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U.S. Government Export Promotion Programs
Could Be Improved

Statement of
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Committee on Commerce, Science and Transportation
Subcommittee on Foreign Commerce and Tourism
U.S. Senate



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the government's export promotion programs, consider some of their past weaknesses, and offer suggestions about how they could be refocused and improved. We will also discuss issues of concern in the present effort to coordinate the government's programs.

BACKGROUND

Government and business leaders believe that one way to help improve economic performance is to expand U.S. exports, especially those of small and medium-sized businesses. However, most of these firms lack an export orientation. The U.S. Department of Commerce has estimated that one-half of all U.S. exports of manufactured goods are made by only about 100 companies and that 80 percent are undertaken by 250 companies.

The federal government is one source of assistance among a variety of public and private entities engaged in activities to encourage more companies to begin exporting. These other entities include state and local governments, chambers of commerce, trade associations, port authorities, trade centers, and universities. Businessmen have high praise for some programs, faint praise for others, and do not know that some of these programs even exist.

RESULTS IN BRIEF

To assist firms whose products are competitive in world markets to begin or expand exports, a large number of federal government agencies offer an extensive array of programs. However, we believe that many of these federal programs have not worked as well as they could have because of funding anomalies, a lack of focus, and a failure to supply high-quality information.

The government needs to reassess its approach to serving the U.S. export community. It must strategically examine how these programs can be restructured on a governmentwide basis to better serve the needs of the business community. The Trade Promotion Coordinating Committee is a good start in this regard, but its long-term effectiveness is yet to be demonstrated.

U.S. GOVERNMENT EXPORT PROMOTION PROGRAMS

Over 15 federal government agencies help promote U.S. exports, including the Departments of Agriculture, Commerce, and State; the Export-Import Bank (Eximbank); the Small Business Administration (SBA); and the Overseas Private Investment Corporation (OPIC). Some of these agencies offer similar types of services. For example, the Department of Commerce and the SBA both provide specialized counseling and market insight information through their network of domestic offices. Commerce and SBA have also developed

data bases of trade information for interested exporters. Commerce, OPIC, and the SBA all participate in trade missions abroad. In addition, Eximbank, SBA, and the Department of Agriculture offer a host of loan and guarantee programs to stimulate exporting.

PROGRAM WEAKNESSES

U.S. government export promotion programs that we have analyzed over the past few years have been hampered by several weaknesses, including their (1) lack of predictable and rational funding, (2) inappropriate program focus, and (3) inability to supply timely, product-specific information to their clients.

Predictable and Rational Funding

Funding for export promotion needs to be more predictable and allocated on the basis of governmentwide priorities and needs. Problems in these areas are illustrated by the funding difficulties at the Department of Commerce and a comparison of funding levels at Commerce and Agriculture.

At the Department of Commerce, the U.S. and Foreign Commercial Service (US&FCS), a component of the International Trade Administration, is the group most concerned with promoting exports. For many years it has been constrained by tight and unpredictable

funding. Between 1984 and 1988, the Service's budget was basically held constant despite a 50-percent drop in the value of the dollar against major currencies, which substantially reduced US&FCS overseas purchasing power. Even though the dollar has recovered some of its value since that time, the funding shortfalls limited the effectiveness of the U.S.' overseas export promotion teams. In our review of U.S. export promotion activities in Japan, we found that some US&FCS positions there were left vacant and that some overseas staff were sometimes unable to return long-distance telephone calls to U.S. firms, buy necessary market research publications, or engage in proactive outreach efforts.¹

Efforts to improve the effectiveness of current programs require an adequate and stable resource base. Although the US&FCS received about a 10-percent increase in appropriated funds for fiscal year 1991 (to \$90.8 million), a problem has arisen because the corresponding authorization has not been approved. We are concerned about the present deadlock between the administration and the Congress over the authorization for the Service's fiscal year 1991 funds. Because of this deadlock, the US&FCS has imposed restrictions on new hires, equipment purchases, and training. These restrictions will hamper any progress the service hopes to make in serving the U.S. export community.

