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Status Report on GAO's Reviews of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs

Statement of
Allan I. Mendelowitz, Director
Trade, Energy, and Finance Issues
National Security and International Affairs
Division

Before the Subcommittees on Department Operations, Research and Foreign Agriculture; Tobacco and Peanuts; and Wheat, Soybeans, and Feed Grains
Committee on Agriculture
House of Representatives

140032

Messrs. Chairmen and Members of the Subcommittees:

We are pleased to be here today to discuss with you the status of our ongoing work on several programs administered by the Department of Agriculture's Foreign Agricultural Service: (1) the Targeted Export Assistance (TEA) Program,[1] (2) the Export Enhancement Program (EEP), and (3) the GSM-102/103 Export Credit Guarantee Programs. All of these programs have undoubtedly contributed to increases in U.S. agricultural exports. However we have identified numerous program management problems which need to be addressed.

THE TARGETED EXPORT ASSISTANCE PROGRAM

Our review of the TEA program, requested by Congressman Schumer, examines the extent to which FAS has implemented the recommendations made in our May 1988[2] report. The TEA program was mandated by the Food Security Act of 1985 to counter or offset the adverse effects of foreign competitors' unfair trade practices and thereby increase U.S. agricultural exports. Since the legislation did not specify how this program should be carried out, the Foreign Agricultural Service (FAS) decided to establish a market development assistance program similar to that

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[1]Attachments I through III provide more detailed information on th TEA Program.

[2]Review of Targeted Export Assistance Program (GAO/NSIAD-88-183).

of the Cooperator Market Development Program, for commodities and products adversely affected by unfair trade practices.

This program is now in its fifth and final year of funding. In each year of the program, the total authorized amount was allocated. For fiscal years 1986 through 1988, the annual allocations amounted to $110 million, and for 1989 and 1990, they amounted to $200 million. Approximately 46 not-for-profit agricultural organizations have participated in each year of the program and more than 200 for-profit private firms have received benefits under the program each year.

Unlike the Cooperator program, which in the past has focused on the export promotion of bulk commodities, the TEA program primarily focuses on the export promotion of high value products, including such horticultural commodities as fruits and nuts. Prior to TEA, commodity groups representing high value products had claimed that ongoing export programs were not adequately addressing their market development needs. The majority of promotion under TEA is designed to make consumers aware of the advantages of U.S. products and is achieved through such activities as in-store demonstrations and print and media advertising. These activities are referred to as "consumer promotion."

Over 50 percent of TEA funds for fiscal year 1989 were spent in Asian markets, with promotions in Japan alone accounting for 35 percent of TEA funds. European countries were the next largest targeted markets, with promotions in the United Kingdom accounting for over 12 percent of TEA funds. In each year of the program, the top 15 commodity organizations, ranked by amount of TEA funds received, accounted for over 60 percent of TEA funds. For fiscal year 1989, the branded portion of the TEA program, in which activities are aimed at establishing consumer loyalty to a particular brand, accounted for approximately 35 percent of the TEA allocation. The generic portion of the program, in which activities are designed to increase the total market for that commodity with no particular brand being promoted, accounted for the remainder.

Although the TEA program is modeled after the long-standing Cooperator program, there are some differences. For fiscal years 1989 and 1990, TEA funding was over five times greater than that of the Cooperator program. In addition, rather than using appropriated funds as does the Cooperator program, TEA uses generic commodity certificates issued by the Commodity Credit Corporation. While authorized expenditures under TEA were originally more restrictive than those of the Cooperator program, some restrictions, such as disallowing payment of salaries for overseas personnel, have been lifted.

Another difference is that TEA applicants are required to demonstrate the extent to which their commodities or products have been affected by unfair trade practices. Most not-for-profit agricultural organizations have been able to demonstrate impacts from one or more unfair trade practices; FAS officials told us that the requirement has caused some private firms, representing processed products, to be denied participation in the program, because they were unable to identify an unfair trade practice.

Finally, although the activities of both programs are similar, the Cooperator program is intended to achieve long-term market access while the TEA program is geared more toward achieving direct sales. FAS officials note the success of the TEA program by citing increased exports. While some level of increased exports would be expected as a result of a large infusion of resources into a targeted market, a simple increase in exports--which can be caused by a large number of other variables--is not sufficient proof of the success of the program.

Office of Inspector General Report on the
Targeted Export Assistance Program (No. 07099-14-Hy)

In its March 1988 report on the TEA program, Agriculture's Office of Inspector General (OIG) focused on the TEA participants' administrative capability to manage their TEA funds and on FAS management of the program. As we testified before this Committee in July 1988, we agreed with the OIG's recommendations that FAS provide better guidance to the participants on contracting out for services, third-party contributions, and evaluation requirements. This OIG report also expressed concern that FAS was not adequately documenting its program decisions to ensure that they were in accordance with TEA guidelines.

In our follow-up review of the TEA program, we have coordinated extensively with the OIG, since it has been reviewing FAS implementation of OIG's earlier recommendations, particularly focusing on participant and third-party contributions.

TEA Program Administration Lacks Sufficient Management Control and Accountability

In our May 1988 report on TEA, we made several recommendations relating to management control and accountability. In the follow-up review which we are now concluding, we examined the extent to which FAS has implemented our recommendations. FAS has made some improvements in program administration; however, we remain concerned that FAS does not yet have an adequate system of internal controls and is not exercising sufficient oversight of the program.

Inadequate documentation

FAS has not been sufficiently documenting program decisions. As we noted in the May 1988 report, FAS was not documenting the funding allocation decision process to clearly show how the funding criteria were applied and prioritized and the basis for those decisions.

Our current review indicates that FAS continues to make major funding decisions based on limited written information and relies on its marketing specialists to verbally explain the suitability of the applicants and the rationale for the recommended funding amounts. The marketing specialists are primarily responsible for reviewing the applications to the TEA program and writing summaries on each application. These summaries, which average four pages in length, include a brief discussion of what the applicant proposes to do with the requested funding amount. These summaries are then forwarded, with a recommendation from the Assistant Administrator for Commodity and Marketing Programs, through the Administrator, FAS, to the Undersecretary for International Affairs and Commodity Programs for final approval. We have been told by FAS officials that these summaries are the main source of documentation for their TEA allocation decisions.

A review of all TEA summaries for funding for fiscal years 1989 and 1990 provides little insight on how FAS applies and prioritizes the criteria. We recognize that the decisions are based not only on the application criteria but also on such factors as balancing the needs of all commodity division requests. FAS officials told us that they do not have time to fully document program decisions. We believe that such documentation is essential to ensure accountability and fairness. As currently written, the summaries do not address the importance of the various criteria to funding decisions. For example, some participants that lack prior market development experience were denied participation in the program while others with a similar lack of experience received TEA funds. Other criteria which are mentioned most often but the importance of which seems to vary depending on the applicant are (1) the administrative capability of the organization to carry out the program, (2) the amount of damage suffered from unfair trade practices, (3) the extent to which the organization represents U.S. agricultural product interests, and (4) whether the commodity or product is in adequate supply.

