

**-THE HONORABLE CHRISTOPHER A. PADILLA  
UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE  
TESTIMONY BEFORE THE  
HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON COMMERCE,  
JUSTICE, SCIENCE AND RELATED AGENCIES  
APRIL 9, 2008  
ON THE  
INTERNATIONAL TRADE ADMINISTRATION'S FY 2009 BUDGET REQUEST**

**Opening**

Good morning, Chairman Mollohan, Ranking Member Frelinghuysen and members of the Subcommittee. Thank you for the opportunity to appear today in support of the Department of Commerce's International Trade Administration's (ITA) FY 2009 budget request. ITA's mission is to create prosperity by promoting trade and investment, enforcing U.S. trade remedy laws strengthening the competitiveness of U.S. industry, and ensuring compliance with trade agreements.

This mission is critical to enhancing America's global competitiveness and expanding commercial opportunities for American manufacturers, farmers, and service workers throughout the world. In particular, ITA focuses on assisting small- and medium-sized enterprises (SMEs) succeed in the international economy. SMEs are critical to America's long-term prosperity and global competitiveness, and ITA programs are designed to help these companies export to the 95 percent of the world's consumers that live beyond our borders.

To carry out this mission, ITA is organized into four program areas: Trade Promotion and the U.S. and Foreign Commercial Service (Commercial Service) that includes 108 domestic offices and 126 overseas posts, Import Administration (IA), Manufacturing and Services (MAS), and Market Access and Compliance (MAC). These program areas are led and supported by the Executive Direction and Administration (ExAd) unit.

**Summary of FY 2009 Budget Request**

ITA's budget request for FY 2009 reflects the appropriate level of funding required to execute our mission. The FY 2009 budget request is for \$420.4 million in new direct appropriations and will support 2,060 Full Time Equivalent (FTE) employees. This is a \$15.2 million, or 3.7 percent, increase over FY 2008's appropriation of \$405.2 million.

ITA is requesting two increases for FY 2009. The request funds inflationary adjustments to the base (ATBs) of \$14.4 million. Funding of ITA's ATBs, including those for personnel compensation, the State Department's Capital Security Cost Sharing Program, and other costs, are essential to maintaining the performance of ITA staffing and field operations.

The budget request also includes a program increase of \$4.2 million and 25 FTE in ITA's Import Administration program in order to meet the increased workload of applying countervailing duty (CVD) law to China and other non-market economies. Last year, the Department of Commerce departed from its 23-year practice of not applying CVD law to non-market economies, such as China. In 2007 alone, the Department launched four times as many investigations against China

as in 2006, mainly due to CVD investigations. We expect the workload within IA to continue to increase in response to this change in policy. To account for the expected increase in workload, a new group will be created within IA to handle new CVD investigations and subsequent reviews regarding China and possibly other non-market economies.

We are also undertaking an extensive review of the Commercial Service's domestic field operations, which we expect to net a savings of \$3 million. By partnering with state governments and other Federal agencies and employing more internet and phone based services, the Commercial Service can reduce costs and better serve the small- and medium-sized businesses who need assistance. Also, we are planning to close the Import Administration office in South Korea which currently has only one employee and a limited workload. That workload will be handled more efficiently from our office in China and from the Headquarters.

### **Trade as a Driver of Economic Growth**

ITA products and services have delivered substantial benefit to the American economy. In assisting over 60,000 companies in their efforts to export for the first time, export to new locations, or increase exports to familiar foreign marketplaces, ITA has aided in the growth and development of our national economy.

As a result, America's manufacturers, farmers and service companies are reaching new customers and consumers around the world. In 2007, America exported an astounding \$1.6 trillion worth of goods and services and trade was the source of 26 percent of our Gross Domestic Product (GDP) growth, second only to consumer spending. Over the last sixty years, American trade has expanded nearly 60-fold, resulting in higher incomes, improved standards of living, increased productivity, and job creation. Sixty years ago, the value of total U.S. trade (exports plus imports) was equal to nearly 11 percent of GDP; today trade is equal to almost one-third of our GDP.

When the world's consumers fly in an airplane, boot up a computer, eat a meal, or watch a movie, they are helping to employ Americans. About 12 million Americans depend on exports for their jobs, and one out of every five factory jobs in America is related to global trade. Jobs supported by exports of manufactured goods pay wages 13 to 18 percent higher than the national average.

The largest export markets for U.S. goods in 2007 were Canada (\$248.9 billion, up 7.9%), Mexico (\$136.5 billion, up 1.9%), China (\$65.2 billion, up 18.2%) and Japan (\$62.7 billion, up 5.1%). In 2007, the top growing exports by industry categories included machinery, vehicles, precious stones and metals, and aerospace. Services exports were valued at a record \$472 billion, an 11.8 percent increase over 2006. The U.S. trade surplus in services reached a record high of \$104 billion. In addition, international visitors in 2007 spent a record-breaking \$122.7 billion on travel to, and tourism-related activities within, the United States.

