



United States International Trade Commission

# Budget Justification

Fiscal Year 2019



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## Alphabetical Listing of Abbreviations

<b>Acronym</b>	<b>Description</b>	<b>Acronym</b>	<b>Description</b>
AD	antidumping	GSP	Generalized System of Preferences
ALJs	administrative law judges	HSPD-12	Homeland Security Presidential Directive 12
AMCA	American Manufacturing Competitiveness Act of 2016	HTS	Harmonized Tariff Schedule of the United States
Byrd Amendment	Continued Dumping and Subsidy Offset Act (CDSOA)	IP	intellectual property
CBP	U.S. Customs and Border Protection	ISCM	information security continuous monitoring
CDM	continuous diagnostics and mitigation	IT	information technology
CVD	countervailing duty	MTBs	miscellaneous tariff bills
DHS	Department of Homeland Security	MTBPS	Miscellaneous Tariff Bill Petition System
DLP	data loss prevention	OIG	Office of Inspector General
DMS	data management system	SCA	security controls assessment
EDIS	Electronic Document Information System	USITC	U.S. International Trade Commission
ERM	enterprise risk management	WCO	World Customs Organization
FY	fiscal year	WTO	World Trade Organization

# Introduction

## Mission

Investigate and make determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property (IP) rights; provide independent analysis and information on tariffs, trade, and competitiveness; and maintain the U.S. tariff schedule.

## Responsibilities and Goals

We are an independent, quasi-judicial federal agency with specific responsibilities in the adjudication and enforcement of certain U.S. trade laws; providing independent, objective, and analysis of trade and competitiveness issues to Congress and the Administration; and, maintaining the Harmonized Tariff System of the United States. The investigations we conduct to carry out these responsibilities are guided by two strategic goals:

**Our first strategic goal: Produce sound, objective, and timely determinations in trade remedy proceedings.** These investigations fall into two major classes:

- **Antidumping and countervailing duty (AD/CVD) investigations and reviews** that are conducted under Title VII of the Tariff Act of 1930, and **global safeguard investigations**, which are conducted under section 201 of the Trade Act of 1974
- **Investigations into unfair practices in import trade**, usually based on violations of IP rights, which are conducted under section 337 of the Tariff Act of 1930

In AD/CVD investigations, we determine whether certain imports that are alleged to be dumped or subsidized are causing, or threatening to cause, material injury to a U.S. industry. If we find actual or threatened injury, and the U.S. Department of Commerce has also found that those imports are being dumped and/or subsidized, Commerce orders the imposition of extra duties on these imports— antidumping duties that offset the dumping and/or “countervailing” duties that offset subsidies.

We also review existing antidumping and countervailing duty orders every five years. Within these reviews, the Commission determines whether an order can be revoked without resulting in continued or recurrent injury to a domestic industry. If Commerce or the Commission determine that revocation is appropriate, the U.S. Department of Commerce will revoke the order.

The Commission also has sole responsibility to conduct investigations under section 201 of the Trade Act of 1974. If the Commission determines that an imported article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat of serious injury, to the domestic industry producing an article like or directly competitive with the imported article, it recommends one or more remedies to the President. The President makes the final decision on whether to provide a remedy to the U.S. industry, and if so, the type and duration of the remedy.

Section 337 investigations examine unfair practices in import trade. Most often, we investigate and rule on allegations that imported goods infringe the rights of a U.S. IP rights holder. If a violation is found, the Commission issues remedial relief provided that the public interest does not preclude the issuance of such relief. Relief may take the form of exclusion orders barring entry of unfairly traded imports or “cease and desist” orders prohibiting unfair acts in the United States.

We typically initiate trade remedy proceedings in response to complaints and petitions filed by domestic industries seeking protection from unfairly traded imports. Given the rapid evolution of trade in the U.S. and world economies, this work is important in several ways:

- Our investigations of unfair trade practices help U.S. firms compete more effectively in an integrated global marketplace.
- Our issuance of sound and timely decisions in import injury investigations helps ensure that U.S. companies and workers can compete on a fairer and more level playing field in the domestic market.
- Our speedy resolution of complex IP disputes is economically critical to holders of U.S. IP rights, especially where innovation drives technologies to change frequently and become outdated rapidly.

In enforcing U.S. trade laws, we conduct our investigations under the pertinent statutes, regulations, and case law as interpreted by the federal courts. Our determinations in both Title VII and section 337 investigations are subject to review by U.S. courts.

**Our second strategic goal: Provide independent, objective, and timely analysis and information on tariffs, trade, and competitiveness.** By law, whenever requested, we must present the President, the U.S. Trade Representative, the House Committee on Ways and Means, and the Senate Committee on Finance with information and original analysis on any matter related to international trade and industry competitiveness. Federal decision makers can use our analyses to help inform decisions on trade policy and international trade negotiations.

Our staff of trade experts enables us to offer our requestors leading-edge insights that inform the development of sound U.S. trade policy. In our industry and economic reports, we examine, analyze, and estimate two subjects in particular:

- The many ways that changes in trade and competitiveness affect the U.S. economy and U.S. workers
- The effects of policy changes (past or proposed) on producers, consumers, employment, wages, and the U.S. economy as a whole

Although most requests for both analytic investigations and informal assistance come to us from the House Committee on Ways and Means, the Senate Committee on Finance, and the U.S. Trade Representative, some of the investigations are required by statute or are self-initiated. Our requestors recognize that as a result of our economic and trade expertise, we can generate primary data, analyze specific industries, and provide insights unavailable elsewhere. To improve our analyses, we also regularly develop new tools, such as our economic models that measure the effects of trade on specific U.S. industries and on U.S. companies operating abroad.

In fiscal year (FY) 2017, we responded to a number of requests requiring us to develop new information and analysis on a variety of topics. For example, we issued reports examining global competitiveness in the aluminum industry, foreign barriers to global digital trade, and trade barriers affecting global supply chains. In preparation for potential future requests, we updated our models to better estimate the effects of policies affecting U.S. workers, U.S. regions, and the U.S. trade deficit. Significant advances were made on understanding the effects of trade agreements on services trade and on sales by U.S. affiliates abroad. As a vital part of our second goal, we maintain and analyze the Harmonized Tariff Schedule of the United States (HTS). The HTS is the official document that sets out the classifications of imported goods and the U.S. tariffs that apply to each category. We make sure that the tariff schedule is up to date and accurate by reflecting all the trade agreements and programs the U.S. has implemented. Maintaining an

accurate HTS serves the tariff and trade information needs of U.S. exporters and importers, U.S. Customs and Border Protection (CBP) staff, and decision makers in Congress and the executive branch.

In 2016, the American Manufacturing Competitiveness Act (AMCA) introduced a new process for the consideration of miscellaneous tariff bills. We are now responsible for accepting and analyzing petitions and comments regarding the temporary suspension or reduction of duties for specific products. U.S. firms typically seek this temporary relief for imported materials that are not available from domestic manufacturers. In accordance with specific statutory deadlines, we must submit preliminary and final reports on received petitions to the House Committee on Ways and Means and the Senate Committee on Finance for their use in developing a comprehensive miscellaneous tariff bill for Congress to consider.

To meet our mission, we must maintain the staff, analytic tools, and other resources needed to conduct fair and efficient investigations, as well as provide high-quality and objective information and analysis on a wide array of issues. We need to continue to invest in the development of highly skilled analysts, economists, and lawyers; create new databases and data systems; collaborate with other organizations to enhance our own research; and acquire or upgrade advanced analytic tools.

**Our management goal: Efficiently and effectively advance the agency's mission.**

The first management objective that relates to efficient and effective operations is to attract and develop a skilled, diverse and flexible workforce, which is essential to meet varying workload and new mission requirements that the agency often encounters. For example, the USITC implemented successfully AMCA requirements due, in part, to the agency's capacity for flexible staffing. Our ability to attract, develop, and maintain a skilled, diverse and flexible workforce is reflected in our Federal Employee Viewpoint Survey scores in global satisfaction and employee engagement indices, as well as questions relating to hiring practices and career development. We have consistently met or exceeded our performance goals for those indices during the last several years. Additionally, in 2017, OPM's Federal Employee Viewpoint Survey ranked the Commission as the second best small federal agency to work for, continuing a steady improvement from prior year's results. Further, the USITC consistently meets its performance measures for hiring.

Our second management objective is to ensure good stewardship of taxpayer funds. To achieve this objective we:

- Ensure that our financial management reports are timely and provide the data that enable our managers to manage efficiently and effectively.
- Ensure that our contract award processes and contract files meet the needs of customers in a timely way, and that the files are accurate and complete.
- Ensure that financial controls are documented, implemented, and reviewed and refined on a regular basis to maintain an annual unmodified audit opinion.

During FY 2017, the Office of the CFO (OCFO) continued to expand its financial management reporting capabilities, refined the existing budget line item report and reduced the time necessary to generate it. Staff from OCFO and the Office of the Chief Information Officer worked together to create a prototype budget line item report using the business intelligence software purchased in 2016. At the same time, the Director of Procurement continued to review the timeliness of contract activity, and continued to provide weekly reports on the status of, and the activity on, each outstanding procurement request. Finally, the Director of Finance regularly reviewed the agency's accounting processes each quarter to ensure that key financial controls were identified and are working as documented. These financial process and control evaluations supported the achievement of our seventh consecutive unmodified financial audit opinion during FY 2017.

Our third management objective is to identify, deliver, and secure reliable enterprise information systems. In recent years the Commission has made tangible progress toward meeting its IT management objective. It looks to continue that momentum by finalizing several key initiatives on additional modernization projects in FY 2018 and beyond which advance the agency's cybersecurity posture and improve its operating efficiency. Of particular note are those initiatives recently completed or undertaken which address government-wide cybersecurity priorities, including:

- Deployment of Trusted Internet Connection
- Deployment of HSPD-12 (both internally and remotely)
- Ensuring all our systems have a valid Authority to Operate
- Implementing and verifying security configuration baselines for 100% of new enterprise-wide operating systems

Detailed performance goals for program and management activities are presented in our *Annual Performance Plan, FY 2018–2019*, and *Annual Performance Report, FY 2017*, which can be found at [https://www.usitc.gov/strategic\\_plan.htm](https://www.usitc.gov/strategic_plan.htm).

## Budget Highlights

For FY 2019, the Commission requests \$97.5 million to carry out our statute-mandated functions. The request represents an increase of \$5.7 million, or 6.2 percent, over the anticipated FY 2018 budget of \$91.8 million. This level of funding will sustain the personnel and non-personnel investments we made in FYs 2017 and 2018 to manage historically high investigative caseloads and modernize our information technology infrastructure. Further, the request includes the resources necessary to conduct the 2019 petition cycle required by the American Manufacturing Competitiveness Act of 2016 (AMCA), which is discussed below in more detail. Finally, the Commission's rent increase of \$5.3 million reflects its return to a normal level following a period of rent abatement included in the agency's new 15-year lease. However, this increase is partially offset by efficiencies gained in other non-personnel expense categories.

Proposed FY 2019 personnel costs account for about \$2.0 million of the increase over FY 2018. They reflect the level of resources required to maintain staffing levels in the Offices of Operations and the General Counsel, which are heavily impacted by historically high investigative caseloads. The Office of Operations will also require temporary staffing increases in FY 2019 to successfully meet AMCA requirements. Further, the budget request will fund the cost of the anticipated 1.9 percent pay raise effective January 1, 2019, normal costs for promotions and within-grade increases, and higher benefits costs.

Proposed non-personnel expenses account for about \$3.7 million of the increase over FY 2018. Our non-personnel budget supports several IT system and infrastructure maintenance and upgrade projects. Most notably, we plan to migrate our primary data center offsite to secure our data and systems, provide optimal availability and performance, better facilitate continuity of operations in the event of a catastrophe, improve reliability, and provide the highest long-term value for our users and taxpayers. Additionally, we plan to improve the Miscellaneous Tariff Bill Petition System (MTBPS), which is the web portal required by the AMCA for public submission of petitions and comments concerning temporary duty suspension and/or reduction. Further, our request supports added research and economic analysis capabilities we will need to conduct investigations on proposed changes in trade policy and on developments in U.S. competitiveness.

