifest data at foreign ports could be called into question.

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## **Ambitious Set of Ongoing Negotiations Creates Demands for Additional Staff**

In recent years, the United States has been pursuing a broad trade policy agenda whose cumulative impact has tested the limits of the government's negotiating capacity. This agenda includes undertaking significant negotiating efforts in multilateral, regional, and bilateral arenas. The administration has characterized this effort as a strategy of "competitive liberalization." First, the United States is actively involved in the challenging WTO round of negotiations launched in Doha, Qatar, in 2001. Second, the United States is also a co-chair in ongoing negotiations to create a Free Trade Area of the Americas. Finally, with the passage of trade promotion authority in 2002,<sup>8</sup> the United States has also launched a series of bilateral and subregional free trade agreement negotiations. The increase in the number of these negotiations at the same time that major global and regional trade initiatives are under way has strained available resources.

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## **WTO Negotiations Had Ambitious Schedule for September 2003 Cancun Ministerial**

The United States is committed to completing a new round of WTO negotiations. In November 2001, the WTO, with strong backing from the United States, launched a new set of multilateral negotiations at its ministerial conference in Doha. As we reported in September 2002, the ministerial conference laid out an ambitious agenda for a broad set of new multilateral trade negotiations as described in the Doha Ministerial

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<sup>8</sup>Pub. L. No. 107-210, 116 Stat. 933, 993-1022.

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Declaration.<sup>9</sup> The Doha mandate calls for the continuation of negotiations to liberalize trade in agriculture and services. In addition, it provides for new talks on market access for nonagricultural products and negotiations on trade and the environment, trade-related aspects of intellectual property rights, and a number of other issues. The breadth of the negotiations means that USTR will need to call on staff from a number of trade agencies to assist USTR throughout the process. USTR has also asked for additional staff to address the increased workload.

Despite recent problems, WTO negotiations are likely to continue to command staff attention. Doha Round WTO negotiations are currently on hold following a breakdown at the September 2003 Ministerial Meeting in Cancun, Mexico, throwing the 2005 deadline for completion of the negotiations in doubt. After the ministerial, WTO officials initially canceled all special negotiating sessions and later called for a senior officials' meeting by December 15, 2003. Despite these developments, however, USTR officials do not anticipate any decrease in staff workload on WTO issues because of the breadth of their ongoing WTO responsibilities and their efforts to restart the negotiations.

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## Major U.S. Role in Final Phase of FTAA Talks Expands USTR's Negotiations Workload

We reported in April 2003<sup>10</sup> that, as the co-chairman, with Brazil, of the FTAA negotiations, USTR has faced a heavy expansion of its workload. Demands on USTR resources increased significantly in fall 2003, when USTR's responsibilities as co-chair of the negotiations and host of the ministerial intensified due to preparations for the November 2003 Miami FTAA ministerial. The co-chair's formal tasks include

- coordinating with Brazil on a daily basis;
- providing guidance and management coordination to the FTAA Administrative Secretariat;
- providing guidance to the negotiating groups and committees; and

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<sup>9</sup>U.S. General Accounting Office, *World Trade Organization: Early Decisions Are Vital to Progress in Ongoing Negotiations*, [GAO-02-879](#) (Washington, D.C.: Sept. 4, 2002).

<sup>10</sup>U.S. General Accounting Office, *Free Trade Area of the Americas: Negotiations Progress, but Successful Ministerial Hinges on Intensified U.S. Preparations*, [GAO-03-560](#) (Washington, D.C.: Apr. 11, 2003).

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- co-chairing key FTAA committees.

In terms of resources, the U.S. team negotiating the FTAA—though perceived as highly capable—is small and stretched thin. Like past chairs, USTR has dedicated some staff specifically to the co-chair function, while other USTR staff work on advancing the U.S. position in the negotiations. In addition, USTR made arrangements with other agencies for temporary assistance. For example, Commerce provided a detailee who worked full time in Miami beginning in July, and State provided both foreign service officers and conference specialists to help host and conduct the ministerial.

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## U.S. Pursuing Simultaneous Negotiations on Numerous FTAs

Bilateral negotiations are also applying pressure to trade agencies' human capital resources. In addition to the WTO and the FTAA negotiations, USTR has notified Congress of its intent to pursue free trade agreements (FTA) with a number of countries and has started negotiations toward this end. The passage of trade promotion authority in 2002 gave U.S. negotiators the opportunity to pursue trade agreements with other countries under a streamlined approval process in Congress. The administration sees FTAs—some with a single country (i.e., bilateral) and others with groups of countries (i.e., subregional)—as opportunities to promote the broader U.S. trade agenda by serving as models and breaking new negotiating ground.