Last year, for the first time since 2001, our annual trade deficit declined. The rate of export growth was more than double imports. Unfortunately, the price of oil is impacting our economy—and trade balance. Over 40 percent of our trade imbalance was due to the “oil deficit”—\$294 billion last year.

The global economy is changing rapidly with the rise of new competitors, deeper economic integration, and rapid innovation. To help America adapt to these changes and advance our economic interests, ITA is focused on strengthening the competitiveness of U.S. industry, establishing an open trading environment, promoting trade and investment, and resolving unfair trade practices. To accomplish this mission, ITA has focused on several specific key priorities in the near-term.

### *Free Trade Agreements*

A key to ITA's strategy is the negotiation, implementation, and enforcement of new free trade agreements (FTAs), which are a crucial vehicle for enabling America to compete freely and fairly in overseas markets. Since 2001, the United States has implemented free trade agreements with twelve countries, bringing the total number of countries with FTAs in effect to fourteen.

Approving the Colombia, Panama, and South Korea FTAs will further contribute to U.S. economic growth. Over 90 percent of Colombian exports to the United States already enter our country duty-free and have done so for sixteen years under the Andean Trade Preferences Act. This Agreement will open the Colombian market to U.S. manufactured goods, services, and agricultural goods. The Agreement will also strengthen our national security by sending a clear message that America stands with its democratic allies in the region. This Agreement will bring new economic opportunities to Colombia's citizens and will reinforce democracy by fighting corruption, increasing transparency, and fostering accountability and rule of law.

The U.S. market is also largely open to imports from Panama. In 2006, roughly 96 percent of U.S. imports from Panama entered the United States duty-free. Upon entry into force of the agreement, 88 percent of U.S. exports to Panama will become duty-free. The Agreement will also provide fair and transparent opportunities for American firms to compete in the \$5.25 billion Panama Canal expansion project, spur vital reform of Panama's domestic legal and business environment, and strengthen protections for workers and the environment.

Finally, the Korea-U.S. (KORUS) FTA is the most commercially significant FTA the United States has concluded in the past 15 years. The Agreement will open up a \$1 trillion market with 49 million consumers to the full range of U.S. goods and services. Within the first three years after implementing the KORUS FTA, 95 percent of consumer and industrial products will become duty-free, with the remaining tariffs being eliminated within 10 years. More broadly, this FTA is a powerful symbol of the United States-South Korea partnership, strengthening our relations with one of our most important and reliable allies in Asia.

### *Doha Development Round*

The successful conclusion of the Doha Round would have a tremendous impact on the global economy and provide significant opportunities to gain broad access for our agricultural, manufacturing, and services exports. ITA has invested significantly in these negotiations to ensure greater market access for U.S. manufactured goods and services. The Council of Economic Advisers estimates that if Doha were to achieve a one-third cut in global tariff barriers to trade in goods and services, the real income gain to a U.S. family of four could be around

\$2,500 annually. ITA is actively supporting the Doha services and rules negotiations by providing sector-specific analyses for our negotiators and working closely with the Office of the United States Trade Representative, the Chairs of the negotiating groups, other World Trade Organization (WTO) member countries, Congress, and our domestic interests to ensure that the U.S. agenda is represented to the greatest extent possible.

### *China*

This past year, China overtook Japan to become America's third largest export market and is currently our second largest trading partner. As the United States' relationship with China has become more complex and our economies have become more integrated, actively engaging the Chinese government at all levels is even more critical. The level of effort that ITA programs have put towards China has dramatically increased over the last two years, from \$20.3 million in 2006 to \$29.9 million in 2008, and staffing is expected to reach 262 employees this year. The Bush Administration is approaching our economic relationship with China through a three-pronged strategy that combines dialogue with the intelligent use of leverage and ITA plays a prominent role in implementing this strategy.

First, we must continue our bilateral dialogues with China through the Joint Commission on Commerce and Trade and the Strategic Economic Dialogue. We have seen meaningful commercial results from these discussions, including a Memorandum of Understanding that will result in stronger intellectual property rights enforcement efforts and commitments by China to suspend implementation of China-specific technology standards.

Second, we must make full and effective use of the WTO dispute settlement system. This Administration launched the first case by any nation against China at the WTO. To date, the United States has brought six cases against China, and will continue to exercise U.S. rights under the dispute settlement system when necessary.

Third, the Administration will make effective use of U.S. trade remedies, vigorously enforcing laws against government subsidies and dumping. In March 2007, the Department of Commerce reversed a 23-year policy of not applying countervailing duty orders against imports from non-market economies. A determination was made that the Chinese economy has reached a level of development to isolate government subsidies. The Department has initiated eight CVD investigations of government subsidies to Chinese industry thus far. We continue to vigorously enforce the antidumping laws; the Department has in force more than sixty antidumping duty orders against imports from China, and products from China are at issue in about half of all the ongoing AD/CVD investigations by the Department.