## American Manufacturing Competitiveness Act of 2016 (P.L. 114-159)

In the past, the House Committee on Ways and Means and the Senate Committee on Finance periodically requested the USITC to provide technical drafting assistance and reports on miscellaneous tariff bills (MTBs)—bills to temporarily reduce or suspend tariffs on specific products. In response to these requests, our staff have supplied advice on tariff nomenclature and estimates of likely customs revenue losses to the Congressional Budget Office. The American Manufacturing Competitiveness Act of 2016 (AMCA), enacted in May 2016, introduced a new process for the consideration of MTBs, in which potential beneficiaries file petitions for duty suspensions or reductions directly with the USITC. A multi-office working group collaborated to develop the Miscellaneous Tariff Bill Petition System (MTBPS) for the intake of all petitions and comments on those petitions. In accordance with statutorily mandated deadlines, we deployed the MTBPS on October 14, 2016. Before the AMCA was passed, the number of MTBs presented to the agency never exceeded 1,350 in any given year. As a result of the AMCA, we received a total of 3,162 petitions and 2,491 comments and staff from the Office of Industries and the Office of Tariff Affairs and Trade Agreements analyzed and made recommendations to the commissioners on these submissions. The Commission delivered its final MTB report on August 8, 2017, and in the report recommended 1,686 products for inclusion in the omnibus MTB legislation.

The cost of the AMCA program through FY 2017 was \$4.1 million. To provide adequate resources for AMCA implementation and the 2016 petition cycle, several important IT projects were postponed, as were efforts to provide staff to offices facing historically high investigative caseloads. Postponed IT projects include upgrades to our Electronic Document Information System, DataWeb re-engineering, HTS Data Management System improvements, 337Info database improvements, and creation of a data system for Title VII information. These projects continue to face delays in FY 2018 because of the funding uncertainty resulting from multiple continuing resolutions. In FY 2019, we expect to fund improvements to the MTBPS, hire a significant number of temporary staff for the MTB process, and train a broader group of permanent staff in order to prepare for processing a very large number of MTB petitions in the next cycle that will begin in the first quarter of FY 2020. Thus, our FY 2019 budget request contains the resources necessary to fund planned investments in IT projects that were postponed due to investments necessitated by the AMCA implementation and the initial petition cycle, as well as to adequately fund the next petition cycle.

## Program Overview

### Antidumping/Countervailing Duty Investigations and Unfair Import Investigations (Section 337)

Our agency provides a venue for private sector firms to bring allegations of certain unfair and/or injurious trade practices involving imports before an independent, objective, and expert quasi-judicial government body. The Commission's trade remedy investigations caseload continues to grow in volume and complexity. In FY 2017, the number of antidumping/countervailing duty (AD/CVD) investigations exceeded the 10-year high previously set in FY 2016; this caseload is expected to remain at comparable levels in FYs 2018 and 2019. In FY 2016, new unfair import matters under section 337 exceeded the previous peak in FY 2011; this caseload is expected to remain elevated in FYs 2018 and 2019.

#### AD/CVD and Safeguard Caseload Grows

In FY 2017, 21 new petitions were filed under Title VII of the Tariff Act of 1930, the highest level in over a decade. These new filings, combined with ongoing investigations and reviews, resulted in 66 proceedings instituted and 62 completed, also the highest levels in more than a decade. As in FY 2016, more than half of the new petitions involved imports from multiple countries (as many as 10), with China being listed in 9 of the 21 new petitions. Domestic industries filing petitions in FY 2017 produced a range of products, including aircraft; various steel, aluminum, and metal products; chemicals and fuels; agricultural products; textiles; and wood forest and paper products. Several of the resulting investigations were particularly notable because they either involved large volumes of trade, complex markets or novel products for volume of trade, complexity of the market, or novelty of the product, including softwood lumber (Canada); biodiesel (Argentina and Indonesia); and 100- to 150-seat large civil aircraft (Canada). In addition to new investigations, the Commission instituted 28 reviews of existing orders. The Commission also conducted 2 global safeguard investigations, the first such investigations to occur in over 15 years; safeguard investigations are burdensome as they have short deadlines and often involve a large volume trade and many countries.

During FY 2017, we continued ongoing efforts to increase transparency and lessen the burden on participating parties and our staff. In FY 2018, we plan to develop and manage a data system for more complete, timely, and accessible reporting of Title VII investigation information.

### **Unfair Import Investigations Caseload Remains Elevated**

In FY 2017, our section 337 workload remained at elevated levels as parties continue to find that our proceedings offer an attractive forum to resolve disputes involving unfair acts in the importation of goods, including imports that allegedly infringe U.S. intellectual property (IP) rights. Our proceedings provide a relatively quick resolution of matters that would usually involve more drawn-out litigation in the U.S. district courts. In addition, section 337 authorizes 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 U.S. industries that generate a trade surplus. The range of technologies covered in these investigations is quite broad, encompassing, among other things, various electronic devices, pharmaceutical and medical devices, transportation products, and consumer goods such as hand dryers, height-adjustable desks, beverage brewing capsules, bulk containers, sheets, and air mattresses. Although section 337 investigations typically involve patent infringement allegations, the Commission also investigates allegations of trade secret misappropriation (which is an area of heightened concern for U.S. companies, the Administration, and Congress).

We continue to work to ensure that section 337 investigations are completed expeditiously, in line with congressional intent. After several years of building the necessary staff and courtroom resources to handle the section 337 workload, we are now focusing on making the section 337 process more efficient and less costly for both litigants and the agency. Our efforts include improvements to our rules of procedure, procedural pilot programs, and substantial investments over the past few years in our Electronic Document Information System (EDIS). Further, in FY 2018, we plan to implement electronic service of documents in EDIS. We also plan to improve 337Info, which provides more detailed information to the public about investigations instituted since October 1, 2008. 337Info offers information on scheduling, staffing, parties, and counsel for all these investigations, as well as information about the unfair acts alleged for each investigation, how the investigations were disposed of with respect to each party, and appeals.

EDIS and 337Info have helped us better manage our large volume of investigation-related materials while making our investigative process more transparent. These systems also comply with government Open Data rules, furthering our efforts to improve the accessibility and usability of our data to other agencies and the public. Continued funding of these types of improvements will help us address the challenges of resolving section 337 matters expeditiously and will keep the public informed as to these matters.

## **Analysis and Information on Tariffs, Trade, and Competitiveness**

Our agency supplies the executive branch and Congress with objective analyses of significant trade issues of the day. We provide industry and economic research, tariff and trade information, and trade policy support through formal investigations and informal expert advice. Given our unique economic and trade expertise, we are able to offer leading-edge insights that support the development of sound U.S. trade policy.

We also maintain and update the Harmonized Tariff Schedule of the United States (HTS). U.S. Customs and Border Protection (CBP) relies upon the HTS in collecting tariff revenues on imported goods, and private firms use it to learn the current and future tariff amounts they will pay on imported goods. U.S. exporters and importers depend on our work in the World Customs Organization to ensure that global tariff product classification (“nomenclature”) is up to date and takes into account industry interests and changing patterns of trade.

### **We Continue to Develop New Approaches in Our Industry and Economic Analysis**

International trade touches nearly all sectors of the U.S. economy. As with section 337 and Title VII investigations, we must constantly develop and refine our capabilities to meet requests for increasingly complex analyses in emerging areas of international trade, trade policy, and competitiveness. We gather primary data to provide unique insights into emerging issues, assembling this information via a variety of instruments, including carefully crafted industry surveys.

Our staff also develops new methods or approaches to produce high-quality economic analysis. For example, in estimating the costs and benefits of trade agreements, we have found it increasingly important to account for nontariff issues and concessions. Assessing the impact of such changes is considerably more challenging than examining the effects of tariff concessions. During FY 2017, we applied new modeling approaches to assess global competitiveness in the aluminum industry and the effects of trade barriers affecting global supply chains. We also developed new capabilities by collaborating with other organizations, including academic institutions. For example, in our recent investigation of U.S. import restraints, we applied a specialized database and economic model that drew from the work of external experts in order to improve our analysis.

Our work in industry and economic analysis spans a wide variety of issues. A few examples include:

- The evolution and implications of agricultural policies
- The interactions of global and regional value chains
- How trade and investment barriers, rules of origin, and standards affect U.S. firms, workers, and consumers
- The promise—and pitfalls—of new technologies, industries, and business models
- The integration of goods and services in production and trade
- The impact of offers made by foreign countries in negotiations involving the United States

To support effectively the interests of trade policy makers, we must maintain a staff with expert knowledge and skills to provide relevant and timely insights on trade, investment, and the international competitiveness of U.S. companies in the global marketplace.

### **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 CBP to manage its trade and enforcement activities. We ensure that the HTS is both accurate and up to date so that it meets the demands for trade and tariff information from the Census Bureau, CBP, U.S. exporters and importers, the Administration, and policy makers in 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. Its more than 10,700 tariff lines must be updated and maintained throughout the year to reflect changes from trade agreement implementation and other congressional and Administration actions. Redesigned in FY 2013, this system was developed as an electronic database in FY 2014 and was made available to the public at the beginning of the fourth quarter of FY 2015. We are now redesigning the DataWeb, the trade data system we both use for our own work and provide to the public, and expect to make a beta version available in the third quarter of FY 2018.

As these developments show, we've been able to take advantage of new technologies to make tariff and trade information far more accessible and usable, both for our own analyses and for many essential public uses. In planning to maintain and build on these improvements, however, we face resource gaps now and in the near future. Our appropriation request includes funding to address these issues. The skills needed to support various components of tariff and trade information services (e.g., HTS maintenance, HTS classification, and miscellaneous tariff bill assessments) are unique and can take years to develop. Moreover, many of the agency

experts that we rely on for tariff and trade information services are now or soon will be eligible for retirement. We therefore expect human capital planning and recruitment to be a priority over the next few years.

### **Trade Policy Support May Face Resource Constraints**

We draw heavily on staff in all agency program areas to respond to informal quick-turnaround requests on trade policy support from Congress and the Administration. In FY 2017, we supplied over 160 rapid responses on a broad array of issues and topics, ranging from litigation support in international tribunals to assessments of specific industry and economic issues. Our staff often provides technical support to negotiators working on proposed trade agreements or adjustments to existing agreements. We supply information, expertise, and software-based tools to support U.S. negotiating teams.

We are also seeing increasing interest from our customers on nontariff-related trade matters, as well as the significant emerging tradable sectors such as services and digital trade. Moreover, behind-the-border issues related to regulation and services trade require us to refocus our resources, apply new analytic techniques, and develop new trade-related databases. Additionally, we regularly detail staff members to our main customers' offices, where they can support our customers' work while broadening their 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 urgent issues. To the extent that we face heavier workloads, more complexity, and staffing challenges in various areas, our ability to respond to these requests could be curtailed. Staff development is thus a pressing need for us.

## **Efforts to Strengthen Information Technology Security**

At the Commission in the past year, we demonstrated our commitment to improving our IT security by carrying out Homeland Security Presidential Directive 12 (HSPD-12) as it pertains to remote access. This directive establishes a government-wide standard for authorized remote access to federally controlled facilities and networks. Additionally, we deployed a data exfiltration solution as part of our new data loss prevention program by adding software to prevent the inadvertent release of personally identifiable information via email and web postings.

In FY 2018, we will continue to strengthen our security posture by investing in new technologies, processes, and capabilities to meet the requirements of the Federal Information Security Modernization Act (FISMA) of 2014. Planned improvements include the following:

- Expanding our information security continuous monitoring (ISCM) efforts to monitor our network security, for which we will leverage resources of the Department of Homeland Security (DHS) Continuous Diagnostics and Mitigation Program
- Continuing independent security and privacy controls assessments of our systems to ensure that security controls are applied correctly, operating as intended, and producing the desired outcome for security requirements
- Ensuring timely detection and reporting of cyber incidents

In addition, we will devote necessary resources to our cybersecurity needs and focus on completing migration of our data center to an offsite location, as described below.