The United States is now negotiating four FTAs and intends to pursue others soon. In late 2002, it began negotiating the Central American Free Trade Agreement with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; the Southern Africa Customs Union Free Trade Agreement with South Africa, Botswana, Lesotho, Namibia, and Swaziland; and FTAs with Morocco and Australia. In mid-2003, the administration also announced that it plans to negotiate FTAs with the Dominican Republic and Bahrain and in mid-November announced plans for an FTA with Panama. Thailand and Sri Lanka are also being considered as FTA partners. With the breakdown of WTO negotiations, the U.S. Trade Representative has stated that the administration will focus on FTAs with willing partners to continue making progress in trade liberalization.

USTR officials acknowledge that human capital impacts are associated with conducting these FTAs. Each agreement involves a variety of different subjects, and negotiations on most of these agreements are complex. In particular, staffing constraints affect the timing of new negotiations, because staff with regional responsibilities are limited by the

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extent to which they can support additional negotiations. In addition, completed FTAs will require additional work to monitor compliance with the terms of the agreement.

Pursuing an ambitious set of negotiations on an international, regional, and bilateral basis is having a cumulative impact on the human capital capacity of agencies that conduct trade negotiations. Since USTR's staff size of 199 is relatively small—having been set up to coordinate policy among and draw expertise from executive branch agencies—it relies on the departments of State, Commerce, Agriculture, the Treasury, and others to provide assistance and additional issue area expertise. However, USTR officials told us that their staff are already responsible for supporting multiple negotiations. Although these officials stated that USTR has taken steps to work more efficiently with other agencies, they have nevertheless requested additional resources, as shown in figure 2, in order to face the anticipated negotiations workload. For example, a recent USTR budget request noted that current staff would not be able to handle the combination of WTO, FTAA, and FTA responsibilities required in the areas of services and investment.

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## Shifting Global Forces Complicate Monitoring and Enforcement Efforts and Place Substantial Demands on Human Capital Resources

Shifting global forces have complicated trade agreement monitoring and enforcement efforts, thus posing human capital challenges for U.S. trade agencies. For example, we recently reported that the United States has become the most frequent defendant in WTO trade dispute resolution proceedings, particularly in the trade remedy area. As a result, U.S. agencies have had to devote substantial staff resources to handle these cases, and USTR has requested additional staff to address the upward trend in dispute settlement cases. We also reported that the U.S. economy has shifted toward services and high-technology industries, while the industry committee structure that provides advice to U.S. trade agencies has been heavily weighted toward the agriculture and manufacturing sectors. Changing the committee structure to reflect the current economy and keeping its membership current has required U.S. trade agencies to devote staff resources to this effort. Finally, we reported that China's rapid expansion in the world economy presents U.S. trade agencies with significant human capital challenges as they strive to monitor and enforce compliance with trade agreements with China. Although the U.S. government has taken steps to address some of these new challenges, questions remain about the alignment of human capital with the rapidly growing set of responsibilities we discussed in our reports. These three examples demonstrate the kinds of shifts that occur in the trade arena and indicate the impacts that these changes can have on human capital. In



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each of these cases, the shifting global forces require the United States to respond, and an effective response requires a clear link between the trade agencies' human capital strategies and the goals of the agencies in that changing environment.

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### United States Is Most Frequent Defendant in WTO Dispute Settlement Activity, Requiring Substantial Human Capital Resources

Shifting global forces in the trade arena can be seen in recent trends in the WTO, the principal organization that regulates international trade, as members act to monitor and enforce trade agreements. For example, the United States has become by far the most frequent defendant in WTO dispute settlement cases.<sup>11</sup> Many WTO disputes in recent years have concerned its members' use of trade remedy measures whereby members impose duties or import restrictions after determining that a domestic industry has been injured or threatened with injury by imports.<sup>12</sup> As shown in figure 4, the United States was a defendant in 30 of the 64 trade remedy cases brought from 1995 through 2002, with more than half of those cases filed since January 2000.<sup>13</sup> The next most frequent defendants were Argentina, which had six cases, and the European Union, a defendant in five cases. On the other hand, the United States was less active than other WTO members in filing trade remedy cases. As figure 4 shows, the European Union was the most frequent complainant in the 64 trade remedy cases, and six WTO members filed more complaints than the United States did between 1995 and 2002.