The TEA summaries were improved for fiscal year 1990 by incorporating, on a more consistent basis, information on evaluation results and findings from the FAS Compliance Review Office. However, not all summaries included this information and we do not know whether there were no evaluation results or findings from the Compliance Review Office or whether they were not significant enough to be included in the decisions. Since FAS officials told us that these summaries are the main source of documentation for the funding allocation decision process, we believe that sufficient information should be included to enable an objective observer to understand how the process works and why decisions are made.

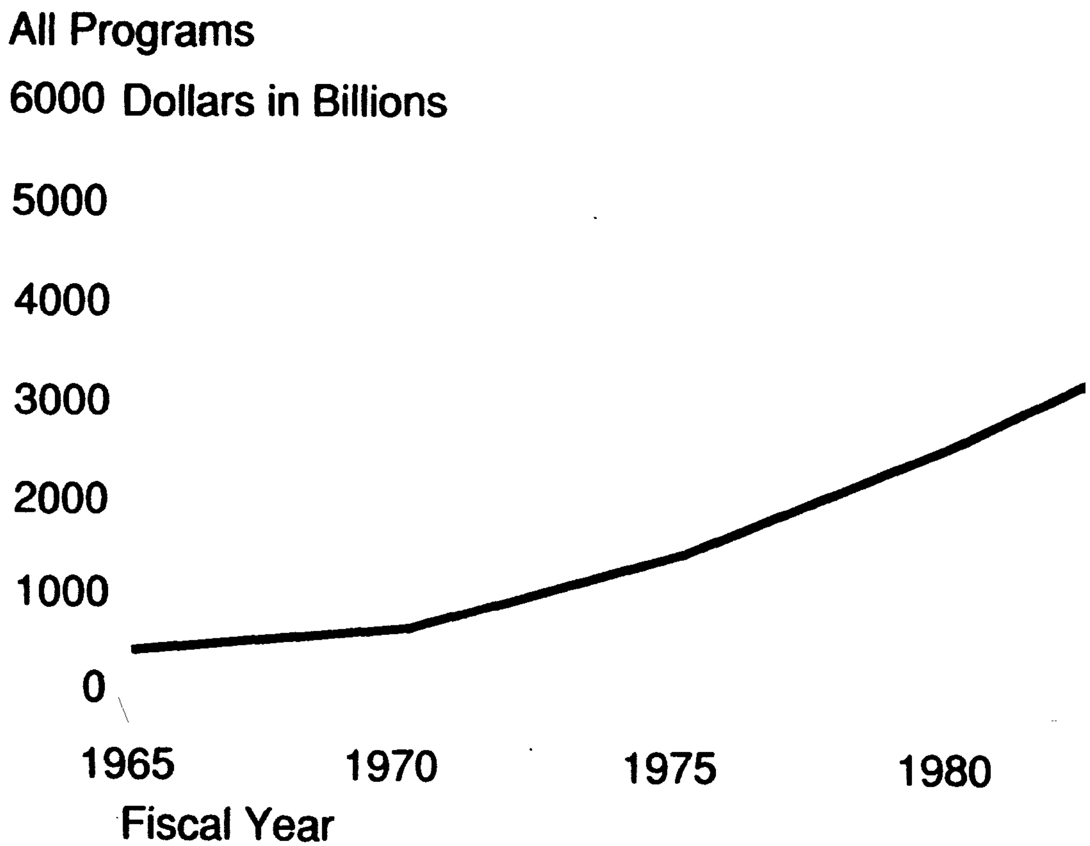
These summaries do not include information on funding received through the Cooperator program. Approximately half of the 46 not-for-profit TEA participants also receive funding through the Cooperator program and we saw little coordination between the two programs. Also, for fiscal year 1990, the TEA summaries do not include information on past allocations, approved budgets, expenses, and contribution amounts for each participant. While this information may be discussed in closed door meetings with the Assistant Administrator, we believe that it should be included in the summaries to ensure that the histories of the applicants are apparent.

Documentation is an essential part of an adequate system of internal controls. We believe that better documentation of the funding process and of other major program decisions is needed to improve accountability.

Participant contributions

We continue to be concerned that FAS is not documenting the rationale for the amount and type of participant contributions to the program. Contributions may be in the form of cash or goods and services and may come from a third party as well as from the

GAO Trends in Credit Assistance and I Programs—FYs 1965 Through 19



TEA participant. FAS officials continue to stress that contributions are not legislatively required and that a uniform standard cannot be applied to TEA participants, since their ability to contribute varies. We believe that since FAS is providing significant funding to the participants, FAS officials should explain in writing how they determine contribution amounts for each participant.

FAS officials told us that they are trying to establish a greater degree of consistency in setting contribution amounts without limiting participation; however, these rates continue to vary substantially. Several FAS officials told us that beginning with fiscal year 1989, FAS policy for the generic portion of the TEA program was that all TEA participants should contribute at least 5 percent in cash. However, there are no formal guidelines on this. In the branded portion of TEA, reimbursement rates vary among commodities. While FAS officials have said that they are attempting to establish a 50-percent reimbursement rate for all private firms promoting their own labels, some firms in practice are receiving a preferential reimbursement rate and FAS has yet to provide a suitable explanation for the disparate treatment.

TEA guidelines

During the first 3 years of the program, changes in the guidelines and updates on program operations were primarily communicated to the TEA participants through the Planning, Review, and Operations Committee (PROC) of the U.S. Agricultural Export Development Council. We criticized FAS use of this committee in our May 1988 report because it did not include all TEA participants. The Council has since disbanded this committee and no alternative formal mechanism for communicating with participants has been established.

Agriculture's OIG, the Office of Management and Budget, and GAO concluded that FAS should change the guidelines to regulations. We believe this recommendation would be a step toward improving program administration. FAS does not agree that regulations should be established because it believes that flexibility is necessary when managing a market development program. However, establishing regulations in place of the guidelines could eliminate much of the participants' confusion and concern caused by frequent guideline changes with little notice or explanation. It could improve communication between FAS and the participants by establishing a formal process for changing procedures including an opportunity for public comment. The OIG has said that the way FAS operates the program represents an abuse of its discretionary authority. We believe that the TEA program should be operated in such a way as to ensure fairness and consistency.

FAS Efforts to Evaluate the TEA Program

Our May 1988 report pointed out that (1) FAS was not uniformly requiring participants to evaluate their activities, (2) the TEA guidelines provided no guidance on how to make evaluations, and (3) FAS was not systematically tracking and using evaluation results.

Subsequently FAS established evaluation guidelines, effective for fiscal year 1989. To indicate its commitment to evaluating market development activities, FAS has been delaying approval of participants' activity plans until those plans include an explanation of how the participants will measure the effectiveness of their activities. While the new guidelines indicate types of evaluations and who is responsible for conducting them, they are not specific enough to prevent confusion among many participants. FAS application of the evaluation guidelines does not appear to be consistent. For example, some participants must submit quarterly evaluations while others are required to submit them only once a year.