¹Export Promotion: U.S. Government Promotional Activities in Japan (GAO/NSIAD-89-77BR, Feb. 21, 1989).

There also appears to be an allocation of export promotion funding that may not reflect governmentwide priorities or needs. For example, Agriculture receives a much larger share of the funding for export promotion than its share of total U.S. exports. Agricultural exports represented only about 11 percent of U.S. exports in 1990 yet accounted for a much larger share of total U.S. export promotion spending. In fiscal year 1990, the Department of Agriculture carried out a variety of export promotion programs making available about \$1 billion in direct expenditures for these programs, which represents more than one-half of the government total. In addition, the Department provided about \$4.3 billion in loan guarantees for agricultural exports in fiscal year 1990, which represented about one-third of total export credit guarantees.

One single program, Agriculture's Targeted Export Assistance Program, received more funds in fiscal year 1990--\$200 million--than the entire International Trade Administration of the Department of Commerce--which received about \$180 million. We have had continuing concerns about the need for the Targeted Export Assistance Program, considering that some of its money is being used to fund brand identification and consumer loyalty programs for large, well-established U.S. firms² such as Kal Kan Foods, Ralston Purina, Pillsbury, Kraft Co., Gallo Wines, and McDonald's Corporation. We believe the government's scarce export promotion

²See Agriculture Trade: Improvements Needed in Management of Targeted Export Assistance Program (GAO/NSIAD-90-225, June 27, 1990).

funds could be better spent if looked at and evaluated on a governmentwide basis.

Proper Program Focus

Effective export promotion programs have to be tailored to meet the needs of individual firms. Previously, export promotion programs were targeted to small and medium-sized firms. Now, Commerce categorizes the exporting community into three groups based on their export experience: (1) new-to-export (NTE), (2) new-to-market (NTM), and (3) old-to-market (OTM).³ Exporters or potential exporters within different categories do not have the same program needs. Once client needs are properly assessed, individual programs can be tailored to meet these needs.

The type of strategy and counseling efforts that should be applied to firms depends, to a great extent, on the type of firm involved. It makes no sense to apply the same general counseling strategy to firms with different needs. An NTE firm that has no previous exporting experience or has failed in its past efforts needs "how to" guidance and basic instruction in such things as preparing insurance and shipping documentation. An NTM firm generally is

³Exporters who have had no previous sustained exporting experience in any foreign country are classified as new-to-export. Exporters who have not sold on a sustained basis in a specific country or who are introducing a new product line are classified as new-to-market. Exporters who have sold on a sustained basis in a specific country are classified as old-to-market.

interested in market research and intelligence as well as information on prospective agents and distributors. An OTM firm generally needs less basic instruction but often can use the representational efforts of the U.S. government's overseas commercial counselors to intercede on its behalf with foreign governments. Direct government assistance can be extremely helpful in opening doors abroad.

The US&FCS' recently completed strategic review of its operations suggests that a strategy focused on the "infrequent exporter" is more useful than a strategy focused on the exporting company's size. In terms of traditional classification, an "infrequent exporter" includes firms of all sizes, both new-to-export and new-to-market. An "infrequent exporter" is a company that has some export experience but still needs assistance to increase the size of its export market or to expand into new ones. Firms identified as "infrequent exporters" have two distinct characteristics: they have an export interest and capability. These characteristics differentiate them from some of the firms that have participated in Commerce programs in the past and make them ideal candidates for further assistance.

The US&FCS is attempting to restructure its programs to better meet the needs of these infrequent exporters. Programs that do not aid this type of client are being eliminated or deemphasized. For example, as part of this restructuring, the International Market

Research reports, which are broad overviews of overseas markets, are no longer being funded, and trade events for old-to-market firms are being deemphasized. The Service's trade lead program is being revamped to make it more useful to the U.S. business community. Quality is being emphasized over quantity. In addition, the US&FCS has assigned product managers to each of its major information products, services, and programs and is conducting a comprehensive retraining program for its field staff in an attempt to make its programs more responsive to the needs of infrequent exporters.