### **House Report 115-231: Cybersecurity Resources**

House Report 115-231 instructs the Commission to “prioritize efforts to improve its cybersecurity posture,” and “encourages ITC to work with other relevant Federal agencies to inform its actions.” Our FY 2019 budget request contains approximately \$1.4 million for cybersecurity resources. It assumes we will largely use existing commercial products and tools to prevent, detect, and respond to security threats and vulnerabilities. About half of the cybersecurity budget will be used to acquire contractor support for safeguarding personally identifiable information, providing intrusion detection expertise, and implementing a common control catalog to advance our FISMA program. The other half of the cybersecurity budget will be used to prevent malicious cyber activity by investing in (1) security controls assessments, via interagency agreement with the Department of Health and Human Services, and (2) ISCM, via the DHS Continuous Diagnostics and Mitigation program. We are also coordinating with DHS for yearly use of their Risk and Vulnerability Assessment service, which includes penetration testing and email phishing assessment. We are currently implementing an enterprise business intelligence tool to eliminate numerous older legacy applications, reducing security risk as well as the cost of maintaining the older applications.

### **Relocation of Headquarters Data Center Capabilities Offsite**

Given the constraints of our building's power, telecommunications, and HVAC infrastructure, relocating the data center from headquarters is critical. In June 2015, we began upgrading our disaster recovery facility to a full second data center. We recently achieved 80 percent replication of our data to the second data center, and are pursuing the midterm goal of 100 percent capability in 2018. This will be accomplished by combining essential equipment from our headquarters with the upgraded equipment at our second data center, at which point this second location will become the Commission's primary remote data center, leaving only a compact core telecommunications center at headquarters. The Commission is working toward a longer-term goal of a hybrid cloud solution and a potential move to a shared data center; reaching this goal would further improve redundancy, availability, and accessibility while at the same time reducing long term costs and carbon footprint. This strategy is considered a best practice both in private industry and government.

To further augment our disaster recovery capacity, we are enhancing our telework capability, including a modernized remote access solution; a capacity for videoconferencing with remote collaboration; and a mobile device contract to modernize our handheld wireless devices. In 2018, we plan to migrate email and associated functions to the cloud to both improve availability as well as further reduce our dependence solely on private data centers. Based on the expected success of this implementation we plan to further migrate more of the user desktop to the cloud later in 2018 and into 2019; this migration will not only improve availability but also strengthen the security posture of remote users.

## **Risk Management and Planning**

The Commission has an enterprise risk management (ERM) process to establish, maintain, monitor, evaluate, and report on agency risks and its system of internal controls. ERM is an integral part of strategic planning, performance management, budget, information technology, and human capital functions and activities.

The Commission maintains an ERM database, which supports categorization, documentation, and evaluation of risks. Management performs ongoing assessments to identify, manage and update risks in this database. The risk profile is developed from the risk database and ranks risks from an agency-wide perspective. The profile is discussed, prioritized, and reviewed by the Commission's Performance Management and Strategic Planning Committee. The primary purpose of this risk profile is to provide a thoughtful

assessment of the risks the agency faces arising from its operations and mission-support activities.

OMB provides agencies with guidance related to risk management in some specialized areas, one being cybersecurity. OMB Memorandum M-17-25, Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure (EO 13800) directs agencies to assess their cybersecurity risk and, to manage the cybersecurity component of enterprise risk, and to adopt the Framework for Improving Critical Infrastructure Cybersecurity. The Commission manages risk commensurate with the magnitude of harm that would result from unauthorized access, use, disclosure, disruption, modification, or destruction of a Federal information system or Federal information. The Commission conducted a cybersecurity risk assessment as required by EO 13800 and submitted a risk management report to Congress on July 14, 2017. This report contained the following:

- The mitigation and acceptance risk choices made by the Commission including strategic, operational, and budget considerations. Any accepted risks were documented
- A description of the agency's plan to implement the NIST Cybersecurity Framework

Agency managers actively integrate risk management principles into performance planning and budget formulation. There is now a more direct link between decision making, the weighing of risks and the attainment of strategic goals.

# 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, \$97,500,000 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 several types of investigative proceedings. These proceedings focus on allegations of subsidized and dumped imports that injure a domestic industry; surges of 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 supports U.S. companies and their workers' efforts to compete in the global economy. Moreover, our timely resolution of complex IP disputes (section 337 disputes) can be of paramount economic importance to persons and companies holding U.S. IP rights.

## Import Injury Investigations

The Commission conducts investigations to determine whether unfairly traded imports cause or threaten material injury to a U.S. industry, or materially retard an industry's establishment, in accordance with Title VII of the Tariff Act of 1930. Under this law, unfair imports can be remedied through antidumping or countervailing duty (AD/CVD) orders on the goods in question. These orders are administered by the U.S. Department of Commerce. We conduct five-year reviews of existing AD/CVD orders to decide whether their revocation would be likely to cause material injury to a U.S. industry to continue or recur. We have independent legal authority to defend our decisions 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 (NAFTA). We also give extensive assistance to the U.S. Trade Representative in resolving disputes before the World Trade Organization (WTO).

Unfair imports, whether subsidized by a foreign government or "dumped" for sale at prices below the foreign market price or the cost of production, can injure U.S. companies. Congress enacted the AD/CVD laws to give U.S. producers and labor unions a way to obtain remedies when the Commission finds material injury or threat of material injury by reason of imports that the U.S. Department of Commerce has determined to be unfairly traded. The remedies take the form of AD/CVD duties on imported merchandise equivalent in value to the dumping margin or subsidy rate found for foreign producers by the Department of Commerce.

Historically, AD/CVD petitions have covered a broad range of products representing many sectors of the economy. These petitions can cover finished goods or intermediate products such as steel and chemicals. In FY 2017, we instituted investigations covering 5 steel products: 2 forms of tubular products (mechanical tubing and pipe fittings) and 3 other steel products (flanges, bearings, and wire rod). In addition, we instituted investigations covering 4 different chemicals, 3 wood and paper products, 2 non-ferrous metal products, and others covering agriculture goods, large civil aircraft, and consumer goods. In FY 2017, we completed a record-high 62 investigations, including cases on welded pressure pipe, residential washers, tires, and steel flanges.

Similar to FY 2016, more than half of the 21 petitions filed in FY 2017 involved imports from multiple countries, ranging from 2 to 10, with China being the predominant import source (9 of 21 petitions). Collectively, AD/CVD investigations resulting from petitions filed in FY 2017 involved about \$47.3 billion in U.S. consumption, \$10.9 billion in imports, and more than 38,000 U.S. production employees.

In addition to AD/CVD petitions, the Commission received in FY 2017 two section 201 (i.e., global safeguard) petitions. Under section 201 of the Trade Act of 1974, we conduct global safeguard investigations and determine whether increased imports are a substantial cause of serious injury, or threat of serious injury, to the domestic industry producing the subject product. Global safeguard investigations cover all import sources and entail an injury phase and possibly a remedy phase investigation in which the USITC provides remedy recommendations to the President. The two FY 2017 cases were the first safeguard investigations in over 15 years, and involved solar electricity-generating products and residential washers. The Commission expended substantial resources for these two investigations due to the complex issues involved, the short statutory deadlines, and the requirement to develop remedy recommendations, which are unique to global safeguard cases.

To conduct import injury investigations, we assemble multidisciplinary teams that compile information from a number of sources, including questionnaire responses from domestic and foreign firms, publicly available information, plant tours, testimony at USITC conferences and hearings, and legal briefs from parties. Our investigative teams prepare fact-based reports upon which the commissioners rely to make their determinations. Interested parties' representatives have 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 timely and useful information to companies and individuals.

Our investigative processes are fair and transparent. We ensure that investigative records are complete and contain information from all parties so the commissioners can make sound and objective determinations that can withstand judicial scrutiny. We continually seek to improve our processes in terms of speed, efficiency, and technical soundness. In FY 2017, we further enhanced our electronic data collection and processing and streamlined the questionnaires that we use to collect primary data on the industries under investigation. In FY 2017, we issued a survey to outside counsel to gather suggestions for improving how we conduct preliminary phase investigations, including data and information collection. We are utilizing the survey results to implement changes that will increase efficiency and enhance transparency of our investigative activities.

Throughout FY 2017, we continued to make more content available on the internet and continued our efforts to emphasize transparency. In FY 2018 we also plan to invest in the technology and staff skills needed to develop and manage a data system for more complete, timely, and accessible reporting of trade remedy investigation information.

Our workload in import injury investigations is a function of both new filings and reviews of existing orders; estimating the number of future filings is more difficult than estimating the number of future reviews. Overall caseload fluctuates from year to year and was as low as 32 in FY 2010. Since then, the number of investigations and reviews instituted has steadily increased, with a notable upswing in the past several years, increasing from 42 cases in FY 2014 to a record 66 cases in FY 2017. In part, this increase was driven by 21 new petitions received in FY 2017, the highest in over a decade and exceeding the previous high of 18 new petitions in FY 2016. The growth in annual institutions in recent years has also been driven by a lack of order revocations, either at the USITC or at the Department of Commerce. For FYs 2018 and 2019, we project a sustained high overall caseload for import injury investigations and reviews, estimating 62 investigations and reviews instituted in FY 2018 and 65 instituted in FY 2019. The overall number of reviews instituted is projected to decrease slightly in FY 2018 and rebound in FY 2019, reflecting in part the number of new orders put into effect since 2000.

Another significant portion of our workload in this area is defending our determinations in litigation challenging them. This litigation 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 NAFTA. The Commission is typically successful in defending its determinations before the Federal Circuit, NAFTA panels, and the Court of International Trade (CIT). In addition, our staff assists the U.S. Trade Representative in WTO disputes involving either our import injury determinations or injury determinations made by other WTO members that affect U.S. exports.

In FY 2017, 11 groups of determinations by the Commission were appealed to the CIT, and three decisions by the CIT affirming Commission determinations were appealed to the U.S. Court of Appeals for the Federal Circuit. At the close of FY 2017, there were 10 USITC import injury matters pending in domestic litigation, and four challenges involving Commission determinations pending under the dispute settlement procedures of the WTO. In addition, there were eight other active WTO disputes involving trade remedies in which Commission staff provided technical support to the U.S. Trade Representative. These other cases involved disputes in which the U.S. government was either the complainant or a third-party participant. No matters were pending under NAFTA.

For FYs 2018 and 2019, we project that the number of new appeals challenging our import injury determinations will continue to increase, reflecting the high number of projected new petitions and the number of active investigations that will be completed in FY 2018.

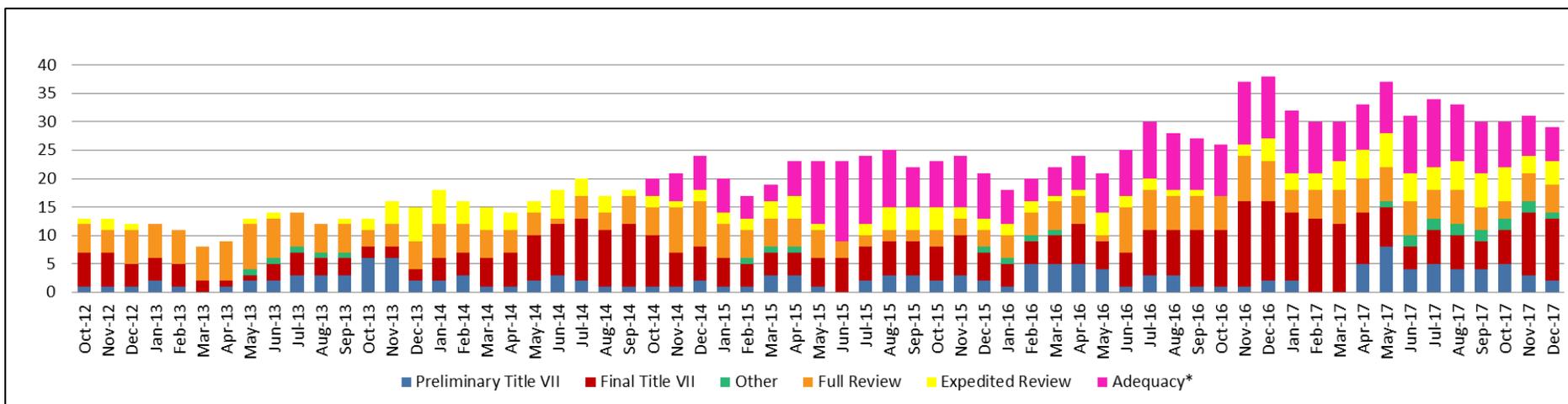
Trends in the investigative caseload and caseload estimates for FYs 2018 and 2019 are shown below.