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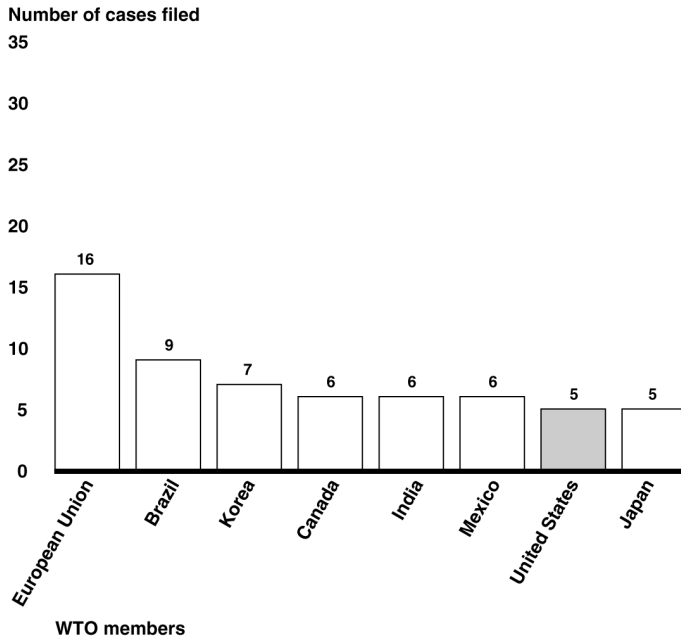
<sup>11</sup>The dispute settlement system applies to disputes between members arising under the WTO agreements. See U.S. General Accounting Office, *World Trade Organization: Standard of Review and Impact of Trade Remedy Rulings*, GAO-03-824 (Washington, D.C.: Sept. 24, 2002).

<sup>12</sup>Of 198 cases filed in the WTO from 1995 through 2002, about one-third (64 cases) pertained to members challenging other members' trade remedies—antidumping or countervailing duties or safeguard measures. The remaining two-thirds of the cases pertained to nontrade remedy issues such as application of sanitary and phytosanitary measures, intellectual property rights, textiles and clothing, and trade-related investment measures. The 198 cases originated from 276 separate requests for consultations or filings—the first of four phases in the dispute settlement process. We combined multiple requests for consultation regarding the same measure or law into a single case.

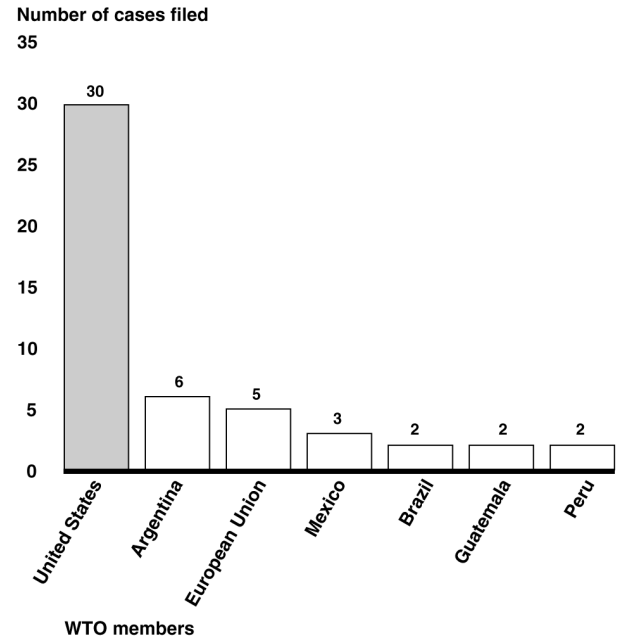
<sup>13</sup>The United States was a defendant in 26 of the 108 nontrade remedy cases brought from 1995 through 2002.

**Figure 4: Most Frequent Complainants and Defendants in WTO Trade Remedy Cases, 1995-2002**

**Complainants**



**Defendants**



Source: GAO analysis of WTO data.

U.S. officials stated that some WTO trade remedy rulings have been extremely difficult to implement. For instance, some rulings have placed a greater burden on domestic agencies to establish a clearer link between increased imports and serious injury to domestic industry. As a result, officials said they would now have to expend more resources in conducting such investigations. In addition, U.S. officials said that the rulings have required U.S. agencies to provide more detailed explanations of their analyses and procedures for applying several methodologies used in trade remedy investigations.

As a result of the increased WTO dispute settlement activity, U.S. trade agencies have had to devote substantial staff resources to handle these cases. According to Commerce officials, about one-half of the Import Administration’s 36 attorneys are significantly engaged in handling WTO litigation. They said Commerce has sufficient staff to handle the current workload unless the number of dispute settlement cases increases. According to USTR, the number of WTO cases its lawyers have handled has increased dramatically—from 11 in 1995, to 53 in 1997, to 69 in 1999,

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and to 91 in 2002. USTR expects this trend will continue, both because more and more WTO members are making active use of the dispute settlement system but also because there are more WTO members. Although the number of USTR General Counsel staff attorneys has roughly doubled since 1995 (with 13 new positions added in fiscal year 2001), the lawyers that were added are more than fully occupied with the current workload, USTR said. As a result, USTR has requested another monitoring and enforcement attorney for fiscal year 2004 to handle the increasing dispute settlement work.