In August 1988, FAS established an evaluation branch within the Marketing Programs Division. Although this branch is over a year old, it has only recently been fully staffed, with 6 professional positions. FAS established this branch to oversee program evaluation of the TEA and Cooperator programs. While it did establish general evaluation guidelines, this branch appears to be doing little to track and analyze evaluation results. This branch has no substantial coordinating or enforcing role with respect to the evaluation requirements, and there is no indication that it is planning to evaluate the success of the TEA program overall. The new Assistant Administrator for Commodity and Marketing Programs said that he would like to see this branch more involved in assessing evaluation results and conducting cross- commodity analyses.

FAS continues to rely too heavily on an increase in exports as proof that the TEA program is a success. It is widely accepted that several factors cause exports to increase, such as the depreciation of the dollar and reduced import barriers. Therefore, to more effectively manage the TEA program, FAS may want its evaluation branch to analyze the results of all participant evaluations and initiate an evaluation of the net results of the overall program. By continuously analyzing the impact of the TEA and Cooperator programs in the various markets, FAS may be in a better position to change program direction to reflect up-to-date market conditions.

Combine the TEA and Cooperator Programs

One way for FAS to improve the management of its market development programs could be to combine the TEA and Cooperator programs. Combining the two programs would probably be a more efficient use of FAS resources. Marketing specialists and other FAS officials presently spend their time dealing with the two programs separately since they operate under different deadlines. Little coordination exists between the two programs. When TEA funding levels are being discussed, there is no documentation on Cooperator funding received by the applicant or on the applicant's performance in the Cooperator program. FAS officials said that their staff is so busy with day to day operational and administrative issues that they have little time for documentation. Combining the two programs, or possibly establishing a new program to replace them, may help to overcome such inherent problems.

Because the goal of combining the two programs would be to improve program administration, we believe that guidelines should be changed to regulations. As we noted earlier, this could improve communication and also, we believe, cooperation between the participants and FAS. It could serve to reduce confusion and misunderstanding among the participants and, consequently, help to prevent waste or misuse of resources. FAS officials have often told us that their Compliance Review Office will discover any instances of mismanagement. We believe that more effort should be made to prevent mismanagement from ever occurring. Requirements in a market development program should be consistent and clear so that all participants are treated fairly and fully understand their responsibilities.

Finally, combining both programs could help prevent duplication of effort, if all activities were under one program with one set of criteria. This, coupled with other corrective action on the part of FAS concerning management oversight, would inevitably lead to a more efficiently managed and more effective program.

Before the two programs could be combined, the following issues would need to be considered:

-- The merits of using generic and/or branded promotion and the percent of total funds that should be allocated to each type.

-- The amount of emphasis to place on exports representing high value products and/or bulk commodities.

-- The priority for providing funds for new market development and/or maintaining established markets.

-- The merits of allowing large, well established private firms to participate and/or focusing resources more on helping small, new-to-market firms establish a foothold in the market.

-- The appropriate balance in the program between compensation for unfair trade practices and market development.

-- The establishment of criteria for the amount of time that participants could remain in the program before they would be expected to maintain their market presence on their own.

THE EXPORT ENHANCEMENT PROGRAM

Our current review updates and expands upon the issues addressed in our March 1987 report,[3] and our July 31, 1989 testimony before the Subcommittee on Wheat, Soybeans, and Feed Grains. Our review is being conducted at the request of the Chairman, House Committee on Agriculture; Congressman Conte, the Ranking Minority member of the House Committee on Appropriations; and Congressman Schumer.

During the 2 years since our last report, conditions under which the EEP operates have changed considerably. The number of targeted countries has increased from 40 to 65. Total EEP sales have risen from $1.3 billion to over $8.9 billion as of

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[3] Implementation of the Agricultural Export Enhancement Program (GAO/NSIAD-87-74BR).

November 2, 1989, and the market value of EEP bonus awards has grown from $868 million to over $2.6 billion. Over $1.8 billion of the bonuses supported wheat sales, 77 percent of which were to five countries; the Soviet Union, China, Algeria, Egypt, and Morocco. The remaining EEP commodity sales have been in wheat flour, barley, barley malt, semolina, rice, vegetable oil, sorghum, frozen poultry, table eggs, poultry feed, and dairy cattle.

In the past year, the world supply of wheat has become relatively tight due to adverse weather conditions and decisions by some producing countries to reduce production. World prices for wheat have risen as a result. The U.S. government is now using EEP more selectively, and it continues to emphasize the program's importance as a trade negotiating tool.

Considering these changing conditions, Agriculture's OIG Audit Report No. 07099-18-Hy comes at a useful time. The report contains valuable insights into EEP's administration and offers recommendations for strengthening program effectiveness. Our ongoing EEP review supports, and in some cases expands upon, issues raised in the OIG report.

EEP's Impact on Increasing U.S. Agricultural Exports

In the last several years, U.S. agricultural exports have increased significantly. However, as we previously reported it is difficult to determine exactly how much of these increases were due to EEP. EEP's effect cannot be easily isolated from that of other policy and economic variables which have contributed to increased agricultural exports--lower loan rates, availability of export financing and other U.S. government assistance, depreciation of the U.S. dollar against major competitor currencies, production shortfalls, and other changes in global economic conditions. Recent studies estimate that U.S. agricultural exports have increased due to EEP, but they differ on the magnitude. The additionality estimates range from 2 to 30 percent and are greatly influenced by the assumptions made and the time period covered.

Furthermore, the fact that the EEP is "targeted" adds more complications in determining its effect. While exports may increase in the targeted markets, the overall effect on U.S. exports worldwide is uncertain. Competing suppliers may respond by displacing potential U.S. sales in untargeted markets. In addition, as the OIG concluded, non-targeted countries may have reduced their U.S. purchases, thereby creating the need to target those countries to regain lost market shares.

EEP does appear to have been critical to making sales in certain markets, such as wheat sales to the Soviet Union and China. During periods of surplus supplies on the world market, these importing countries took advantage of competition among exporters to obtain the best possible price and terms. Without EEP to make U.S. exports competitively priced, it is highly unlikely that these sales would have taken place. In addition, officials in Algeria, Egypt, Jordan, and Iraq told us that EEP was essential to enable U.S. exporters to make sales because these countries are "price buyers" (i.e. they buy at the best price available regardless of the source). They also noted that many EEP sales depended on the availability of U.S. export credit guarantees.

Changes in EEP Targeting Strategies

The EEP was designed to be targeted and discretionary rather than an across-the-board program. Proposals for EEP subsidies were to "target a specific market to challenge only the competitors who overtly subsidize their exports," namely the European Community (EC). Originally, the EEP's primary targets were countries that made significant purchases of subsidized EC exports. However, over time the program expanded to include countries that had a small EC market presence and then to countries where the EC was only contemplating a presence. As the EEP displaced the EC in one market, the EC turned to another country's market, making that country eligible for EEP benefits as well. The EEP grew to 65 targeted countries in 4 years.