# Import Injury Investigations Caseload

## Instituted and Completed Investigations

	Instituted							Completed						
	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate	FY 2013 Actual	FY 2014 Actual	FY 2016 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Preliminary Title VII	13	9	12	18	21	18	18	9	13	11	19	17	21	18
Final Title VII	5	15	10	16	15	22	18	7	9	12	13	19	18	19
Other	1	0	1	1	2	4	4	1	0	1	1	0	4	4
Full Review	10	7	8	11	8	7	10	10	7	9	6	11	9	7
Expedited Review	9	11	16	11	20	11	15	3	15	14	12	15	16	17
<b>Total</b>	<b>38</b>	<b>42</b>	<b>47</b>	<b>57</b>	<b>66</b>	<b>62</b>	<b>65</b>	<b>30</b>	<b>44</b>	<b>47</b>	<b>51</b>	<b>62</b>	<b>68</b>	<b>65</b>

## Monthly Active Caseload

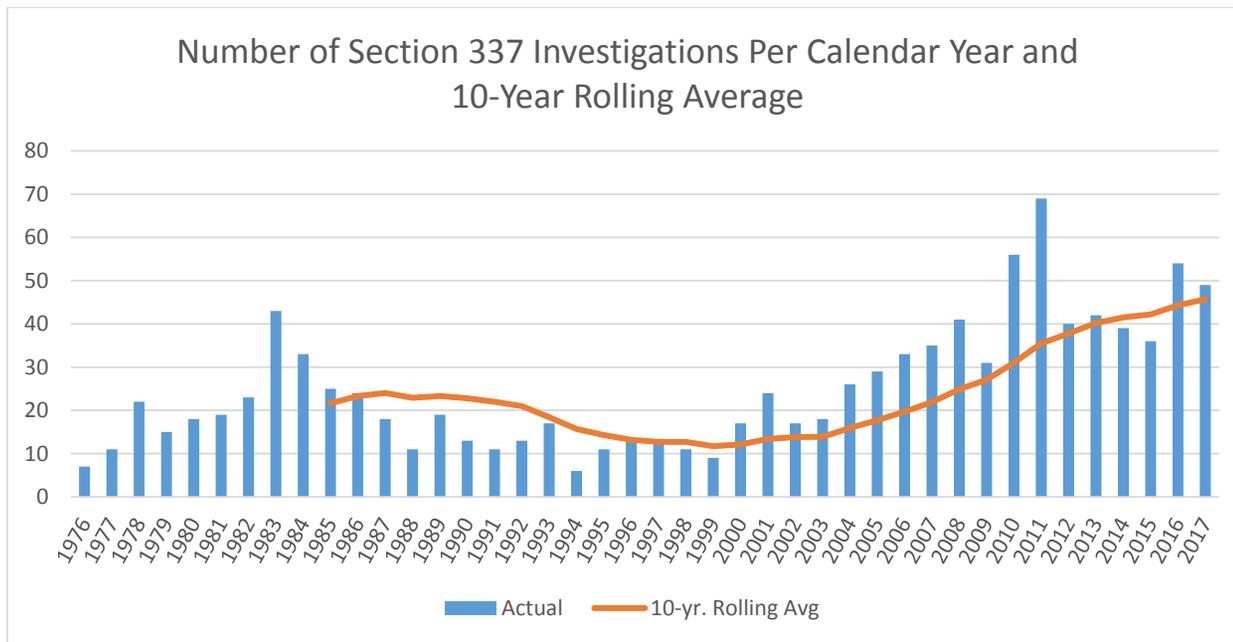


\*The agency realigned its workload for five-year reviews in FY 2015, shifting a substantial portion of work to the adequacy phase of these proceedings, which precedes a determination to conduct a full or expedited review. In this chart, beginning in FY 2015, active five-year reviews in their adequacy phase are presented separately and designated "Adequacy."

## 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 a critical element in U.S. competitiveness, and we play an important role in protecting it. The primary relief available under section 337—exclusion of goods at the border— is unique; it 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 forum for the redress of IP infringement. This interest is reflected in the flow of filings for unfair import investigations in recent years and in the significant percentage of the patent trials held in the United States that are conducted at the USITC. Since 2004 there has been an overall upward trend in new investigations filed year over year (as illustrated in the chart below). FY 2017 was no exception and we expect the trend to continue in FY 2018 and FY 2019. For instance, in the first quarter of FY 2018, we instituted 20 new section 337 investigations. This number is 40 percent of the total number of investigations instituted in all of FY 2017 and 36 percent of the total number of investigations instituted in all of FY 2016. The investigations instituted in FY 2018 will continue to have an impact in FY 2019 as the average length of an investigation on the merits in FY 2017 was 15.1 months and any resulting appeals could last for another year or two.



In addition to patent-focused investigations, since at least FY 2006 there has been a steady number of investigations (2-3 each year) involving alleged misappropriation of trade secrets in connection with imported goods. This trend continued in FY 2017 and will likely continue in 2018. 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. In addition, in FY 2017, an increased number of investigations involved unfair acts and methods of competition other than patent infringement and misappropriation of trade secrets, including claims based on trademarks, trade dress, false advertising, false designation of origin, and antitrust.

To adjudicate section 337 investigations, our administrative law judges (ALJs), in accordance with the Administrative Procedure Act, conduct hearings, issue initial determinations, and facilitate settlement of disputes. Our Office of Unfair Import Investigations reviews complaints before investigations are instituted, advises the commissioners on institution determinations, participates (when appropriate) as a party to proceedings, and aids in facilitating settlements. The ALJs' initial determinations are subject to review by the commissioners, and the Commission's final determinations in section 337 investigations can be appealed to the U.S. Court of

Appeals for the Federal Circuit. Our Office of the General Counsel provides advice to the commissioners during each investigation and defends the agency's final decision during any subsequent appeals.

The spectrum of products and IP rights at issue in section 337 investigations is quite broad. The docket has included many investigations involving the importation of sophisticated electronic devices, such as smartphones, tablets, integrated circuits, and memory devices, and this will likely continue. In FY 2017, we also adjudicated investigations involving pharmaceutical and medical devices, transportation-related products, and products such as beverage brewing capsules, vacuum cleaning devices, bulk containers, and height adjustable desks. There is a substantial overlap between the industries that dominate our IP docket and the top industries found in a Department of Commerce study to be the most IP-intensive in the United States.<sup>1</sup> The study found that these IP-intensive industries represent 29.8 percent of all jobs in the United States that wages of private sector workers in IP-intensive industries were 46 percent higher than those of workers in non-IP-intensive industries; and wages for workers in patent-intensive industries were over 74 percent higher. The study also found that the value added by IP-intensive industries amounts to more than 38 percent of GDP. The Commission's IP enforcement efforts therefore contribute to strengthening the U.S. economy and employment.

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 quickly as possible. This goal has been a challenge in recent years because of the volume and complexity of investigations. We continue to examine various options to shorten the length of investigations. In FY 2017, we continued to evaluate the effectiveness of certain pilot programs, including the 100-day early disposition program, our initial case management pilot program (under which the parties are required to produce certain information early in an investigation), and a program using an eDiscovery case management approach. The purpose of the latter two programs is to reduce costs and curb the potential for abuse of discovery.

In addition to working to make our section 337 investigations more expeditious, we regularly take steps to make them more efficient and cost-effective, both for litigants and for the agency. During FYs 2016 and 2017, we considered public comments on two

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<sup>1</sup> U.S. Department of Commerce, *Intellectual Property and the U.S. Economy: 2016 Update*, 2016.

proposed rules that are designed to improve the speed and efficiency of our proceedings. The first proposal involves codifying our early disposition pilot program, under which, in selected investigations, the ALJ decides a potentially case-dispositive issue within the first 100 days of the investigation; the second involves severing investigations with unrelated patents and technologies into multiple investigations. We will ensure that, if promulgated, these new rules will meet statutory requirements, provide due process to litigants, allow us to build sufficient factual records, and maintain quality decision making. We also proposed and considered public comments on rules that would better align our section 337 subpoena practice with that of the federal courts.

We are also assessing ways to improve the effectiveness of the remedial orders we issue. One issue frequently raised in this area is whether new and redesigned products are covered by an existing USITC exclusion order, cease and desist order, or consent order. U.S. importers, would-be importers, and IP rights holders have all expressed concern in recent years about how they can obtain timely, transparent, and binding decisions in this regard. In response, in FY 2015 we announced a pilot program to test the use of expedited modification and advisory opinion procedures to evaluate and rule on redesigned and new products that are potentially covered by our remedial orders. While modification and advisory opinion procedures have been available for years, we are seeking to streamline them to better meet the needs of those who may be affected by remedial orders. We tested this pilot in three investigations in FY 2016.

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. At the end of FY 2014, we launched 337Info, a new searchable database providing data on investigations instituted since October 1, 2008<sup>2</sup>. Accessible from our website, 337Info offers members of the public easy access to information on scheduling, parties involved, patents at issue and unfair acts alleged, staff assigned, 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 about section 337. Since FY 2016, we regularly report statistics regarding section 337 through an enhanced website interface that includes average length of investigations, number of exclusion orders issued, types of accused products, types of unfair act allegations, number of patents at issue, and settlement rates.

We continue to foster party settlements in our section 337 investigations in several ways, including ALJs requiring settlement discussions throughout the investigation, some ALJs requiring formal mediation, efforts made by our investigation attorneys in those

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<sup>2</sup> For information regarding investigations instituted prior to October 1, 2008, the Commission converted its legacy system into a searchable excel file.

investigations in which they participate, and access to our mediation program. Settlements reduce the number of investigations in which we must make final determinations and conserve the resources of both litigants and the agency.

Appellate litigation pending at the Court of Appeals for the Federal Circuit stemming from section 337 investigations absorbs a significant share of employee resources in our Office of the General Counsel. The Commission is typically successful in defending its determinations before the Federal Circuit. The table below displays the number of pending appeals at the end of each fiscal year, FYs 2012–17.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Number of appeals</b>	17	13	17	16	17	15

This is only a snapshot of the appellate litigation challenging section 337 determinations handled by the Office of the General Counsel. During FY 2017, there were 32 active section 337 litigation appellate matters and two petitions for certiorari pending during the year.

For FYs 2018 and 2019, 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.

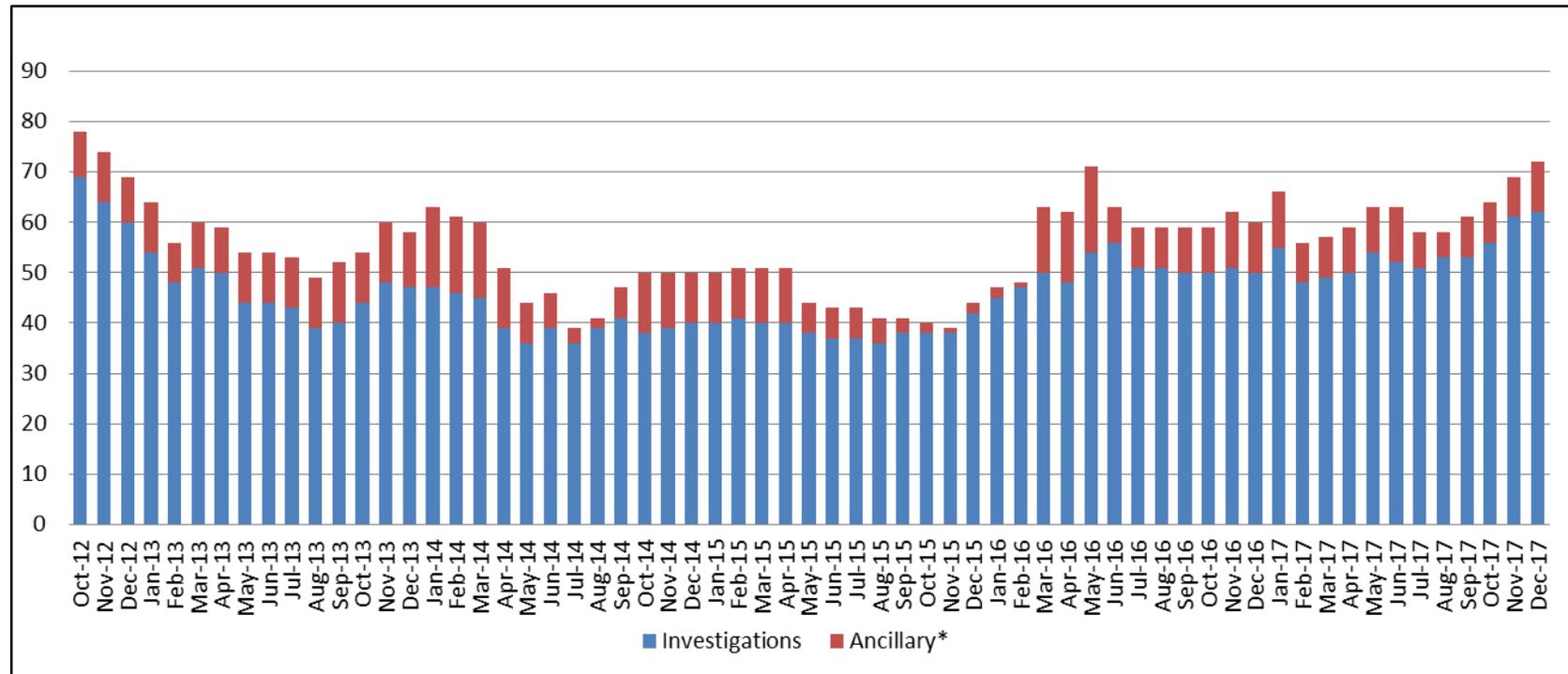
Trends in the investigative caseload and caseload estimates for FYs 2018 and 2019 are shown below.