WTO trade remedy rulings and the broader set of proceedings within the WTO are an important component of the international set of obligations and agreements to which the United States is a party. Our review found that the United States has become a focus of complaints in trade remedy cases, and U.S. agencies stated that some of the rulings on these cases have important implications for the future, including potential workforce implications. This situation requires trade agencies to maintain human capital strategies that anticipate and respond quickly to any changes. Doing so would allow them to allocate staff accordingly to keep the trade functions current and relevant.

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## Changing Structure of the U.S. Economy Requires Trade Agencies to Modify the Industry Advisory Committee System

The changing structure of the U.S. economy has required a strategic realignment of some trade functions. For example, the trade policy advisory committee system<sup>14</sup> performs an important function through which private sector committee members are able to provide input to trade agencies to help them negotiate, monitor, and enforce trade agreements; however, our September 2002 report<sup>15</sup> found that the structure and composition of the trade advisory committee system had not been fully updated to reflect changes in the U.S. economy and U.S. trade policy.

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<sup>14</sup>Under section 135 of the Trade Act of 1974, 19 U.S.C. § 2155, the President is required to seek information and advice from the private sector on (1) negotiating objectives and bargaining positions before entering into a trade agreement, (2) the operation of trade agreements, and (3) other matters regarding the administration of U.S. trade policy. A system of trade advisory committees was established in the 1970s to serve this purpose. In 2002, the system comprised about 735 advisers spread across 34 committees. The advisory committees are administered by USTR, which assumes a leadership role, along with several other departments, especially Commerce.

<sup>15</sup>U.S. General Accounting Office, *International Trade: Advisory Committee System Should Be Updated to Better Serve U.S. Policy Needs*, [GAO-02-876](#) (Washington, D.C.: Sept. 24, 2002).

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Although the U.S. economy had shifted toward services and high-technology industries since the 1970s, their representation on the trade advisory committees had not kept pace with their growing importance to U.S. output and trade. For example, certain manufacturing sectors, such as electronics, had fewer members than their sizable trade would have indicated. In other cases, U.S. negotiators reported that some key issues in negotiations, such as investment, were not adequately covered within the trade advisory committee system. In addition, committee rosters were only about 50 percent of their authorized levels, and some large companies did not participate, limiting the availability of advice for negotiators from certain committees.

Our 2002 report also found that the resources USTR and the other trade agencies devoted to managing the trade advisory committee system did not match the tasks that needed to be accomplished to keep the system running reliably and well. For example, USTR officials told us that the current staffing levels in its responsible office—three positions with multiple responsibilities—did not allow them time to proactively manage committee operations. The head of the office said that simply restarting all the lapsed committees and keeping the rest of the system operating were occupying much of the time she could devote to the system. Commerce, which co-administers many of the trade advisory committees, faced similar challenges. As discussed in our September 2002 report, Commerce officials said they had to focus their limited staff—an office of three persons—on rechartering the committees and appointment processes, which did not allow them to meet their responsibilities to attend all the committee meetings.

We recommended that USTR work with Commerce and several other agencies to update the trade advisory system to make it more relevant to the U.S. economy and trade policy needs as well as to better match agency resources to the tasks associated with managing the system. According to recent information that agencies provided, their staff have planned and, in some cases, already taken a number of actions in response to our 2002 recommendations that they expect will increase efficiencies and reduce the workload. For example, Commerce and USTR have developed a plan for restructuring the industry advisory committees that officials believe better reflects the U.S. economy. Under the plan, some new committees are to be established, while the overall number of committees is to be reduced. The latter action is expected to reduce the administrative workload for Commerce's staff, enabling them to focus more on substantive matters. The plan also calls for quarterly plenary meetings that will be open to all trade advisors. According to Commerce officials,

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bringing all advisors together at the same time will facilitate a higher level of representation of U.S. trade negotiators at the meetings and that, as a result, trade advisors will be better informed about ongoing negotiations. In turn, the officials said, trade advisors should be better prepared to deliberate on issues of interest to them and thus better able to provide advice to U.S. trade negotiators.<sup>16</sup>

In addition, the agencies revised their process for clearing proposed new members, thus reducing the amount of time it takes for clearance. Moreover, a secure Web site has been established that allows members to review the texts of draft trade negotiating documents. In addition, the Assistant U.S. Trade Representative for Public Liaison now holds a monthly teleconference with the chairmen of all committees. During this call, USTR provides feedback to committees on previously raised areas of concern or recommendations, discusses USTR's long-term negotiating calendar to highlight upcoming issues, and is open to discussion of general issues or concerns. According to Commerce and USTR officials, they have taken these actions without increasing the size of their authorized staffs. However, it was noted that Commerce staff, who did much of the implementing work on this issue, sometimes put in long hours in completing their tasks. In addition, in the case of Commerce, a position that had been vacant was filled, thus increasing the actual number of staff.