Perhaps the most controversial aspects of the EEP targeting strategy were the administration's decisions regarding the Soviet Union. That country was initially excluded from the program despite the fact that the EC's share of the Soviet wheat market rose from 5 to 22 percent from the 1981 to the 1985 crop year. Agriculture initially claimed that the Soviet Union was excluded because the non-subsidizing competitors had about a 48-percent share of the market in crop year 1985. Non-subsidizers, however, had equal or greater shares of other markets targeted under the EEP, such as Egypt, Iraq, Jordan, and Sri Lanka. The Soviet Union had been excluded from the program until August 1, 1986, for foreign policy reasons. It was then made eligible for EEP sales and has since become the largest importer under the program.

Impact of EEP on Competitors

The OIG found that while the EC's wheat market shares have generally increased since the EEP's inception, those of Australia, Argentina, and Canada have decreased. While the OIG noted that the decreased market shares could be the result of lower wheat supplies, it cautioned that the continuation of EEP could adversely affect these countries' exports should their production increase. The OIG's analysis showed an inverse relationship between the U.S. wheat market share and total market shares held by these three countries. More importantly, changes in the U.S. market share appear to have relatively little effect on the EC market share. OIG thus questioned EEP's ability to challenge EC export markets without harming other competitors.

Australian and Canadian officials told us that their countries have been adversely affected by EEP, both in terms of lower prices for their commodities and reduced market shares.

Australia

Australia has been most vocal in its opposition to the EEP, stating that EEP has adversely affected its wheat exports. While Australian government and farm industry representatives and U.S. Agriculture officials agree that EEP contributed to the depression of world wheat prices between 1985 and 1988 and, consequently, to the reduction in Australian wheat export earnings, there is no consensus on the extent of EEP's effect.

According to a recently released Australian study,[4] the EEP has cost Australian wheat growers between $150 million and $238 million, due to reduced average prices on wheat exports and a

[4]U.S. Grain Policies and the World Market, Policy Monograph No. 4, Australian Bureau of Agricultural and Resource Economics, released in October 1989.

consequential decline in wheat production. The study points out that in 1987 the estimated cost to the Australian wheat industry was far greater than to the EC's, because exports to EEP-targeted markets constituted a far larger proportion of Australia's total production.

Australian officials told us that the decline in export prices encouraged producers to move out of wheat production; plantings fell from about 12 million hectares in 1984/1985 to about 9 million hectares in 1988/1989. Australian resources previously employed in grain production flowed into the livestock sector and into alternative crops, such as legumes. They acknowledged that the EEP is only one of a number of factors contributing to the decline in Australian wheat export earnings. However, in their opinion the EEP has clearly had a significant adverse impact on Australian agricultural exports.

U.S. Agriculture officials stated that the EEP's effects on wheat prices were minimal to begin with and were mitigated by the Australian government's guaranteed price mechanism and devaluation of the Australian dollar in 1985. They attribute recent declines in Australian wheat production to historically high wool prices during the mid-1980s, which lured farmers out of wheat and into wool production.

Canada

Canadian officials could not demonstrate a loss in market share directly related to EEP; instead they criticized EEP's price depressing effect and the resultant decreased revenue from agricultural exports. They also complained that EEP's targeting strategy was inconsistent and questioned its continued use for commodities which were in short supply. For example, the officials noted that Canada, not the EC, had established major wheat markets in Iraq, Colombia, Mexico, and the Philippines, yet they were all targeted under EEP. In addition, Saudi Arabia was a large importer of barley from many sources, not just the EC. When an EEP initiative for barley was announced, the whole balance of the barley trade was upset.

Canadian officials also questioned EEP wheat sales during the last 2 years when supplies were greatly reduced due to worldwide drought conditions. In their view, the United States was the "only game in town," yet it sold EEP wheat to China and the Soviet Union, the largest importers of wheat in the world. Canadian officials viewed the use of EEP as "overkill" in these cases.

Despite the perceived negative effects of the EEP on export strategies, world price, and the balance of trade, Canada has derived some indirect benefits. In the last year, Canadian exports of rapeseed oil, or canola, have become very competitive in U.S. markets partly because of high U.S. domestic vegetable oil prices driven up (or artificially supported) by EEP. According to Canadian officials, annual sales of vegetable oil to the United States have increased sixfold. In addition, U.S. livestock growers have been paying higher feed grain prices, driving up the cost of U.S. meat products. As a result, Canadian pork products are more competitive in the U.S. domestic market.

Proposal Tracking Process

FAS processes each EEP targeting proposal through one of three different divisions depending on the commodity. Once these divisions have analyzed a proposal it is sent to FAS management for review, and then to Agriculture's Under Secretary for International Affairs and Commodity Programs. Should the Under Secretary approve the proposal, it is sent through an interagency approval process and, if accepted, announced to exporters.

We found that FAS does not centrally track the progress of these proposals from the moment they are received to the time they are either accepted or rejected. Although documentation exists which discusses reasons for acceptance or rejection, the time that it takes proposals to move within the process cannot always be determined. We believe that FAS should establish a centralized tracking system which will document the progress of all proposals from the time they are submitted until the time they are accepted or rejected. This system should allow FAS to provide the full history and current status of any proposal when an inquiry is made.

Setting Price And Bonus Levels

The OIG reported that FAS "did not have written policies and procedures for, or sufficient documentation to support, world price determinations and bonus calculations." Our ongoing review indicates that FAS does not sufficiently document the specific figures used to calculate the final price and bonus levels.

FAS gathers information from a variety of sources to use in calculating price and bonus levels. We interviewed a number of individuals who provide EC price and world freight information and we reviewed documents they sent to FAS. We believe that FAS program officials receive the information necessary to make informed and effective price and bonus decisions; however, they do not document adjustments made to this information when calculating price and bonus levels. Although FAS officials prepare price sheets which list each of the figures used in price and bonus calculations, they do not provide either narrative or statistical support to explain how they arrived at these figures. As a result, it is difficult for an independent reviewer to determine whether bonus payments are excessive.

Internal Control Weaknesses

The OIG report identified several internal control weaknesses in the EEP dairy cattle program, including controls over exporter participation requirements and bonus payments. In addition, our review identified internal control weaknesses in the bonus payment process which allowed overpayments to occur.

Exporter qualification requirements

FAS has established certain qualification requirements for exporters wishing to participate in EEP. For example, exporters are required to have sales contracts with importers prior to submitting bids on EEP sales. However, the OIG found that FAS had not been requiring exporters to submit evidence of sales contracts. Beginning in July 1988, FAS has required such proof prior to bidding only on EEP dairy cattle sales.

The OIG report recommends that FAS define minimum requirements for a properly executed sales contract and extend the requirement for proof to all EEP commodities. FAS opposes these actions because they would cause serious delay in the review and award of bonuses and would greatly tax existing staff resources.

We believe that requiring exporters to document the existence of sales contracts prior to submitting bids represents a sound control mechanism. In addition, we believe that FAS should randomly verify that the sales contracts are valid.

Bonus payment procedures

OIG's and our review of EEP demonstrates that FAS has inadequate internal controls over the processing and payment of bonuses to exporters. Specifically, the OIG found that FAS paid bonuses to exporters for shipment of commodities not contained in the applicable sales agreement. We found that FAS lacks the internal controls necessary to ensure that exporters do not get bonuses for shipments in excess of the amount stated in the contract agreement.