## Unfair Import Investigations Caseload

### Instituted and Completed Investigations

Status	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Instituted	52	49	47	79	64	70	60
Completed	72	59	50	64	61	62	60

### Monthly Active Caseload



\*Ancillary investigations include petitions for modifications and/or rescissions of remedial orders, requests for advisory opinions, Federal Circuit remands, and enforcement proceedings.

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# Tariff, Trade, and Competitiveness-Related Analysis and Information

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

We have statutory responsibilities to provide information at our disposal to Congress and the President, who has delegated request authority to the U.S. Trade Representative. In response to these policy makers’ requests, we supply independent research 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 needed for this work, we also identify and research priority areas in international trade, industry competitiveness, and the U.S. and global economies. With the exception of requested confidential studies, we offer our industry and economic analysis and research freely to the public.

## 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 that affect firms, industries, and consumers. Authority for most of our investigations is granted by section 332 of the Tariff Act of 1930, but also by various implementation statutes for specific trade agreements and by several general trade statutes. Most investigations fall into three broad categories:

- General fact-finding and analytic investigations
- Investigations examining the probable economic effect of proposed trade policy changes
- Assessments of the probable effects of negotiated trade agreements

External events that impact U.S. international trade and domestic competitiveness shape our requestors' requirements and interests. Consequently, the nature, timing, and complexity of requests for these investigations are unpredictable and lead to wide variations in the level of resources required to complete any specific investigation. Resource needs depend on such factors as the state of global competition in specific sectors or with certain trading partners, emerging interests of policy makers in the White House and on Capitol Hill, the scope and scale of policy makers' requests, and the level of public information available related to the request. The interplay of these factors, as well as their uncertainty, makes accurate forecasting of future workloads challenging.

Our industry and economic analysis is widely considered to be 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 by industry and policy makers. Trade policy makers rely on us for authoritative information on trade- and competitiveness-related issues to support informed decision making.

Our studies often focus on issues that affect U.S. trade or important parts of the U.S. economy. Recently completed reports have analyzed the following:

- Market opportunities and foreign barriers to trade in global digital services
- The economic effects of eliminating significant U.S. import restraints
- The effects of tariffs and other border costs on goods traded in global supply chains
- The economic impact of providing duty-free treatment for currently-dutiable imports from Canada and Mexico
- The U.S. aluminum industry's global competitiveness

Our customers rely on us to produce expert analysis of the global competitiveness of U.S. industries or U.S. trade with specific countries or regions. For instance, the first of three global digital trade investigations, completed in FY 2017, detailed the current landscape of digital technologies (such as cloud-based data processing), and identified policy measures that could negatively impact U.S. firms that are developing or providing digital products and services in key foreign markets. Such measures include data localization requirements in China, data protection rules in Europe, software source code disclosure requirements in Russia, investment restrictions in Brazil, local technology sourcing requirements in Indonesia, and others. The ongoing second and third Global Digital Trade reports examine the impact of these foreign measures on market access, investment, exports, and the competitiveness of U.S. businesses. These studies will use a variety of qualitative and quantitative approaches, including a survey of

more than 10,000 U.S. firms, a series of in-depth case studies covering multiple countries and industries, and economic modeling of the effects of foreign barriers. These fact-finding investigations began in FY 2017 and will continue through FY 2019.

Customers also rely on us to provide expert information about how narrowly focused policy changes—such as those affecting rules of origin or tariff preference programs—may affect specific, often narrowly defined products. Recently completed or ongoing examples of such work include reports on changes to the Generalized System of Preferences program, analyzing the economic impacts of modifying the rules of origin under the U.S.-Morocco FTA, and examining the duty-free treatment for currently-dutiable imports from Canada and Mexico.

The schedules for requested investigations often overlap with each other and with mission-critical work in other investigative areas. Moreover, requests often require us to develop or apply new analytic methods; collect and analyze unique primary data obtained through sector-specific questionnaires; and/or research and analyze new industries, competitive conditions, or trade barriers. During FY 2017, our employees handled multiple industry and economic analysis projects in tandem with other work projects required by statute (import injury investigations, trade policy support, tariff and trade information services, and petitions for temporary duty suspension or reduction).

## Workload Expectations in FY 2018 and FY 2019

In FYs 2018 and 2019, we expect the number of new investigations to return to levels similar to those of FYs 2015 and 2016, given the active trade policy agenda of the executive and legislative branches. In both fiscal years, one to two requests are expected to require us to develop, administer, and analyze responses to questionnaires, drawing a relatively large amount of agency resources. We will continue to advance our use of electronic survey tools and methods, which have contributed to productivity gains in recent questionnaire-based investigations.

Our staff periodically discusses recurring reports with the requestors to ensure their continued interest in the information provided or to learn if we should furnish additional information to meet emerging needs. During both FYs 2018 and 2019, we will enhance the online user interface of recurring reports, such as *The Year in Trade*, *Shifts in U.S. Merchandise Trade*, and *Recent Trends in U.S. Services Trade*.

For FY 2018, in addition to the recurring reports, we anticipate responding to requests or statutory direction for new reports providing unique data and analysis. The reports will inform federal policy makers' efforts in international trade negotiations or in developing domestic policy. Ongoing reports in FY 2018 include the following:

- *Global Digital Trade 2: The Business-to-Business Market, Key Foreign Trade Restrictions and U.S. Competitiveness*
- *Global Digital Trade 3: The Business-to-Consumer Market, Key Foreign Trade Restrictions and U.S. Competitiveness*
- *U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments*
- *Generalized System of Preferences: Possible Modifications, 2017 Review*

We anticipate a robust analytic workload in FYs 2018 and 2019 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 our research and data development work in high-interest areas like the following:

- Advancing our modeling capabilities in areas such as differentiating the effects of trade on different types of U.S. companies and on different U.S. geographic regions; updating and expanding modeling of international investment; and expanding the scope and flexibility of partial equilibrium and sector-specific analysis
- Expanding analysis of issues in areas such as assessing industry competitiveness; effects of trade and trade policy on U.S. workers; trade in digital goods and services; behind-the-border nontariff measures affecting goods and services (technical barriers to trade, regulatory practices, conformity assessment, and standards); trade facilitation and customs issues; supply chains; and asymmetries in trade statistics
- Increasing our capabilities and knowledge concerning trade-related agreements

Such preparatory work expands our expertise and can help us respond effectively and efficiently to requests for analytic investigations, while also contributing to our work in import injury cases, tariff schedule maintenance, and trade policy support. These high-interest areas tend to require information and tools that are not readily available. Moreover, such work often requires significant staff effort to refine existing analytic tools or develop new ones. Our research agenda has kept us at the forefront of emerging analytic areas, such as quantifying a wider variety of nontariff measures; assessing trends in trade-reliant industries; analyzing the growth of digital trade and its impact on a growing range of industries; and evaluating the impacts of government

policies, such as intellectual property regimes, on trade. Consistent dedication of resources to support such work is needed to maintain the world-class quality of our products.

External factors that are likely to influence the scope and number of requests for analytic investigations in FYs 2018 and 2019 include the following, among others:

- The trade policy focus of the executive and legislative branches
- Interest by trade policy makers in new technologies, industries, and business models, as well as interest in sector-specific U.S. industry competitiveness
- Challenges and opportunities presented by shifting trade patterns and economic relationships between the United States and major trading partners

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. Staff research and external communication and collaboration are vital to honing staff skills, as well as developing information and analytic tools for use in customer-requested investigations. We conduct these activities under the broad authority of sections 332(a) and (b) of the Tariff Act of 1930, often publishing our findings as articles or in presentations at international meetings of experts and multilateral institutions. We also develop expertise and make our research available through direct interaction with many international and domestic agencies, at academic gatherings, and with private sector associations. These activities offer us an important forum for external technical review of new analytic approaches and often suggest new, relevant areas of potential interest. Staff travel is often necessary to share and gather knowledge from domestic and international experts, as well as to conduct critical field research for investigations.

We also invest funds to ensure we can respond efficiently and effectively to customer requests through the continuous acquisition, development, and improvement of analytic tools, information resources, and research approaches, 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, staff collaborate with outside experts to update models so that we can better estimate the impacts of policies affecting U.S. workers, sales by U.S. affiliates abroad, energy markets, and commodity supply chains. Significant advances also continue to be made in understanding nontariff measures affecting both goods and services trade, as well as trade agreements such as the North American Free Trade Agreement. During FYs 2018 and 2019, we will continue to invest in

both our human capital and other resources to ensure we can provide high-quality tariff, trade, and competitiveness-related analysis and information to policy makers in both the legislative and executive branches.

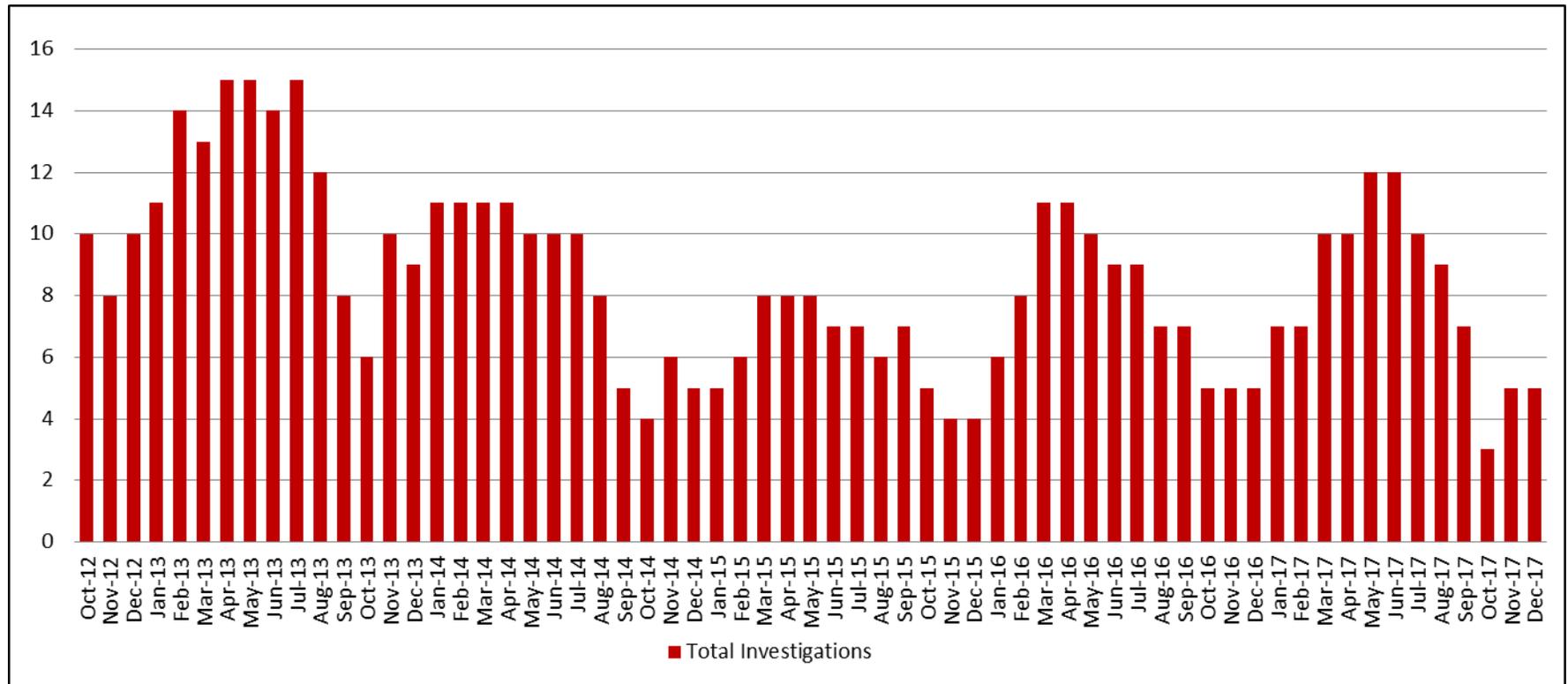
Trends in the investigative caseload and caseload estimates for FYs 2018 and 2019 are shown below.