While administering the trade advisory committee system is only one of many functions that trade agencies perform, the system does provide an important forum for candid discussion of trade negotiating topics with a wide range of private sector experts. Our review found that the system has not realized its potential, however, and that lack of administrative support was one of the reasons for this situation. While the agencies have taken actions to improve the trade advisory committee structure and its management, these kinds of improvements illustrate how U.S. trade agencies need to utilize human capital strategies that anticipate and respond to shifts in global market forces. Such an effort would allow the agencies to allocate staff accordingly to keep trade functions current and relevant.

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<sup>16</sup>On November 25, 2003, USTR and the Department of Commerce announced that the plan has been approved and the agencies expect to implement it by March 2004.

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## Growing Importance of China Creates Range of Human Capital Challenges for Trade Agencies

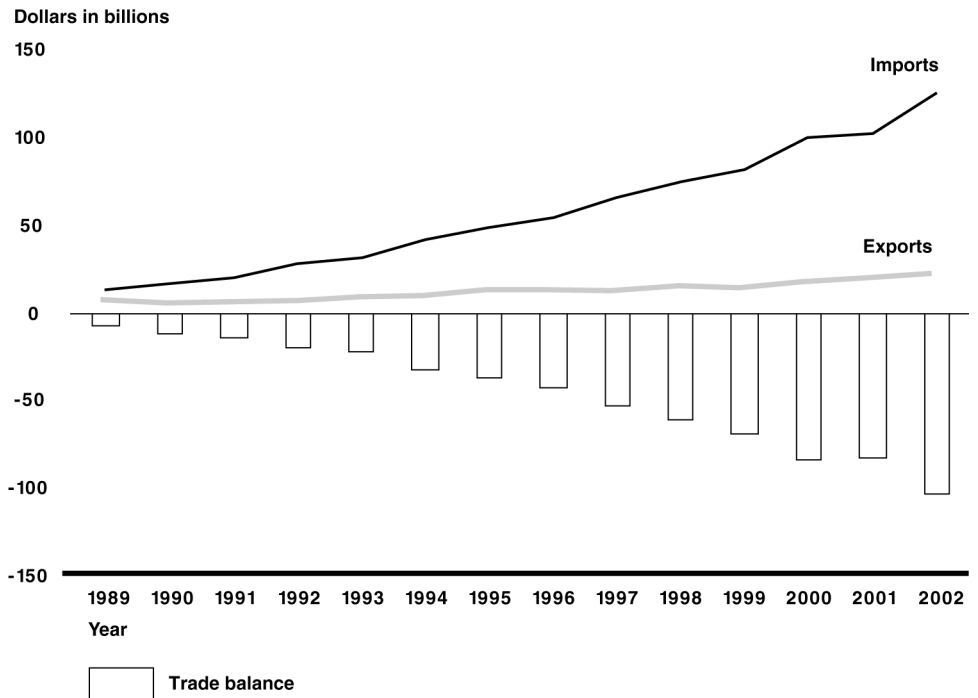
China's rapid expansion in the world economy presents U.S. trade agencies with significant human capital challenges as they strive to monitor and enforce compliance with trade agreements. In 2002, China was the United State's fourth largest trading partner. The rapid growth of China's exports to the United States and the continuing role of the government in China's economy create a significant challenge for U.S. agencies and the Congress to ensure that U.S. businesses are treated fairly. Since China's entry into the WTO on December 11, 2001, U.S. agencies have taken significant actions to monitor and enforce an extensive and complex set of WTO commitments. Among these actions are increasing staff resources, establishing an interagency group to focus on China trade issues, and considering organizational changes to better concentrate analytical staff resources. However, early experiences with monitoring China's compliance with numerous and complex commitments and with WTO and U.S. government mechanisms for enforcing commitments illustrate just how difficult and resource intensive—particularly in terms of human capital—this task will be.

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## Size and Scope of China's Impact on U.S. Markets Are Considerable

U.S. trade with China has been characterized by a rapidly growing deficit, with a significant impact on a number of industries in the United States. As figure 5 shows, U.S. imports from China have grown rapidly since 1989, while U.S. exports to China have also expanded, but at a much slower rate. The growing trade deficit has been addressed at several congressional hearings and may require greater attention from Commerce, USTR, and other trade agencies.

**Figure 5: U.S. Exports, Imports, and Balance of Merchandise Trade with China, 1989-2002**



Source: GAO analysis of Department of Commerce data.

In 2002, imports from China totaled nearly \$125 billion, accounting for nearly 11 percent of total U.S. imports and making China the third largest supplier of U.S. imports, after Canada and Mexico, respectively. The top five U.S. imports from China are shown in table 2 (see the app.). China was the seventh largest market for U.S. exports in 2002, and U.S. exports totaled about \$21 billion or 3.2 percent of total U.S. exports to the world (see table 3 in the appendix).