During our review, we examined contract files kept by the Agricultural Stabilization and Conservation Service (ASCS) in Kansas City. We also obtained and examined a copy of the data base jointly developed by FAS and ASCS which contains contract and payment information and is maintained by ASCS in Kansas City. We found eight cases where exporters had received overpayments totaling more than $635,000. These overpayments were made because FAS did not have procedures set up to identify and verify when an exporter had received the maximum bonus amount allowed under the contract.

We discussed this problem with the FAS Administrator and suggested that he may want to implement an internally developed proposal which FAS officials believe could virtually eliminate the problem of overpayments. This proposal would change the data base so that it would alert ASCS when a bonus payment ceiling has been reached.

The Future of EEP

There are widely divergent views concerning the need for EEP today. Some view the program positively, while others are critical. On the positive side, the farm community generally sees EEP as largely responsible for the increase in wheat exports over the last several years and views it as a valuable export assistance tool.

The U.S. government views EEP as a valuable trade policy tool which has encouraged the EC to negotiate the liberalization of agricultural trade in the Uruguay Round of the multilateral trade negotiations. It recognizes that the program must be used judiciously, given current market supply conditions, but strongly emphasizes that it must not be unilaterally dismantled. If market conditions were to change, EEP could be used more aggressively, thereby increasing the costs of the EC export subsidy program and applying pressure on them to negotiate. The

U.S. government maintains that eliminating the program now would send the wrong signal to the EC and others concerning the political will of the United States to combat foreign agricultural export subsidies.

Some critics charge that the program has generated little, if any, increase in U.S. agriculture exports. They also question whether subsidies are necessary for wheat sales, given the relatively tight supply conditions. Furthermore, some question whether supplies of U.S. commodities are adequate to support aggressive use of the EEP and whether U.S. domestic prices might not increase if the program is used too aggressively.

Other competitors complain that they have been caught in the cross-fire of the subsidy war between the United States and the EC and that EEP has caused world commodity prices to decrease, thereby affecting their revenues.

While most U.S. observers would agree that EEP was instrumental in bringing the EC to the negotiating table initially, their views differ as to its present utility in encouraging serious negotiations to liberalize agricultural trade. The outcome of the agricultural trade negotiations remains unclear, with the United States and the EC still disagreeing over the ultimate objectives.

EC officials told us that EEP has had little effect in recent months in moderating their position on the agricultural trade negotiations. However, U.S. negotiators, including the U.S. Trade Representative and the Secretary of Agriculture, have reaffirmed the U.S. position that U.S. competitors should not expect any unilateral concessions by the United States. Agriculture's Under Secretary for International Affairs and Commodity Programs stated in May 1989 that there was a continued role for EEP. Regardless of the perceived degree of EEP's usefulness in the current market environment, the U.S. administration has made it clear that it is not going to give up EEP unilaterally.

In today's tighter wheat market, we believe that EEP is appropriately being used more selectively. It remains an important trade policy tool if for no other reason than that unilaterally abandoning it would weaken the U.S. negotiating position with the EC. However, because of large, continuing EC export subsidies, funding EEP at adequate levels is important to maintaining the program's credibility as a trade policy tool. If market conditions change, EEP could again be used aggressively, potentially increasing the cost of the EC's subsidy program and applying pressure to negotiate.

GSM-102/103 EXPORT CREDIT GUARANTEE PROGRAMS

Our current review was requested by the Chairman, Subcommittee on Tobacco and Peanuts, House Committee on Agriculture. The Commodity Credit Corporation's (CCC) GSM-102/103 Export Credit Guarantee Programs are intended to maintain or increase U.S. agricultural commodity exports by guaranteeing exporters or their assignees that they will be repaid for credit sales made to purchasers in foreign countries. Should a foreign buyer default, CCC will make good on the payment and then try to recoup the loss from the foreign buyer.

The two CCC programs are administered by FAS. In June 1988, we issued a report[5] on these programs in which we concluded that FAS was not adequately managing them. More specifically, we stated that CCC had not adequately (1) accounted for outstanding guarantees, (2) ensured that guarantees are used for U.S. agricultural commodities, and (3) provided guidance to program users. We recommended that the Secretary of Agriculture direct the General Sales Manager, FAS, to

-- enforce compliance with the requirement that exporters submit complete reports of exports to ensure accurate accounting of outstanding guarantees;

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[5]Commodity Credit Corporation's Export Credit Guarantee Programs (GAO/NSIAD-88-194).

-- design, develop, test, and implement internal controls, including random on-site verifications, to ensure that loan guarantees are used to obtain U.S. agricultural commodities;

-- clarify program regulations with specific definitions for a U.S. agricultural commodity and a firm sale, and require acknowledgement of these requirements on guarantee applications; and

-- provide timely and accurate decisions on document revisions requested by exporters or their assignees.

We are pleased to report that FAS has taken action on some of our recommendations. However, work conducted since June 1988 by both Agriculture's OIG and GAO indicates that further FAS action is needed to address our original concerns about implementing internal controls and defining an agricultural commodity. Actions are also still needed on our concerns about the timely handling of revisions to GSM documentation. Finally, we have comments to make about the participation of U.S. financial institutions in the GSM programs.

Actions Taken on Previous GAO Recommendations

FAS has acted on our recommendations to improve the accounting of outstanding guarantees and to establish internal controls.

For GSM-102/103 guarantees outstanding, when exporters fail to submit the required export sale loan repayment schedule, ASCS officials, who perform CCC's accounting services, compute their own estimated repayment schedules using the terms identified on available GSM sale documentation and the current London Interbank Offer Rate (LIBOR), plus one quarter of one percent. If the official repayment schedule is later received, ASCS will make adjustments as necessary. According to ASCS officials, only minor adjustments have been required to date.

FAS has established some internal controls over the programs. Effective October 1, 1988, exporters must certify to FAS the foreign origin content of the export sales they register under the GSM-102/103 programs. At this time, they must certify that zero percent value of foreign origin content is included in the export sale. The validity of the certification statements will be spot-checked by the FAS Compliance Review Office, which has been given additional resources for reviewing compliance with this and other GSM-102/103 regulations.

We believe that the actions taken by FAS are important steps in improving management of the GSM-102/103 programs. However, much more is needed before firm control over program operations is achieved.

Further Improvements Needed in Internal Controls

Recent work conducted by the OIG and GAO has shown that further internal controls over the GSM-102/103 programs are necessary. A September 29, 1989, OIG report[6] stated that compliance review efforts are needed and that suspension and debarment actions should be used whenever exporters are found to violate program regulations. Our review also indicates that controls are not in place to ensure that exporters are complying with applicable regulations.

Additional compliance review efforts are needed

The OIG report stated that "U.S. exporters are participating in a $6 billion program without FAS or CCC conducting a review, or periodic check, to make sure the program is operating in accordance with applicable laws and regulations." Some compliance review efforts have now been undertaken. However, our

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[6] Audit of the Foreign Agricultural Service Exports of the Foreign Commodities Under GSM 102/103, Audit Report No. 07099-21-Hy.

review work indicates that more compliance review efforts are necessary.