## Industry and Economic Analysis Investigations Caseload

Instituted, Completed, and Active Recurring Investigations

Status	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Instituted	10	8	5	7	5	7	7
Completed	12	10	9	9	5	4	9
Active Recurring	8	7	6	6	7	6	6

Monthly Active Caseload



## Tariff and Trade Information Services

The USITC maintains and publishes the Harmonized Tariff Schedule of the United States (HTS) under the Tariff Act of 1930 and section 1207 of the Omnibus Trade and Competitiveness Act of 1988 (1988 Act). In line with this mission, we strive to improve access to high-quality, up-to-date tariff and international trade information and to reinforce our technical expertise in these areas to support the executive and legislative branches, the broader trade community, and the public. We maintain online interactive and in-house databases and an online HTS search tool; chair the U.S. interagency Committee for Statistical Annotation of the Tariff Schedules; conduct investigations under section 1205 of the 1988 Act to propose certain HTS amendments to the President to meet our international obligations; and participate in the U.S. delegation to the World Customs Organization (WCO). Staff expertise in these areas strengthens our investigative work as well as the trade policy support we give to our 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. For FY 2019, 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 ensuring access to 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 on the HTS in collecting all tariff revenues and fees, which were estimated to be \$44.6 billion assessed on 32.4 million entries of goods imported into the United States in FY 2016. U.S. importing firms rely on the HTS for accurate information in importing all goods into the country. In fact, as noted earlier, the HTS is the most heavily used tariff schedule in the world, based on the volume of trade covered. The HTS underlies the U.S. trade data maintained by the Department of Commerce's Census Bureau, enables anyone interested in trade information to find tariff codes and rates, 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, the Commission chairs the interagency Committee for Statistical Annotation of the Tariff Schedules in coordination with CBP and the Census Bureau. The committee administers statistical breakouts for tracking specific goods, if certain criteria are met. 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 2017 we used the state-of-the-art HTS Data Management System (DMS) to efficiently prepare and publish the annual edition and several intermediate updates of the HTS. It allows staff to incorporate legal modifications to the HTS proclaimed by the President or otherwise approved. The DMS also increases efficiency by automatically revising yearly staged rate reductions for products entering the U.S. under various free trade agreements. In each of its free trade agreements, the U.S. and its trading partner(s) commit to eliminate tariffs on trade between them on a staged schedule (typically 5, 10 and 15 years, depending on the import sensitivity of the products). These tariff rate reductions occur at the beginning of each calendar year and are included in the annual Basic Edition of the HTS.

The DMS has received substantial positive feedback from the trade community and other agencies. Users particularly welcomed the system's ability to allow access to HTS data in machine-readable format, as required by the Open Data initiative. In FY 2019, we plan to improve the operational and reporting capabilities of the system, including adding a directory of new search terms to better assist users who may not have much experience with the HTS. With these improvements, we expect the DMS to serve as the backbone for issuing accurate and timely updates to the HTS for many years to come.

Our ongoing support to the U.S. Trade Representative in developing and analyzing rules of origin for negotiating and carrying out agreements is another responsibility that will require significant staff time, particularly in connection with the evaluation of existing free trade agreements. Our staff also helps the U.S. Trade Representative prepare the final versions of the implementing proclamations for trade agreements and other actions affecting the HTS.

## Legislative Reports on Duty Suspensions/Reduction Petitions

The American Manufacturing Competitiveness Act of 2016 (AMCA), enacted in May 2016, introduced a new process for the consideration of MTBs, in which likely beneficiaries file petitions for duty suspensions or reductions directly with the USITC. In accordance with statutorily mandated deadlines, the Miscellaneous Tariff Bill Petition System (MTBPS) deployed on October 14, 2016, staff analyzed all petitions and comments received, and the Commission delivered its final MTB report on August 8, 2017,

recommending 1,686 products for inclusion in the omnibus MTB legislation. In FY 2019, we expect to fund improvements to the MTBPS, hire a significant number of temporary staff, and train a broader group of permanent staff in order to prepare for processing a very large number of petitions in the next cycle that will begin in the first quarter of FY 2020.

## Other Online Tariff-Related Services

Our agency also provides 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. To improve functionality and address customer feedback, the USITC began re-engineering the DataWeb application in FY 2016 to modernize and enhance it using state-of-the-art web technologies. This modernization effort will be completed in early FY 2018. 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. The web interface to access the tariff database will be redesigned along with the DataWeb and will integrate with tariff information contained in the USITC’s HTS DMS (described above) to provide seamless and efficient sharing of data.

Use and access to tariff information through the search functionality of the HTS DMS is an integral feature provided to the public by the agency. Approximately 80 percent of all internet queries directed to our agency concern tariff information. During 2017, we averaged 16,828 user sessions and 65,808 page views per day, about 76 percent of which were from returning visitors. Each day, an estimated 54,600 HTS searches are conducted. The HTS DMS has increased efficiency and ease of use for all agencies, businesses, and members of the public that access the HTS, as evidenced by the overwhelmingly favorable feedback we have received.

## Trade Policy Support

We draw on knowledge gained from our statutory investigations and other research to respond to rapid-response requests for technical expertise and data that trade policy makers can use to inform the development of U.S. international trade policy. This trade policy support, provided under section 332 of the Tariff Act of 1930, includes:

- Providing information and analysis on current issues related to trade and competitiveness
- Providing technical comments on draft legislation

- Preparing draft tariff legislation and annexes for presidential proclamations, memoranda, executive orders, and final decisions by various agencies
- Providing information and analysis in briefings and meetings
- Temporarily detailing staff to our oversight committees and the U.S. Trade Representative
- Assisting trade delegations, negotiating teams, and Administration-led litigation teams in international dispute settlement forums

Providing technical assistance allows us to fulfill our strategic goal of producing objective, high-quality, and responsive analysis and information on tariff, trade, and competitiveness questions. 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 a high volume of requests for assistance.

In FY 2017, technical assistance requests covered a wide range of topics and issues. The resources we devoted to this activity increasingly supported trade negotiations as well as 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. We anticipate that technical assistance efforts for FYs 2018 and 2019 will remain high. Congressional interest in obtaining real-time assistance with draft legislation is expected to continue, as is executive branch interest in our support of negotiation teams and appearances before the World Trade Organization. In some instances, we have found that an effective way to meet our requestors' requirements is to detail staff members to our oversight committees or to the U.S. Trade Representative. As budget and statutory workload permit, we may continue to detail a limited number of personnel to these customers, upon their request.

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# Information Technology

## General Statement

The Commission is committed to leveraging the power of information technology (IT) to transform agency operations, improve the customer experience, and safeguard our computer networks and information. Our IT program is critical to achieving our strategic goals and objectives, managing risk, and creating value for our stakeholders. The agency's FY 2019 budget request of \$97.5 million includes \$12.4 million to operate and maintain existing systems, infrastructure, and security; supply the resources needed to enhance systems that support our research and investigative missions; accommodate increased cybersecurity requirements; and modernize our data center and disaster recovery capabilities.

## Supporting the Agency's Mission

Our IT budget contains the resources to operate and maintain, as well as develop, modernize, and enhance, a complex suite of essential systems. These systems support our antidumping/countervailing duty and unfair import investigations and the tariff, trade, and competitiveness-related analysis and information we provide the public and our stakeholders.

**Miscellaneous Tariff Bill Petition System (MTBPS):** In response to the May 2016 enactment of the American Manufacturing Competitiveness Act of 2016, we developed and deployed the electronic portal to support the agency's mandate to receive, analyze, and make recommendations regarding petitions from the public for temporary duty reductions or suspensions on imported products. During the 2016 cycle, the system successfully received approximately 3,200 petitions and 2,500 comments on those petitions. Additionally, the system supported the Commission's internal analysis of those petitions and comments and the production of preliminary and final reports to Congress, in which 1,686 products were recommended for inclusion in a miscellaneous tariff bill. After delivery of our final report in August, 2017, we surveyed both internal and external stakeholders, seeking feedback on the MTB program and the MTBPS. Upon consideration of the feedback received, we will devote IT resources in FY 2019 to maintain the existing system and develop certain system enhancements in preparation for the next MTB cycle, which is statutorily mandated to begin not later than October 15, 2019.

**Harmonized Tariff Schedule of the United States (HTS):** Maintaining and ensuring access to an accurate and up-to-date tariff schedule is of critical importance to the U.S. government and private sector. CBP relies on the HTS in collecting all tariff revenues; as noted above, these revenues are estimated to be \$44.6 billion assessed on 32.4 million entries of goods imported into the United States in FY 2016. U.S. import firms rely on the HTS for accurate information in importing all goods into the country. During FYs 2014 and 2015, we invested in a state-of-the-art data management system, HTS DMS, that replaced the outdated processes and aging legacy system used to maintain and access the HTS. Deployed at the beginning of the fourth quarter of FY 2015, the HTS DMS has been very positively reviewed by the trading community and other agencies. Particularly welcomed by users was the system's ability to allow access to the HTS data in machine-readable format, as required by the Open Data initiative. As a result, nearly 4.9 million user sessions on the system were recorded in FY 2016, which increased to over 6.1 million user sessions in FY2017.

**Electronic Document Information System (EDIS):** EDIS is the repository for all documents filed in connection with investigations conducted by the Commission. EDIS provides the capability to file documents for an investigation as well as search for documents already submitted. It also supports the processing and review of documents by internal staff. In FY 2018, we plan to release a modernized version of EDIS to improve usability, incorporate updated technology, and add automated tracking of orders issued in response to motions filed in an investigation. Additionally in FY 2018, we will modernize EDIS's capability to serve documents to external users under an administrative protective order for an investigation by allowing secure electronic access to designated documents containing business proprietary or confidential business information.

**DataWeb:** DataWeb is our trade data system. It is used by both the Commission and the public to integrate international trade statistics with complex tariff and customs treatment and to execute customized trade data queries. In FY 2016, we began an effort to modernize the system's technology and enhance its functionality, with development continuing through FY 2017 and into FY 2018. For FY 2018, we plan to release an updated modernized DataWeb.

**337Info:** 337Info is a publicly searchable data system launched at the end of FY 2014 offering the public easy access to information on the intellectual property infringement and unfair competition investigations we conduct under section 337. Such information covers scheduling, parties involved, patents at issue and/or unfair acts alleged, staff assigned, disposition, and any appeals. This information is also used to generate statistics to respond to internal and external inquiries about our section 337 work. In FYs 2016 and 2017, operations and maintenance were the focus, but in FY 2018, a number of upgrades are planned to the system. These

include improved auditing of system activity, adding information about remands, and providing access to relevant documents from EDIS.

**Title VII Data System:** This will be a data system similar to 337Info that will contain information related to Title VII investigations conducted by the agency. It will include a modernized component to track the record of Commission votes and determinations, replacing a legacy system. The agency plans to complete development of this system in FY 2019.

## Information Security

We will continue to strengthen our security posture in FY 2019 by investing in new technologies, processes, and capabilities, including additional staffing as necessary, in line with the Federal Information Security Modernization Act of 2014 and government-wide best practices.