## **OVERVIEW OF ITA**

I would like to provide you with an overview of ITA's business units and highlight some of their achievements in executing the organization's mission.

### **Import Administration (\$66.4 million)**

The Import Administration (IA) is responsible for the effective administration of U.S. trade laws and enforcement of sector-specific trade agreements that govern U.S. imports. IA achieves its

statutory obligations by conducting antidumping and countervailing duty investigations, administrative reviews, new shipper reviews, changed circumstances reviews, and scope and anti-circumvention inquiries within statutory and/or regulatory time limits, and negotiating and enforcing suspension and other bilateral agreements, which address injurious dumping or subsidization.

### *Antidumping and Countervailing Duty Investigations*

Through its antidumping (AD) and countervailing duty (CVD) program, IA defends American industry against injurious trade practices by administering the AD/CVD laws of the United States efficiently, fairly and in a manner consistent with U.S. international obligations. IA conducts investigations under the AD/CVD laws where there is reason to believe imports are being unfairly subsidized or sold in the U.S. at less than fair market value. The Department of Commerce currently has in force 246 orders (217 antidumping duty and 29 countervailing duty orders) affecting imports of products from 37 countries.

In 2007, the Department initiated twelve antidumping duty (AD) investigations and, for the first time since the 1980s, applied the countervailing duty law to China in eight separate investigations. We are currently conducting eight countervailing duty investigations on Chinese products, including various types of steel pipe, off-road tires, and magnets. The dollar value of trade affected in 2007 by these CVD cases was an estimated \$1.22 billion.

### *Honduran Socks Safeguard*

For the first time, the United States has taken a textile safeguard action under a Free Trade Agreement, specifically under the Free Trade Agreement with Central America and the Dominican Republic (CAFTA-DR). On January 18, the United States submitted written notice to the government of Honduras of our intent to apply a textile safeguard measure on imports of Honduran origin cotton socks. The Committee on Implementation of Textile Agreements CITA reached this decision after careful consideration of all available information and its finding was based on, but not limited to, substantial increases in imports of cotton socks from Honduras. CITA will make a determination on whether to apply a safeguard measure by April 28.

### **Market Access and Compliance (\$42.3 million)**

Market Access and Compliance's (MAC) mission is to advance U.S. commercial interests by fostering an open global economic environment in which U.S. firms have an equal opportunity to compete and win. MAC champions American businesses and workers by identifying and eliminating foreign barriers to trade, investment and business operations, and monitoring foreign compliance with trade agreements.

### *Monitoring and Compliance with Trade Agreements and Addressing Trade Barriers*

MAC staff are responsible for monitoring compliance with trade agreements that the United States has signed with other countries, and ensuring that companies and workers receive the full benefit of these agreements. Trade agreements experts and country desk officers work with industry to identify market access barriers and develop strategies to overcome them. These trade problems are particularly costly for SMEs, who often lack the resources to determine their rights

under U.S. trade agreements and are unaware of the assistance the U.S. Government can provide in resolving trade problems, so ITA has increased its efforts to educate and work with SMEs on market access issues. For example, ITA has made a priority of reaching out to SMEs on issues of intellectual property (IP) protection. In 2007, ITA conducted eighteen IP outreach events in eleven cities nationwide and held fourteen online seminars, reaching an audience of over 1,100 participants.

The Department of Commerce's Trade Agreements Compliance Program, administered by the Trade Compliance Center (TCC) and involving all business units in ITA and Office of General Counsel, focuses our efforts and resources on systematically monitoring, investigating and ensuring foreign compliance with more than 270 international trade agreements. This service provides companies with a one-stop trade complaint center that makes it easy and inexpensive for American firms to get the U.S. Government to focus on solving their individual market access problems. The program maintains online tools and a Hotline for the more efficient submission of trade complaints at [www.trade.gov/tcc](http://www.trade.gov/tcc), the online gateway to these free tools and complaint service.

### *Investment Promotion*

The United States is the largest investor and recipient of foreign investment. The *Invest in America* effort within MAC underscores the President's Statement on Open Economies, reaffirming the United States' commitment to support international investment in the United States and secure fair, equitable, and nondiscriminatory treatment for U.S. investors abroad. Through the *Invest in America* program, ITA coordinates inward investment promotion in the United States; organizes outreach to foreign governments and international investors; serves as ombudsman for international investors on issues involving federal agencies; and advises on policies that may affect U.S. competitiveness in attracting foreign investment. This effort complements state and local investment promotion efforts by building a national brand of openness and excellence and addressing federal issues affecting the U.S. investment climate.