**Continuing Role of Chinese Government in the Economy Creates Challenges for Monitoring and Enforcement**

China has made important progress during the past 25 years in opening its market to foreign goods and services as well as foreign investment, according to a USTR report.<sup>17</sup> Economic and financial reforms have introduced market forces into China, and privileges accorded state-owned

<sup>17</sup>USTR, *2003 National Trade Estimate Report on Foreign Trade Barriers* (Washington, D.C.: Mar. 31, 2003).

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firms are gradually being removed. However, the transition from a state-controlled economy to a market-driven one is far from complete. According to USTR, reforms have been particularly difficult in sectors that traditionally relied upon substantial state subsidies as the central government continues to protect noncompetitive or emerging sectors of the economy from foreign competition. Moreover, USTR said, provincial and lower-level governments have strongly resisted reforms that would eliminate sheltered markets for local enterprises or reduce jobs and revenues in their jurisdictions, inhibiting the central government's ability to implement trade reforms.<sup>18</sup> During 2003, the Commerce Department held more than 20 roundtable discussions with U.S. manufacturers, both large and small, across the United States and heard similar complaints. According to Commerce's under secretary for the International Trade Administration, no foreign country raised more attention as a source of concern than China. Manufacturers complained about rampant piracy of intellectual property, forced transfer of technology from firms launching joint ventures in China, a broad range of trade barriers, and capital markets that are largely insulated from free-market pressures.<sup>19</sup>

Another issue concerns the Chinese government's decade-long practice of pegging the Chinese yuan to the dollar as a means, according to Chinese officials, of fostering economic stability, the absence of which could hurt its export industries and political stability. In order to maintain this fixed exchange rate, the government has had to intervene in the foreign exchange market and, according to Treasury officials, recently intervened

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<sup>18</sup>In 2002, we surveyed the views of U.S. companies with business activities in China about prospects for China implementing its WTO commitments. Seventy percent or more of the responding companies identified rule of law-related commitments to be the most difficult for China to implement. These included (1) consistent application of laws, regulations, and practices; (2) intellectual property rights; (3) enforcement of contracts and judgments/settlement of disputes in the Chinese court system; (4) equal treatment between Chinese and foreign entities; and (5) transparency of laws, regulations, and practices. See U.S. General Accounting Office, *World Trade Organization: Selected U.S. Company Views About China's Membership*, [GAO-02-1056](#) (Washington, D.C.: Sept. 22, 2002).

<sup>19</sup>In mid-October 2003, the U.S.-China Security and Economic Review Commission concluded that China was supporting its manufacturers through a range of national industrial policies, such as, for example, tax relief, preferential loans from state banks, and requirements for foreign investors to provide foreign technology transfers. The commission recommended that USTR and Commerce identify whether any of China's industrial policies are inconsistent with its WTO obligations and engage with the Chinese government to mitigate those that are significantly impacting U.S. market access. (The commission, created on October 30, 2000, consists of 12 members who were appointed on the basis of recommendations made by the leadership of the House and Senate.)



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very heavily to prevent the yuan from appreciating against the dollar. Considerable debate has occurred among experts and observers about whether China's intervention to maintain a lower-valued yuan is having a negative effect on U.S. manufacturers. This issue has been the subject of numerous congressional hearings with administration witnesses and was also a topic of discussion between Presidents Bush and Hu Jintao at the October 2003 Asia Pacific Economic Cooperation Economic Leaders' Meeting and during the Secretary of the Treasury's September 2003 trip to China. Also in September, the Group of Seven<sup>20</sup> finance ministers issued a statement favoring more flexibility in exchange rates for large economies. In an October 30, 2003, report to the Congress, the Treasury Department concluded that no major trading partner of the United States was manipulating the rate of exchange between its currency and the U.S. dollar for the purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade. However, the report also found that China's fixed exchange rate was not appropriate for a major economy like China and should be changed. According to the Treasury, the Chinese government has indicated it will move to a flexible exchange rate regime but believes taking immediate action would harm its banking system and overall economy.

The growing importance of the Chinese economy for the United States has been a particular focus of attention from U.S. officials due to the implications for U.S. firms and for compliance with trade agreements. However, these issues require increasing attention from U.S. agency personnel. Moreover, as in the case of the debate surrounding the Chinese currency, these issues require appropriate expertise from U.S. trade and economic agencies, and a resolution of these matters may ultimately require a significant investment of time from these officials.