**Continuous Diagnostics and Mitigation (CDM):** We have internally implemented the four technical capabilities identified within Phase 1 of the CDM program of the Department of Homeland Security (DHS): (1) hardware asset management, (2) software asset management, (3) vulnerability management, and (4) configuration settings management. We use these capabilities to maintain our awareness of information security vulnerabilities and threats and to manage organizational risk. In FYs 2018 and 2019, we will continue to refine these capabilities internally while working with DHS to implement cloud-based continuous monitoring as a service solution created for small and micro federal agencies. Since the solution will integrate with DHS CDM dashboards, it will greatly improve the efficiency of the agency's cybersecurity reporting to DHS. In 2018 we will deploy a new capability highlighted in CDM Phase 2: privilege management. This capability focuses on enforcing the concepts of least privilege, access control, and management of privileged accounts.

**Security Controls Assessments:** We have established an interagency agreement with the Department of Health and Human Services to conduct Security Controls Assessments (SCAs) on all of our IT systems. An SCA is a due-diligence exercise that uses a comprehensive, documented process to evaluate the extent to which an agency's security controls are implemented correctly, operating as intended, and meeting the security requirements for an information system. These assessments are needed to issue an Authority to Operate (ATO) for a system. In FY 2018, we intend to ensure that all of our major IT systems have valid ATOs.

**Information Security Continuous Monitoring (ISCM):** ISCM is defined as maintaining ongoing awareness of information security vulnerabilities and threats to support an organization's risk management decisions. ISCM activities are conducted in accordance with a given system's continuous monitoring plan and are required to maintain the ATO established at the conclusion of successful security control assessment (see previous paragraph).

**Homeland Security Presidential Directive 12 (HSPD-12):** HSPD-12 was implemented at USITC in FY 2016. HSPD-12 enforces two-factor authentication (i.e., a personal identification card *plus* a password) for system access. We will continue to integrate this capability with numerous USITC subsystems. We are also evaluating the usefulness of adopting a similar protocol to enhance the security of the agency's mobile devices.

**Mitigating Data Center Risks and Modernizing Capabilities:** In June 2015, we began converting our disaster recovery site into our primary data center and developing plans to add a second offsite data center as a backup. The infrastructure in our headquarters facility, which houses the current data center, is inadequate to ensure uninterrupted functionality. Migrating to a primary offsite data center is the best option to secure our data and systems, provide optimal availability and performance, ensure continuity of operations in the event of a catastrophic event, and provide the highest long-term value for our users and taxpayers. To further improve reliability and availability we are including cloud solutions in our new technical architecture and plan, moving suitable applications and services to the cloud to enhance redundancy. All these upgrades will provide a secure and stable environment, enabling a more mobile workforce, and ultimately reduce IT infrastructure costs. We expect to fully convert the offsite data center into our primary data center in 2018, and plan to continue moving suitable systems to the cloud into 2019. While original plans called for two off-site data centers, advancements in technology and improved cloud-based solutions have led the Commission to re-evaluate this plan, and utilizing the improvements made to date, develop a hybrid-cloud solution. Ultimately this hybrid-cloud solution will improve accessibility and availability at a lower cost than maintaining two physical remote data centers.

**Data Loss Prevention (DLP):** We are currently able to detect the transmission of personally identifiable information (PII) via two systems: (1) a scanner which monitors all network transmissions in real time for certain PII patterns (primarily Social Security numbers) and sends a notice if PII is transmitted, and (2) a forensic network packet recorder. The latter system records all network transmissions for later retrieval and analysis and can search for arbitrary text patterns such as PII keywords. We started a project to implement a DLP solution that reviews data in emails sent from an agency address to an external one, i.e., email exfiltration; we expect to complete this project in 2017. This system will prevent email containing PII such as Social Security numbers and date of

birth from being transmitted outside the agency's network, and will instead quarantine such messages for review and potential sanitization before retransmitting them. To complement and refine these capabilities, we plan to deploy a dedicated DLP appliance to detect and prevent potential data breaches or exfiltration by monitoring, detecting, and blocking the movement of sensitive data.

**Privacy Program:** We will continue to improve the agency's privacy program which was initially created in FY 2016 and enhanced in FY 2017. In FY 2018, we will continue to revise privacy policies that will define how we manage and protect the PII we collect, use, and maintain, and will review and update our Privacy Impact Assessment process. These assessments are designed to evaluate the risks to PII used by an agency. Maintaining a robust privacy program will ensure we continually comply with all relevant privacy requirements, such as the Privacy Act of 1974, the E-Government Act of 2002, and Office of Management and Budget policies, and will minimize the risk to individuals whose PII we use in our work. In FY 2019, we expect the program to continue fully operating in accordance with federal requirements.

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## The Office of Inspector General

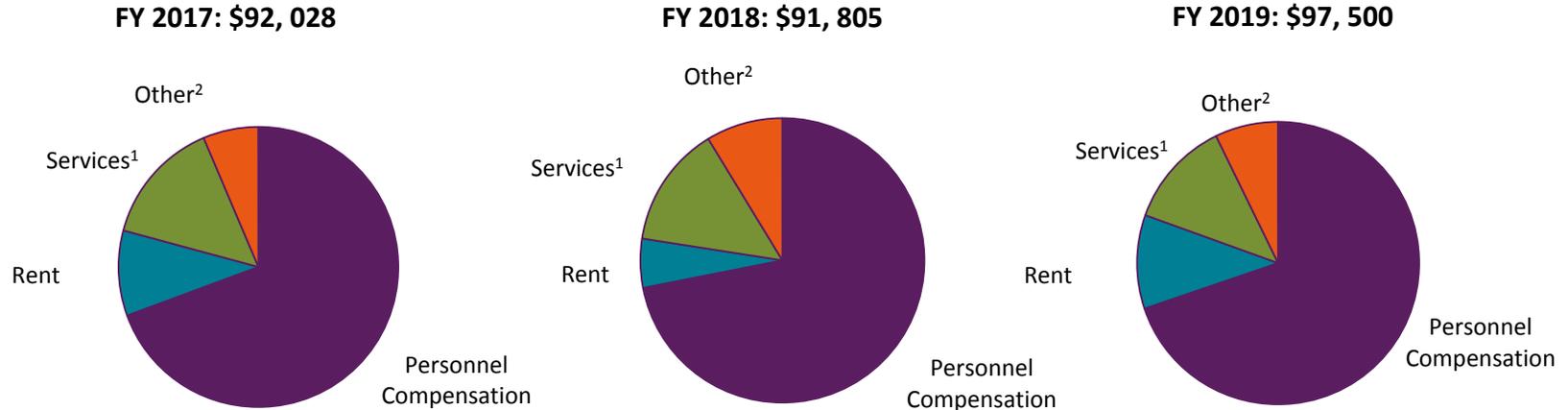
The USITC's Office of Inspector General (OIG) provides audit, inspection, and investigative support services covering all of our programs and strategic operations. Its mission is to promote and preserve the agency's effectiveness, efficiency, and integrity. The OIG is required by statute to perform six reviews in FY 2018. The OIG will use contractor support to perform the independent audit of our annual financial statement, and in-house staff will perform the remaining five reviews. In addition to these reviews, and based on available resources, the OIG has identified 14 potential areas for review in its FY 2018 Annual Audit Plan.

At \$213,000, the OIG's non-personnel budget request for FY 2019 asks for the same amount of funding it received in FY 2018. Included in the FY 2018 request is \$151,000 for contractual services, \$29,000 for technical equipment and supplies, and approximately \$3,000 for OIG's annual contribution to the Council of the Inspectors General on Integrity and Efficiency. The OIG request also includes \$15,000 for travel and \$15,000 for training to meet the office's continuing requirements for professional education in leadership, technical knowledge, and other skills. The Commission's budget request contains enough resources to support OIG's four full-time staff members in FYs 2018 and 2019.

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## Dollar Cost: Comparison by Object Classification, Fiscal Years 2017–19

(dollar amounts in thousands)



CATEGORY OF OBLIGATION	FY 2017 Actual		FY 2018 Estimate		FY 2019 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
Personnel Compensation	\$63,830	69.4%	\$66,000	71.9%	\$68,043	69.8%
Rent	9,060	9.8%	5,118	5.6%	10,455	10.7%
Services	13,247	14.4%	12,670	13.8%	11,949	12.3%
Other	5,891	6.4%	8,017	8.7%	7,053	7.2%
<b>TOTAL</b>	<b>\$92,028</b>	<b>100.0%</b>	<b>\$91,805</b>	<b>100.0%</b>	<b>\$97,500</b>	<b>100.0%</b>

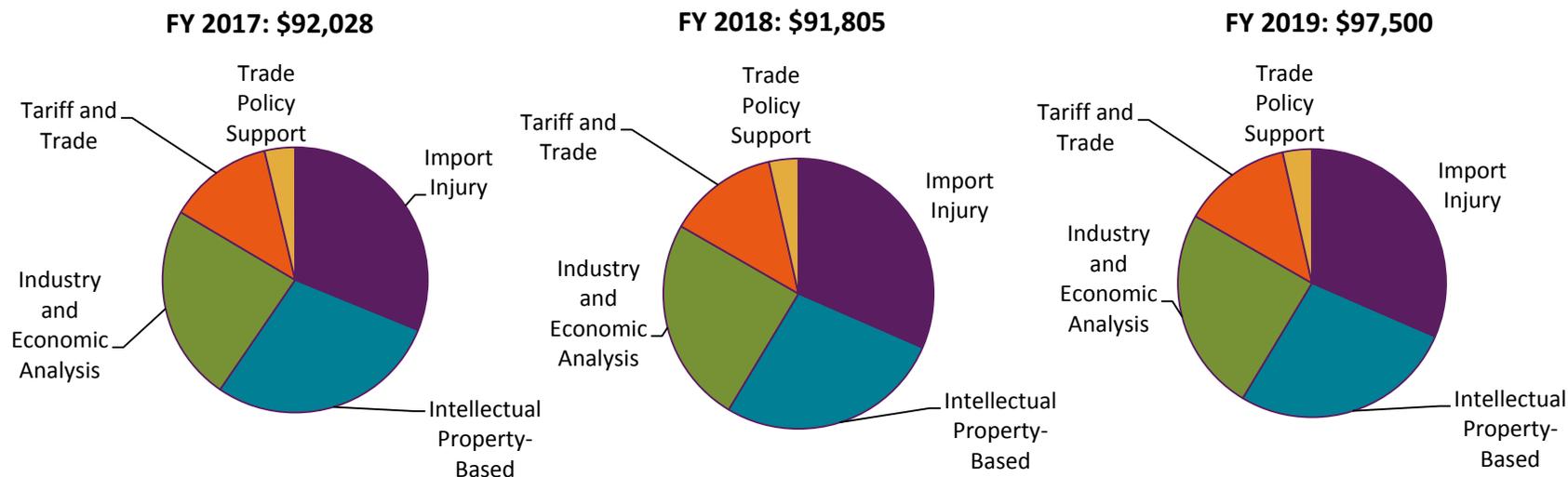
Note: Dollars may not add due to rounding in this and subsequent charts.

<sup>1</sup>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.

<sup>2</sup>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.