### **Manufacturing and Services (\$48.6 million)**

Manufacturing and Services (MAS) is dedicated to enhancing the competitiveness of U.S. manufacturing and services industries at home and abroad. MAS industry experts have a knowledge base that covers over 90 percent of the U.S. economy and serve as the government's foremost industry and sector experts to improve American businesses' competitiveness.

### *Assessing the Impact of Domestic Regulations*

Domestic regulations and legislation can create conditions that place U.S. industry at a competitive disadvantage vis-à-vis foreign competitors. The Office of Management and Budget estimated that the cost of regulations imposed over the last ten years by the U.S. Government add up to \$39 to \$46 billion per year. MAS analysts conduct critical analysis of domestic regulations, as well as domestic production, to identify and remove competitive barriers.

### *Delivery of Trade Information to U.S. Businesses*

MAS manages a publicly available web-based information delivery system for trade information, called TradeStats Express. Working with the Census Bureau, MAS supported the development of economic profiles of the U.S. exporting community. This data provides critical information to U.S. firms, especially SMEs, considering exporting for the first time or expanding their exports to other markets. In 2007, over 38,000 users accessed this tool and generated 362,000 requests for data and information. Earlier this year, MAS released a new data series that is publicly available and precisely measures merchandise exports for 369 U.S. metropolitan areas.

#### *Ensuring Formal Stakeholder Input in Trade Negotiations and Regulations*

Through industry advisory committees, ITA coordinates public-private sector committees that represent most sectors of the U.S. economy and provides input to trade policy negotiations and in shaping economic domestic policies. These groups serve as communication channels for U.S. companies to express their views to U.S. negotiators on trade discussions and other policy issues.

The proposed budget for the Manufacturing and Services program shows an increase from the FY 2008 appropriated amount which is a restoration of a one-time reduction. This restoration of funding will enable the program to continue its performance with the manufacturing and services sectors of our economy.

#### **Trade Promotion and the U.S. and Foreign Commercial Service (\$237.7 million)**

The Commercial Service (CS) helps U.S. companies, particularly SMEs, increase their international market share and sales. Through its global network of more than 1,300 trade specialists located in 108 domestic offices and 126 posts in 76 countries, the Commercial Service works one-on-one with U.S. companies through every step of the exporting process to ensure they are able to export and compete fairly in the global market.

As a first stop for U.S. companies, the Trade Information Center provides a single point of customer contact to all U.S. Government export assistance programs through its toll free hotline and team of trade counselors. In addition, ITA manages Export.gov, the Federal website dedicated to helping new-to-export firms get the assistance they need to be successful in world markets. The site averages 515,000 visits per month.

The next stop for U.S. companies is often the domestic network that includes 108 offices in the United States. Through U.S. Export Assistance Centers, we provide in-depth, value-added counseling to U.S. firms that are just beginning to venture overseas as well as companies seeking to expand their international activities. When companies decide to enter a market, they access our international network of 126 offices in 76 countries. These offices conduct market research, address compliance and market access problems through government-to-government contacts, identify key contacts for U.S. SMEs, and provide U.S. firms with cost-effective means to gain market exposure. These offices also work closely with the Advocacy Center to provide high-level support to U.S. companies bidding on major overseas projects. In FY 2007, advocacy support helped lead to \$41.9 billion in successes with \$33 billion in U.S. export content.

One of ITA's key priorities is to encourage more companies, especially SMEs, to export. In FY 2007, the Commercial Service facilitated 11,974 export transactions, 83 percent of which were for SMEs. CS has also launched the Rural Export Initiative, a special program to assist

companies located in rural, economically distressed regions in the United States to take advantage of export opportunities through Commercial Service programs.

### **Executive Administration (\$25.4 million)**

Executive Administration provides the necessary support services, program oversight, and overall policy leadership to allow ITA program units to operate at their full potential. Services include policy formation and review, legislative affairs, public affairs, operations of information technology services domestically and worldwide, strategic planning and performance management, financial management, and human resources.

### **Conclusion**

Prior to joining this Administration, I worked in the private sector and experienced first-hand the challenges that U.S. companies face exporting overseas. To help my company address challenges such as market access barriers and unfair trading practices, I turned to the services of the International Trade Administration for help. I have personally been a customer to every business unit in ITA – I have filed antidumping petitions; I have worked with both the industry desks and country desk officers to help address a foreign trade barrier; served as an Advisor on a Industry Trade Advisory Committee; and worked with the domestic and overseas offices to find export opportunities. I have also certified workers for Trade Adjustment Assistance. I can assure you, based on my first-hand experience, that the programs and initiatives undertaken at ITA help strengthen U.S. competitiveness at home and abroad and I appreciate your continued support in enabling ITA to successfully execute our mission on behalf of U.S. workers and businesses.

Thank you.