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China's Accession to the WTO  
Strains Agencies' Monitoring  
Resources

As we reported in October 2002,<sup>21</sup> China's WTO commitments span eight broad areas and require both general pledges and specific actions. We identified nearly 700 individual commitments on how China is expected to reform its trade regime, as well as commitments that liberalize market access for more than 7,000 goods and nine broad service sectors in

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<sup>20</sup>Seven leading industrialized countries of the world, including Canada, England, France, Germany, Italy, Japan, and the United States.

<sup>21</sup>U.S. General Accounting Office, *World Trade Organization: Analysis of China's Commitments to Other Members*, [GAO-03-461](#) (Washington, D.C.: Oct. 3, 2002).

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industries important to the United States, such as automobiles and information technology. Owing to the breadth and complexity of China's commitments, China's accession to the WTO has led to increased monitoring and enforcement responsibilities for the U.S. government.

An illustration of the human capital difficulties involved in monitoring and enforcing China's commitments relates to U.S. government efforts to establish an interagency group—the China WTO Compliance Subcommittee—whose mandate is to monitor China and the extent to which it is complying with its WTO commitments. Almost 40 officials, representing 14 departments and executive offices, participate in this subcommittee. The subcommittee was very active in 2002, meeting 11 times. In these meetings, officials evaluated and prioritized current monitoring activities, reviewed the steps that China has taken to implement its commitments, and decided on appropriate responses. Also, the subcommittee held a public hearing on September 18, 2002, and USTR issued its first annual report to Congress on China's WTO compliance on December 11, 2002, as required by law.

Still, it took some time for the subcommittee to get up to full speed. For example, the various participants had to work out their respective roles and responsibilities. USTR officials sought to delineate tasks related to carrying out their monitoring action plan in China; Washington, D.C.; and Geneva (the WTO's headquarters), including expectations for information gathering, reporting, and setting initial priorities. Finally, USTR officials undertook several activities at the beginning of the year to educate themselves on China's WTO obligations. This was important, because monitoring these obligations entailed new or expanded responsibilities for officials in the field, and many of the Washington-based officials were relatively new to their current jobs. For example, many of the USTR officials who had actively participated in the U.S. negotiations with China that resulted in those obligations changed jobs and/or left the government soon after China became a WTO member in 2001.

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#### U.S. Agencies Have Added Staff and Are Considering Further Organizational Changes

USTR, Commerce, and other agencies have requested and received additional resources to carry out the added responsibilities arising from China's accession to the WTO. For example, full-time equivalent staff in key units that are involved in China monitoring and enforcement activities across four key agencies increased from about 28 to 53 from fiscal year 2000 to 2002, based on agency officials' estimates (see table 1).

**Table 1: Agency Staffing Estimates for Key Offices Involved in China WTO Compliance Efforts, Fiscal Years 2000-02**

<b>Agency</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
USTR	3	3	5
Department of Commerce			
Market Access and Compliance	7	19	22
Import Administration	1.7	3.3	6.7
Department of Agriculture	7.5	7.5	10.5
Department of State	8.25	8.25	8.75
<b>Total</b>	<b>27.5</b>	<b>41.1</b>	<b>53</b>

Source: U.S. General Accounting Office, World Trade Organization: First-Year U.S. Efforts to Monitor China's Compliance, GAO-03-461 (Washington, D.C.: Mar. 31, 2003).

Commerce had the largest overall increase in staff devoted to China WTO compliance during this period. Specifically, staffing levels in Commerce's Market Access and Compliance division increased from 7 to 22 between fiscal years 2000 and 2002. Additionally, Commerce's Import Administration, which takes the lead on monitoring China's commitments concerning subsidies and unfair trade practices, also significantly increased staff dedicated to China compliance activities during the same time period. Commerce has also increased the number of staff involved in the agency's compliance efforts on the ground in China by creating a Trade Facilitation Office within the U.S. embassy in Beijing. In addition, the Department of Agriculture has increased the number of overseas staff involved in the agency's China WTO compliance activities.

A Commerce official told us that the Import Administration is thinking of combining all of its China work under one deputy assistant secretary (the current practice is to distribute the work among three deputy assistant secretaries). Doing so might enhance the office's expertise and provide a better basis for assessing whether additional China expertise is needed.

## Conclusions

As we have reported in numerous studies and testimonies before this Subcommittee and others, effective alignment between federal agencies' human capital approaches and their current and emerging strategic and programmatic goals is critical to the ability of agencies to economically, efficiently, and effectively perform their missions. The importance of such a close alignment is demonstrated in the area of the U.S. government's trade activities, where heightened security concerns, an ambitious trade negotiating agenda, and an array of global economic forces all have implications for sound human capital management.