Our June 1988 report recommendation on internal controls called for random, on-site verifications of export commodities in order to ascertain that U.S. agricultural commodities are being financed by the guarantee programs. We believe this is an important control because CCC and FAS officials deal only with the paperwork aspects of the guarantee programs. Without physically inspecting the commodities being exported at both U.S. export terminals and foreign import terminals, at least on a spot-check basis, CCC and FAS officials cannot be certain that only U.S. agricultural commodities are being financed under the program. The OIG identified some foreign origin commodities that were financed and our work within the past year further reinforces the need for on-site verifications.

With assistance from U.S. Customs, we made random inspections at U.S. ports holding seven tobacco export shipments destined for countries under the GSM programs. In one instance, Customs officials believe that over 80 percent of the tobacco in that sale was of foreign origin. In another instance, we visited an exporter who was participating in the GSM-102 program for grocery items and found that he was preparing for shipment several items that contained foreign origin content, including coffee filters manufactured in Canada.

As a further assurance that U.S. agricultural commodities financed under the GSM-102/103 programs are being delivered to the intended destinations, FAS should conduct periodic spot inspections at foreign ports. This can easily be accomplished by FAS staff assigned overseas or by FAS officials, e.g., compliance review staff, in travel status. In the past, FAS officials have stated that time and resources were not available for this type of monitoring and oversight.

According to foreign officials, random checks at foreign ports are possible. While conducting work at four overseas locations this past summer, we asked foreign government officials if it would be possible for FAS officials to inspect the off-loading of GSM commodities at their ports of entry to ensure that the commodities were U.S. agricultural products. In all but one instance, we were told that FAS access to the ports for inspection would be allowed. In that one instance, we were advised that obtaining permission for access would be difficult because the port is used for closely guarded military operations as well as civilian operations.

CCC should take suspension or debarment actions where appropriate

The OIG report stated that FAS should use established compliance measures, such as suspension or debarment, to discourage U.S. exporters from blending or combining foreign origin agricultural commodities or products with U.S. commodities for export under the GSM programs.

Considerable attention has been focused on the suspension and debarment issue, because a number of tobacco exporters who have shipped large quantities of foreign tobacco as U.S. tobacco under the export credit guarantee programs continue to participate in the programs. In prior testimony we noted that FAS does not intend to initiate suspension or debarment proceedings while the U.S. Attorney's investigation continues, so as not to impair his case. However, in May of this year, the Director of CCC's Operations Division wrote letters to 31 exporting companies, representing 92 different GSM guarantees, stating that as a result of the OIG audit, it had been determined that the exporters may have violated GSM program requirements by exporting non-U.S. commodities. The letters put the exporters on notice that they may be held liable to CCC for any amounts paid or that may be paid by CCC under the guarantees.

When significant violations occur, we believe that suspension or debarment proceedings would be the appropriate agency response and that Agriculture should be prepared to initiate such actions. According to FAS officials, they will take appropriate actions in the future when evidence is developed that shows that violations have occurred. New compliance review efforts could assist in identifying program violators and documenting the evidence of wrongdoing.

An Eligible Agricultural Commodity Still Needs to be Defined

The OIG report echoes our June 1988 recommendation concerning the need for defining eligible agricultural commodities, especially value added products.

Until September 21, 1988, FAS general policy was to provide export credit guarantee coverage under the GSM-102/103 programs for only those commodities or products containing 100 percent U.S. origin content. While this policy was in effect, credit guarantees were provided for exports of tobacco that were subsequently revealed to contain substantial amounts of foreign tobacco. Also other products, such as grocery items, leather hides and skins, and soft drink concentrates containing some degree of foreign origin content were provided with guarantee coverage under the programs.

On September 21, 1988, FAS announced a new policy that provided credit guarantees for the export of agriculture products that were a mixture of U.S. and foreign origin. The new policy allowed the value of exports under the programs to include up to 25 percent imported agricultural commodities. However, only the value of the U.S. portion of the agricultural commodities would receive the CCC guarantee. This proved to be a highly contentious policy change. Forty members of Congress questioned this new policy and wrote to the Secretary of Agriculture on October 12, 1988, asking that it be reversed.

On February 15, 1989, FAS discontinued the new policy and notified exporters that beginning February 16, only commodities certified by the exporters to contain zero percent foreign content value would be eligible for program coverage. This policy is still in effect; however, when the February change was made, FAS also announced that it would reevaluate the content issue. In a related matter, Agriculture's General Counsel stated in May 1989 that exports under the programs would be eligible even if they contained small amounts of non-agricultural products.

Based on our work thus far, we believe that the current zero percent foreign value content policy may be appropriate for exports of bulk commodities such as wheat, corn, barley, and tobacco. However, that policy may be inappropriate for processed agricultural products, many of which may contain small amounts of foreign origin ingredients. For example, powdered infant formula containing foreign origin ingredients that account for only 2 percent of the total value of the product is excluded from coverage under the current policy, as is soft drink concentrate with a small percentage of foreign content. A comprehensive evaluation of the foreign content issue should include an assessment of how to handle such products.

FAS is continuing to evaluate the foreign content issue. As we stated in the past, the history of the foreign content issue and the fact that the last two program policy announcements were made by FAS without comprehensive evaluations makes it all the more important that FAS conduct its current assessment of the foreign content question in a comprehensive and systematic manner. A positive aspect of the evaluation is that on May 22, 1989, FAS published a Federal Register notice soliciting public comment on the foreign content issue. Of the 18 comments received, 13 disagreed with the current policy of zero percent foreign content. At least 7 of these comments represented the agricultural seed industry. The others represented exporters of leaf tobacco and value added products. Four comments agreed with the current policy; they represented the bulk grain industry. Comments filed by one organization did not clearly state a position. We believe FAS efforts to obtain participant views are a step in the right direction. However, more needs to be done.

One way to help achieve a comprehensive evaluation of the policy issues is to establish a working group of representatives of interested parties to review and debate the issues and to develop options for FAS consideration. FAS has established an internal working group to deal with the issue. We feel this effort should be expanded to include participation by other interested parties.

Action Still Needed on the Timely Handling of Revisions to GSM Documentation

Our June 1988 report suggested that CCC be more flexible with exporters and financial institutions when changes to GSM documentation were necessary. We cited an example of a U.S. bank that spent 8 months trying to get CCC to correct the name of a foreign bank placed on the guarantee document by CCC officials. This change was very important to the U.S. bank because a CCC official stated that guarantees may become invalid if documentation is not properly prepared. CCC, rather than making the correction itself, wanted the U.S. bank to obtain written assurance from the foreign bank that it would honor the incorrectly named bank on the document. Eventually, CCC did make the correction, but the U.S. bank officials claimed they spent too much time and effort on an error that was made by CCC.

During recent discussions with several exporters and U.S. financial institutions participating in the GSM programs, we were told of several other similar instances that frustrated exporter and bank officials. In one case, documentation prepared by the U.S. bank regarding a repayment due in three equal installments was not accepted by CCC because of the way the bank rounded the cents on a whole dollar. Apparently the bank showed that 34 cents would be collected as part of the first installment and 33 cents as part of the second and third installments. CCC returned the documentation and requested that 33 cents be shown as part of the first and second installments and 34 cents on the third.