## Dollar Cost: Comparison by Strategic Goal, Fiscal Years 2017–19

(dollar amounts in thousands)



CATEGORY OF OBLIGATION	FY 2017 Actual		FY 2018 Estimate		FY 2019 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
<b>Trade Remedy Investigations (Strategic Goal 1)</b>						
Import Injury	\$28,681	31.2%	\$28,944	31.5%	\$30,739	31.5%
Intellectual Property-Based	26,127	28.4%	24,890	27.1%	26,434	27.1%
<b>Tariff, Trade, and Competitiveness-Related Analysis and Information (Strategic Goal 2)</b>						
Industry and Economic Analysis	22,039	23.9%	22,639	24.7%	24,044	24.7%
Tariff and Trade Information Services	11,758	12.8%	12,101	13.2%	12,852	13.2%
Trade Policy Support	3,423	3.7%	3,231	3.5%	3,431	3.5%
<b>TOTAL</b>	<b>\$92,028</b>	<b>100.0%</b>	<b>\$91,805</b>	<b>100.0%</b>	<b>\$97,500</b>	<b>100.0%</b>

## Analysis of Change by Object Classification, Fiscal Years 2017–19

(dollar amounts in thousands)

	FY 2017 Actual Obligations	FY 2018 Estimate	FY 2019 Request	FY 2018—19 Change	Percentage Change
<b>Personnel Compensation</b>	<b>\$63,830</b>	<b>\$66,000</b>	<b>\$68,043</b>	<b>\$2,043</b>	<b>3.0%</b>
<b>Non-personnel Obligations</b>					
Rent	\$9,060	\$5,118	\$10,455	\$5,338	104.3%
Services	13,247	12,670	11,949	-721	-5.7%
Supplies	1,714	1,874	1,913	39	2.1%
Equipment	1,155	1,432	1,220	-212	-14.8%
Travel	424	560	504	-56	-10.0%
Training	494	527	411	-116	-21.9%
Communications and Equipment Rental	810	2,490	2,541	50	2.0%
Transportation	14	17	17	0	0.0%
Postage	38	54	54	0	0.0%
Land and Structures	947	778	100	-678	-87.1%
Printing and Reproduction	292	272	277	5	2.0%
Official Reception and Representation	2	13	15	2	17.5%
<b>Subtotal Non-personnel Obligations</b>	<b>\$28,198</b>	<b>\$25,805</b>	<b>\$29,457</b>	<b>\$3,652</b>	<b>14.2%</b>
<b>Total Obligations</b>	<b>\$92,028</b>	<b>\$91,805</b>	<b>\$97,500</b>	<b>\$5,695</b>	<b>6.2%</b>

## Summary of Changes from the FY 2018 Estimate

(dollar amounts in thousands)

### Personnel Cost Change

**Personnel Costs** ..... +\$2,043

Personnel costs are expected to increase by about \$2.0 million. This level of funding will sustain the human capital investments we made in FYs 2017 and 2018 to manage historically high investigatory caseload. The request also includes the resources necessary to conduct the 2019 petition cycle required by the American Manufacturing Competitiveness Act of 2016 (AMCA). Further, this funding level will cover the anticipated 1.9 percent pay raise effective January 1, 2019 and pay for the normal cost of promotions, within-grade increases, and higher benefits.

### Non-Personnel Cost Changes

**Rent**..... +\$5,338

FY 2019 rent obligations are expected to increase by \$5.3 million to reflect the standard annual rate, about \$10.0 million, in our new 15-year lease agreement.

**Services**.....-\$721

Services obligations are expected to decrease by \$721,000, reflecting one-time costs anticipated in FY 2018; for example, the fee to our financial services provider for assessing the implementation of a new contract writing system.

**Supplies** ..... +\$39

Supplies obligations reflect an inflationary \$39,000 increase.

**Equipment** .....-\$212

Equipment obligations are expected to decrease by \$212,000, reflecting one-time costs anticipated in FY 2018. In FY 2018, we will be replacing our court room infrastructure, much of which is 30 years old and is not compliant with the Americans with Disabilities Act.

<b>Travel</b> .....	<b>-\$56</b>
Travel obligations are expected to decrease slightly but travel will be sufficiently funded to support statutory investigations, anticipated studies, knowledge development in emerging trade issues and priority areas, representational travel for international organization meetings, litigation support, and multilateral and regional agreement negotiation support.	
<b>Training</b> .....	<b>-\$116</b>
Training obligations are expected to decrease by \$116,000, in part reflecting initial training requirements for newly hired staff in FY 2018. Training will be sufficiently funded to support advancing staff skills, licensing, certification, and professional education requirements.	
<b>Communications and Equipment Rental</b> .....	<b>+\$50</b>
Communications and equipment rental obligations reflect an inflationary \$50,000 increase.	
<b>Land and Structures</b> .....	<b>-\$678</b>
Land and structures obligations are expected to decrease by \$678,000 due to one-time costs anticipated in FY 2018. In FY 2018, we will be funding building security enhancements consistent with best practice guidelines of the Interagency Security Committee, which was created by Executive Order 12977. Additionally, we will be modernizing the IT infrastructure in our two oldest court rooms and main hearing room to provide improved functionality, similar to that found in our newest court room.	
<b>Printing and reproduction</b> .....	<b>+\$5</b>
Printing and reproduction obligations reflect an inflationary \$5,000 increase.	
<b>Official Reception and Representation</b> .....	<b>+\$2</b>
Official reception and representation funds are expected to increase by \$2,250, which has been the level of funding provided in the last several annual appropriations.	
<b>Net Non-Personnel Cost Changes</b> .....	<b>+3,652</b>
<b>Total Adjustment to Base (\$91,805)</b> .....	<b>+\$5,695</b>
<b>Total Budget Request</b> .....	<b>\$97,500</b>

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## Commissioners

The USITC is headed by six commissioners, who are nominated by the President and confirmed by the Senate. Rhonda K. Schmidlein, a Democrat, is serving as Chairman; David S. Johanson, a Republican, is serving as Vice Chairman. Commissioners currently serving are, in order of seniority, Rhonda K. Schmidlein, David S. Johanson, Irving A. Williamson, and Meredith M. Broadbent. As of February 2018, there are two vacant seats on the Commission.

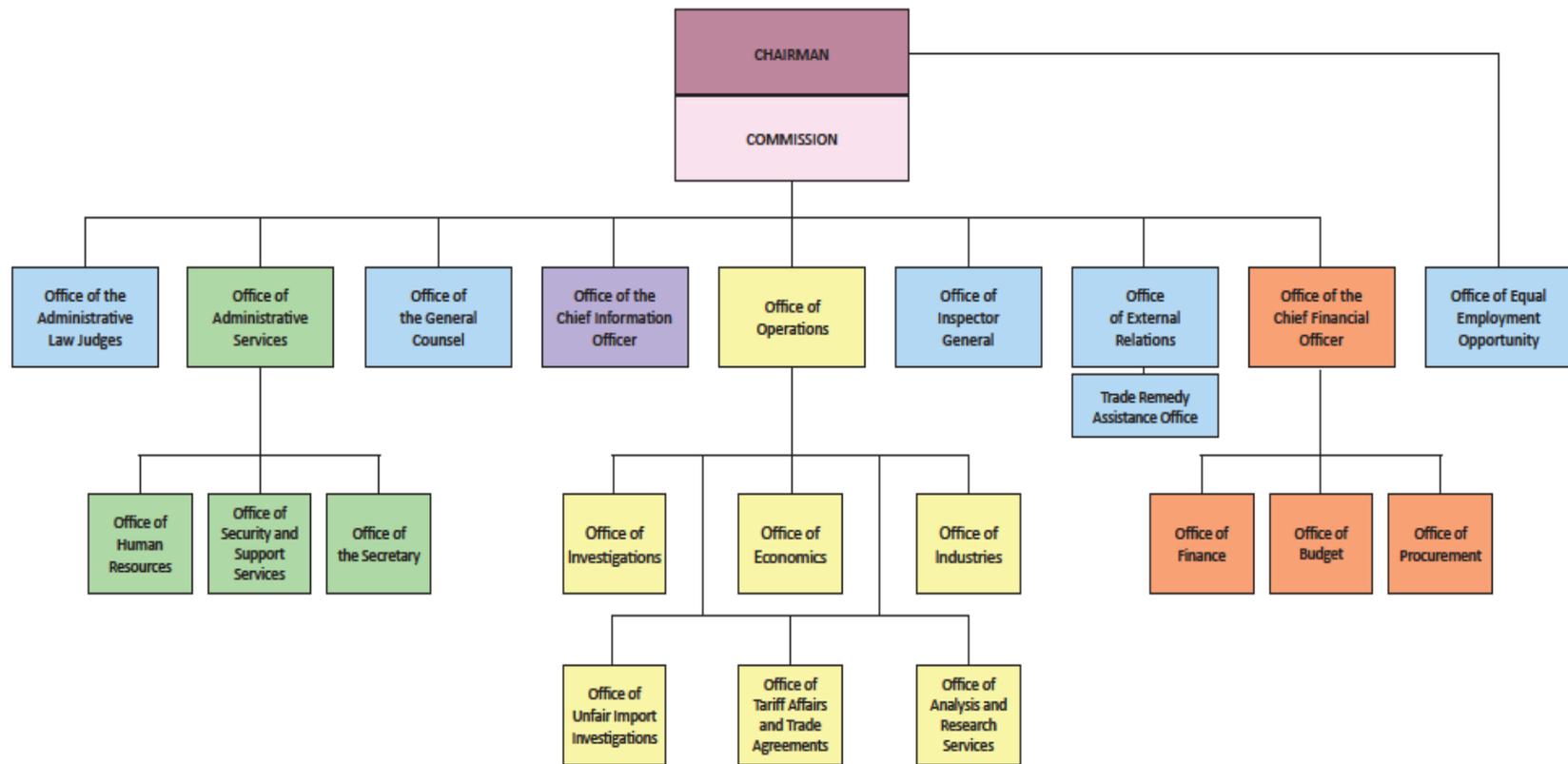
Each of the six commissioners serves a term of nine years, unless appointed to fill an unexpired term. The terms are set by statute<sup>3</sup> and are staggered so that a different term expires every 18 months. A commissioner who has served for more than five years is ineligible for reappointment. A commissioner may, however, continue to serve after the expiration of his or her term until a successor is appointed and qualified.

No more than three commissioners may be members of the same political party. The Chairman and the Vice Chairman are designated by the President and serve for a statutory two-year term. The Chairman may not be of the same political party as the preceding Chairman, nor may the President designate two commissioners of the same political party to serve as the Chairman and Vice Chairman. As of February 2018, two Democrats and two Republicans serve as commissioners.

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<sup>3</sup> 19 U.S.C. § 1330, Organization of Commission

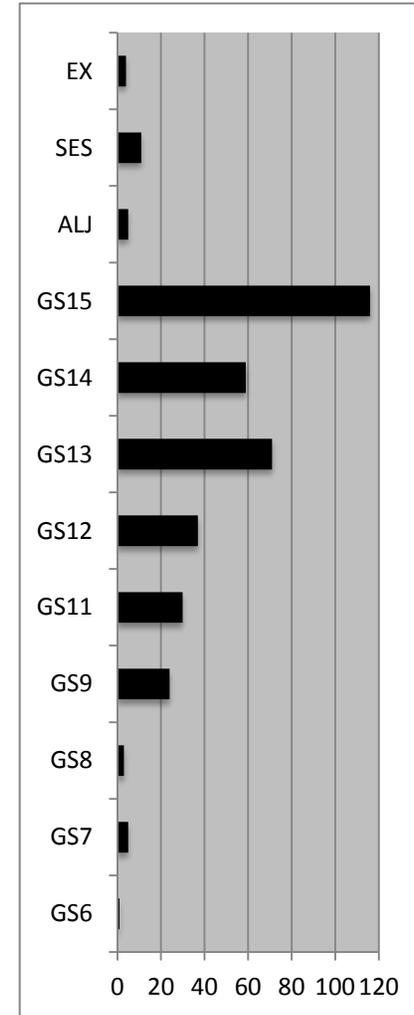
## U.S. International Trade Commission Office-Level Organization Chart



Revised December 2017

## Current Permanent and Term Staffing Plan with Onboard and Gaps

Office	FY 2018		
	Permanent and Term Positions in Staffing Plan	Permanent and Term On Board (as of 2/4/18)	Gap
Commissioners' Offices	32	25	7
External Relations	5	4	1
Inspector General	4	4	0
General Counsel	44	41	3
Administrative Law Judges	24	24	0
Equal Employment Opportunity	2	2	0
Chief Information Officer	32	26	6
<b>Subtotal Independent Offices</b>	<b>143</b>	<b>126</b>	<b>17</b>
Operations	7	7	0
Analysis and Research Services	24	19	5
Investigations	27	21	6
Unfair Import Investigations	21	22	-1
Economics	43	42	1
Tariff Affairs and Trade Agreements	14	11	3
Industries	81	54	25
<b>Subtotal Operations</b>	<b>217</b>	<b>176</b>	<b>39</b>
Chief Financial Officer*	6	7	-1
Budget*	3	3	0
Finance	6	6	0
Procurement	6	5	1
<b>Subtotal Chief Financial Officer</b>	<b>21</b>	<b>21</b>	<b>0</b>
Administrative Services*	5	6	-1
Human Resources*	9	10	-1
Security and Support Services	11	11	0
Secretary and Dockets	20	16	4
<b>Subtotal Administrative Services*</b>	<b>45</b>	<b>43</b>	<b>2</b>
<b>Commission Total</b>	<b>426</b>	<b>366</b>	<b>58</b>



\*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 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 426 permanent and term positions.

The End.



500 E Street, SW  
Washington, DC 20436