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Our testimony has cited illustrations in these three areas based on our recent work for Congress. In some areas, failure to sufficiently plan the human capital approach, such as the CBP programs to secure the global supply chain, show that the success of the programs is not assured in the absence of human capital planning. In other cases, such as the U.S.'s ambitious trade negotiating agenda, human capital resources may be a constraint on the ability of the trade agencies to carry out their negotiations at the multilateral, regional, bilateral, and subregional level. Finally, the array of shifting global forces described in some of our recent studies also demonstrates the implications for U.S. trade agency activities and, in many cases, the agencies' human capital activities. For example, in the case of the rapid growth of China in the world economy and its WTO accession agreement, the demand for specialized expertise and focus on issues related to China's economy have led to growth in personnel and efforts to reorganize to meet these new monitoring and compliance challenges.

As your Subcommittee has stressed in its guidance and hearings regarding other parts of the federal government, agencies must constantly reevaluate their human capital strategies to adapt and even anticipate major shifts in their environment. We believe that a number of studies we have performed for Congress in recent months are good illustrations—and further evidence—of the validity of that approach.

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Mr. Chairman and members of the Subcommittee, this concludes my prepared statement. I will be pleased to answer any questions you or other members of the Subcommittee may have at this time.

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## Contacts and Acknowledgments

For further contacts regarding this testimony, please call Loren Yager at (202) 512-4347 or Christine Broderick (415) 904-2240. Individuals making key contributions to this testimony included Adam Cowles, Etana Finkler, Kim Frankena, Wayne Ferris, Rona Mendelsohn, Anthony Moran, and Richard Seldin.

# Appendix: U.S. Imports from and Exports to China, 1989-2002

This appendix provides information on U.S. imports from and exports to China during the past 14 years. Table 2 provides data on the top five U.S. imports from China between 1989 and 2002. Together, imports of these five commodities accounted for about 59 percent of total imports from China in 2002, according to the Department of Commerce.

**Table 2: Top Five U.S. Imports from China, 1989-2002 (Dollars in millions)**

Year	Miscellaneous manufactured items	Office machines	Telecommunication equipment	Footwear	Electrical machinery	Total
1989	\$2,529	\$70	\$1,032	\$720	\$535	<b>\$11,859</b>
1990	3,236	117	1,142	1,475	652	<b>15,120</b>
1991	4,094	290	1,466	2,532	876	<b>18,855</b>
1992	5,932	543	1,752	3,396	1,331	<b>25,514</b>
1993	7,151	932	2,279	4,505	1,723	<b>31,425</b>
1994	8,690	1,583	3,715	5,254	2,252	<b>38,572</b>
1995	10,319	2,879	4,215	5,817	3,094	<b>45,370</b>
1996	11,867	3,562	4,438	6,367	3,874	<b>51,209</b>
1997	14,155	5,019	5,126	7,354	4,877	<b>61,996</b>
1998	15,872	6,329	6,405	8,016	5,707	<b>70,815</b>
1999	17,291	8,239	7,382	8,438	7,022	<b>81,522</b>
2000	19,445	10,980	9,812	9,206	9,037	<b>99,581</b>
2001	19,782	10,762	10,062	9,767	9,048	<b>102,069</b>
2002	23,495	15,230	14,145	10,242	10,217	<b>124,796</b>

Source: Department of Commerce data.

Note: Miscellaneous manufactured articles include toys and games. Telecommunication equipment includes sound recording and reproducing equipment such as telephone answering machines, radios, tape recorders and players, televisions, VCRs, and so forth.

Table 3 provides figures on the top five U.S. exports to China between 1989 and 2002. Together, these five commodities accounted for about 42 percent of total U.S. exports to China in 2002.

**Table 3: Top Five U.S. Exports to China, 1989-2002 (Dollars in millions)**

Year	Transport equipment	Electrical machinery	General industrial machinery	Specialized machinery	Office machines	Total
1989	\$540	\$138	\$268	\$359	\$147	<b>\$5,775</b>
1990	754	133	176	322	133	<b>4,776</b>
1991	1,084	132	222	370	148	<b>6,238</b>
1992	2,051	207	275	423	161	<b>7,339</b>
1993	2,252	247	427	669	213	<b>8,619</b>
1994	1,929	285	515	670	233	<b>9,178</b>
1995	1,187	408	712	675	306	<b>11,613</b>
1996	1,718	553	764	685	254	<b>11,801</b>
1997	2,127	684	756	765	324	<b>12,533</b>
1998	3,604	931	663	519	830	<b>13,908</b>
1999	2,325	1,252	675	478	697	<b>12,585</b>
2000	1,695	1,502	812	744	1,154	<b>15,335</b>
2001	2,452	1,842	1,051	773	1,208	<b>17,959</b>
2002	3,382	2,185	1,105	1,102	913	<b>20,553</b>

Source: Department of Commerce data.

Note: Transport equipment is primarily aircraft and parts. Office machines are mainly computers.

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