Participation of Financial Institutions in the GSM Programs

The success of the GSM-102/103 programs depends greatly on the active participation of financial institutions, which pay out the $4 billion to $6 billion in GSM loans each year, providing direct credit to the foreign buyers. According to CCC records, two financial institutions--The National Bank for Cooperatives and the Banca Nazionale del Lavoro--have been significant program participants. Together, they have provided approximately one-third of the money loaned under GSM-102 during the past 5 years and approximately three-fourths of the money loaned under GSM-103 during the past 3 years. The remainder of the program loans have been provided by numerous other financial institutions, each loaning lesser amounts of money.

From discussions with officials of several of these financial institutions, it appears that the government guaranteed loan business is not particularly profitable and is therefore attractive only to (1) U.S. financial institutions specializing in government loans or (2) foreign-owned banks trying to get established in the United States.

The National Bank for Cooperatives

The National Bank for Cooperatives specializes in government loans. Officials there said that over 90 percent of their business involves loans with CCC, the Export-Import Bank, or some other government agency loan program. The Bank was established through federal legislation in 1933 to finance sales by U.S. cooperative farmer organizations. Today it is wholly owned by its cooperative members. The Bank is a member of the Farm Credit System, which has U.S. government agency status. Privileges derived from its agency status allow the Farm Credit System to raise or obtain funds at a lower cost than commercial banks. Therefore, as a member of the Farm Credit System, the National Bank for Cooperatives obtains funds at a lower cost and obtains a higher profit margin in the government loan business than would commercial banks.

Bank officials told us that, in spite of operational problems, they believe the GSM programs are two of the best programs ever established to facilitate the export of U.S. goods. They said that the Bank plans to continue its participation in the programs.

Banca Nazionale del Lavoro

The Banca Nazionale del Lavoro is Italy's largest state-owned bank. It is headquartered in Rome but has several branches in the United States. The New York City branch is responsible for North American operations, but the Atlanta, Georgia, branch provides the GSM loans. Officials of the Bank's Atlanta branch told us that the majority of their business involves GSM loans to Iraq. Iraq imports about $1.0 billion worth of U.S. agricultural commodities under the GSM-102/103 programs each year.

Recently, the Bank has been embroiled in controversy. According to Bank officials, its Atlanta branch loaned about $2.0 billion to foreign buyers in Iraq. Only a fraction of that amount was authorized by higher level Bank officials. They told us that some of these loans, amounting to about $830 million, were made under the GSM-102/103 programs and of that amount, only about $130 million was authorized. They said other loans to Iraq were made outside government programs. The unauthorized loans and the adequacy of the Bank's internal controls are currently being investigated by several U.S. and Italian agencies. The status of the investigation has not been made public.

Bank officials are concerned about having such a large exposure in one country; they told us that although Iraq has been making regular payments and has never defaulted, it is classified by many banks as a high credit risk due to its war with Iran and the resulting depletion of its foreign exchange reserves.

We were recently told by Banca Nazionale del Lavoro's New York branch officials that officials in Rome will have to decide whether or not the Bank will continue to participate in the program, including making new GSM loans to Iraq. If the Bank decides not to make any new GSM loans, then FAS will lose a major participating financial institution whose business will have to be made up by other banks if CCC's guarantee targets are to be achieved.

The Banca Nazionale del Lavoro's problems may or may not result in CCC payouts under its loan guarantee programs, but they raise a question concerning the wisdom of allowing one bank to participate to such a large extent in the programs, especially if the bank's loan exposure is going to be concentrated in a single country. In light of these problems, FAS may want to examine the issue of bank participation in the programs.

Messrs. Chairmen and Members of the Subcommittees, this completes my statement. I will be happy to answer any questions you may have.

ATTACHMENT 1

ATTACHMENT I

TARGETED EXPORT ASSISTANCE PROGRAM PARTICIPANTS, FY 1986 - 1990

		ALLOCATED AMOUNT IN ($)				
	NON-PROFIT APPLICANT ORGANIZATIONS	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
1	Alaska Seafood Marketing Institute		1,500,000	1,950,000	6,000,000	4,500,000
2	American Plywood Association	1,950,000	1,980,000	1,200,000	7,700,000	6,500,000
3	American Seed Trade Association		350,000			
4	American Sheep Producers Council, Inc.				100,000	148,000
5	American Soybean Association	8,500,000		9,800,000	11,450,000	11,500,000
6	California Avocado Commission		420,000	450,000	650,000	
7	California Cling Peach Advisory Board	2,500,000	5,600,000	5,700,000	4,700,000	3,500,000
8	California Kiwifruit Commission		500,000	500,000	1,000,000	900,000
9	California Pistachio Commission	200,000	200,000		500,000	750,000
10	California Prune Board	4,000,000	4,500,000	5,500,000	5,800,000	7,500,000
11	California Raisin Advisory Board	6,300,000	9,800,000	9,800,000	10,700,000	12,500,000
12	California Strawberry Advisory Board					500,000
13	California Table Grape Commission	350,000	450,000	750,000	1,850,000	2,300,000
14	California Tree Fruit Agreement					500,000
15	California Walnut Commission	9,000,000	7,000,000	6,500,000	7,300,000	8,000,000
16	Catfish Farmers of America			50,000	150,000	
17	Cherry Marketing Institute, Inc.				500,000	400,000
18	Chocolate Manufacturers Association of America	2,500,000		2,500,000	3,000,000	900,000
19	Concord Grape Association				1,500,000	700,000
20	Cotton Council International	7,000,000	6,800,000	1,450,000	15,000,000	15,400,000
21	Eastern United States Agricultural and Food Export Council, Inc. (EUSAFEC)	1,100,000	1,000,000	1,100,000	2,100,000	2,950,000
22	Export Incentive Program (Almonds)	900,000	4,180,000	6,500,000	11,800,000	9,000,000
23	Export Incentive Program (Citrus)	8,500,000	10,500,000	10,500,000	11,200,000	8,800,000
24	Export Incentive Program (Mink)		1,500,000	700,000		
25	Export Incentive Program (Processed Corn)			1,500,000	1,250,000	1,250,000
26	Florida Department of Citrus	4,600,000	7,000,000	7,000,000	5,400,000	9,900,000
27	Hop Growers of America					50,000
28	Kentucky Distillers' Association					2,000,000
29	Leather Industries of America		1,500,000	1,500,000	1,800,000	
30	Mid-America International Agricultural Trade Council (MIATCO)	800,000	1,200,000	1,100,000	1,900,000	2,700,000
31	National Association of Animal Breeders				400,000	402,000
32	National Association of State Departments of Agriculture (NASDA)	500,000			100,000	750,000
33	National Council of Farmer Cooperatives			350,000	300,000	
34	National Dry Bean Council			800,000	1,000,000	
35	National Forest Products Association				6,150,000	7,400,000
36	National Hay Association		300,000			
37	National Honey Board				500,000	1,000,000
38	National Pasta Association	2,100,000				
39	National Peanut Council	4,500,000	4,500,000	1,500,000	7,400,000	4,500,000
40	National Potato Promotion Board	2,000,000	2,550,000	2,400,000	4,700,000	4,800,000
41	National Sunflower Association		3,000,000		2,400,000	4,000,000
42	Northwest Horticural Council Northwest Cherry Growers		120,000	450,000	800,000	1,000,000
43	Northwest Horticural Council Oregon-Washington-California Pear Bureau	300,000	400,000	500,000	800,000	900,000
44	Northwest Horticural Council Washington State Apple Commission	1,400,000	1,500,000	2,000,000	2,850,000	3,800,000

ATTACHMENT I

TARGETED EXPORT ASSISTANCE PROGRAM PARTICIPANTS, FY 1986 - 1990

NON-PROFIT APPLICANT ORGANIZATIONS	ALLOCATED AMOUNT IN ($) FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
45 Rice Council for Market Development	3,500,000	3,500,000	4,500,000	5,700,000	8,500,000
46 Southern United States Trade Association (SUSTA)	800,000	800,000	1,100,000	1,900,000	2,700,000
47 Texas Produce Export Association					150,000
48 Tobacco Associates, Inc.		900,000	400,000	2,750,000	5,000,000
49 USA Dry Pea and Lentil Council	2,500,000	2,500,000	3,000,000	1,000,000	
50 USA Poultry and Egg Export Council	6,000,000	6,500,000	4,250,000	8,000,000	6,000,000
51 U.S. Feed Grains Council	11,100,000	2,800,000	2,400,000	4,200,000	6,000,000
52 U.S. Meat Export Federation	7,000,000	7,000,000	4,500,000	17,000,000	9,000,000
53 U.S. Mink Export Development Council				2,500,000	1,500,000
54 U.S. Wheat Associates, Inc.	3,100,000	3,100,000	1,200,000	4,900,000	5,200,000
55 Western United States Agricultural Trade Association (WUSATA)	2,200,000	1,950,000	1,600,000	4,300,000	5,250,000
56 Wine Institute	4,800,000	2,600,000	3,000,000	7,000,000	9,000,000
TOTAL:	110,000,000	110,000,000	110,000,000	200,000,000	200,000,000

TARGETED EXPORT ASSISTANCE PROGRAM
TOP FIFTEEN ALLOCATION REPORT

ALLOCATED AMOUNT IN ($)

	NON-PROFIT APPLICANT ORGANIZATIONS	COMMODITY	FY 1986	% of FUNDS\1	FY 1987	% of FUNDS	FY 1988	% of FUNDS	FY 1989	% of FUNDS	FY 1990	%
1	Export Incentive Program (Citrus)	Citrus	8,500,000	7.73	10,500,000	9.55	10,500,000	9.55	11,200,000	5.60	8,800,000	
2	California Raisin Advisory Board	Raisins	6,300,000	5.73	9,800,000	8.91	9,800,000	8.91	10,700,000	5.35	12,500,000	
3	Cotton Council International	Cotton	7,000,000	6.36	6,800,000	6.18	1,450,000	1.32	15,000,000	7.50	15,400,000	
4	U.S. Meat Export Federation	Meat	7,000,000	6.36	7,000,000	6.36	4,500,000	4.09	17,000,000	8.50	9,000,000	
5	American Soybean Association	Soybeans	8,500,000	7.73			9,800,000	8.91	11,450,000	5.73	11,500,000	
6	California Walnut Commission	Walnuts	9,000,000	8.18	7,000,000	6.36	6,500,000	5.91	7,300,000	3.65	8,000,000	
7	Florida Department of Citrus	Citrus	4,600,000	4.18	7,000,000	6.36	7,000,000	6.36	5,400,000	2.70	9,900,000	
8	Export Incentive Program (Almonds)	Almonds	900,000	0.82	4,180,000	3.80	6,500,000	5.91	11,800,000	5.90	9,000,000	
9	USA Poultry and Egg Export Council	Poultry & Eggs	6,000,000	5.45	6,500,000	5.91	4,250,000	3.86	8,000,000	4.00	6,000,000	
10	California Prune Board	Prunes	4,000,000	3.64	4,500,000	4.09	5,500,000	5.00	5,800,000	2.90	7,500,000	
11	U.S. Feed Grains Council	Feed Grains	11,100,000	10.09	2,800,000	2.55	2,400,000	2.18	4,200,000	2.10	6,000,000	
12	Rice Council for Market Development	Rice	3,500,000	3.18	3,500,000	3.18	4,500,000	4.09	5,700,000	2.85	8,500,000	
13	National Peanut Council	Peanuts	4,500,000	4.09	4,500,000	4.09	1,500,000	1.36	7,400,000	3.70	4,500,000	
14	California Cling Peach Advisory Board	Peaches	2,500,000	2.27	5,600,000	5.09	5,700,000	5.18	4,700,000	2.35	3,500,000	
15	American Plywood Association	Plywood	1,950,000	1.77	1,980,000	1.80	1,200,000	1.09	7,700,000	3.85	6,500,000	
				77.59		74.24		73.73		66.68		

\1 Percentage of TEA funds allocated are based on an allocation level of $110 million for fiscal years 1986 t
years 1989 and 1990.

ATTACHMENT III

TARGETED EXPORT ASSISTANCE PROGRAM
BUDGET REPORT BY COUNTRY
BASED ON TEA ACTIVITY PLANS
FISCAL YEAR 1989

(THE TOP 16 COUNTRIES OUT OF A TOTAL OF 53 RECEIVING MORE THAN $1 MILLION)

COUNTRY	REGION	TOTAL FY89 BUDGET	% OF FY89 TEA FUNDS BUDGETED ($126,936,795)\1
JAPAN	ASIA	46,054,336	36.28
UNITED KINGDOM	EC	15,323,894	12.07
FEDERAL REPUBLIC OF WEST GERMANY	EC	10,752,555	8.47
AUSTRALIA	OCEANIA	9,353,132	7.37
CHINA	ASIA	6,792,813	5.35
REPUBLIC OF KOREA	ASIA	5,475,168	4.31
HONG KONG	ASIA	3,951,733	3.11
FRANCE	EC	3,892,645	3.07
ALGERIA	NORTH AFRICA	3,238,350	2.55
ITALY	EC	2,428,791	1.91
SPAIN	EC	2,312,265	1.82
EGYPT	NORTH AFRICA	2,246,840	1.77
MOROCCO	NORTH AFRICA	1,540,024	1.21
NETHERLANDS	EC	1,406,655	1.11
PORTUGAL	EC	1,191,350	0.94
SINGAPORE	ASIA	1,026,917	0.81
	TOTAL:	$116,987,468	92.16

\1 The budgeted amount of $126,936,795 reflects the most recent FAS Budget by Country report dated 10/4/1989. FAS officials have not yet updated this report, but have confirmed that the amount of $126,936,795 represents approximately 70% of the total FY 1989 budgeted TEA funds.