We commend the US&FCS for trying to tailor its programs to the requirements of the U.S. business community. Other components of the International Trade Administration, such as the Office of International Economic Policy, should also follow suit. Strategic self-assessments of these units could help make them more responsive to the needs of the U.S. business community and better able to provide a return to American taxpayers on their export promotion dollars.

Product-Specific Information

Firms value timely, product-specific information and assistance to help them market their products overseas. Commercial information that is too general and outdated is useless. Nevertheless, the government has met with mixed success in trying to provide timely

and specific market research information to interested U.S. exporters. Despite an expenditure of almost \$40 million, the Department of Commerce's International Trade Administration has had problems in trying to install a principal delivery vehicle for this information--a commercial information management system known as "CIMS." As noted in one of our earlier reports prepared for this Subcommittee, various hardware, software, and telecommunication problems have plagued the system since its inception.⁴

We are encouraged to note that the system's hardware and software configuration has been totally redesigned as a result of an independent technical review called for in one of our earlier reports. However, this new system will not be fully installed until late 1993. By that time, plans are for the system to be available at 150 sites worldwide. This ambitious timetable requires US&FCS to order, test, ship, and install a large amount of equipment and software and train a sizable number of staff on its use.

Product-specific information is also being provided through the National Trade Data Bank, a collection of trade and export promotion data from 14 government agencies. The National Trade Data Bank consists of the equivalent of 120,000 single-spaced

⁴See Export Promotion: Problems with Commerce's Commercial Information Management System (GAO/NSIAD-89-162, Aug. 31, 1989).

typewritten pages on a single 4.72-inch compact disc.

Approximately 40 US&FCS offices now have the capability to use these data. Although its software is somewhat cumbersome to use, the National Trade Data Bank adds a wealth of product-specific information to the inventory of the US&FCS. The Service plans to have the National Trade Data Bank installed at an additional 40 sites by the end of this year. This assumes, of course, that the current freeze on new equipment purchases will be lifted soon.

EFFORTS TO COORDINATE THE GOVERNMENT'S PROGRAMS

In an attempt to unify and better coordinate the complex menu of government export promotion programs, in May 1990 President Bush established an interagency Trade Promotion Coordinating Committee. The committee is chaired by the Secretary of Commerce and includes senior level representatives from the Eximbank, Agency for International Development, SBA, OPIC, and the Trade and Development Program. At the working level, 12 committees have been formed to help bring about more harmonious and productive working relationships among the executive agencies involved in export promotion.

Under the auspices of the committee, a series of national export conferences are also being held to raise the export awareness of the U.S. business community. The first of these conferences took place in February 1991. Approximately 30 of these conferences will

be held in total. The conferences are chaired by high-level Commerce officials, in many cases the Secretary of Commerce, and staffed by senior officials from the other export agencies to underscore the government's new commitment to exporting. We believe the conferences have served a useful purpose in helping to raise the basic export awareness level of the U.S. business community and in acting as a forum to provide more specialized assistance through follow-on seminars.

Beyond providing conferences and helping make the U.S. business community aware of export possibilities, however, the committee's role has not been as clear. First, the committee lacks permanence. Because it has not been established through law or regulation, the continuity of the committee's efforts may be interrupted if key officials leave their current positions or there is a change in administration. In fact, a predecessor to the Trade Promotion Coordinating Committee that was created in the late 1980s under the leadership of an Eximbank Director was terminated when the Eximbank Director left office.

Second, existing political realities will complicate the task of any interagency committee. The Trade Promotion Coordinating Committee has no authority to set program or budget priorities across the government. Executive branch agencies carefully guard their own programs, are protective of their turf, and are reluctant to cede management authority for establishing program priorities to

any outside entity.

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Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I will be happy to try to respond to any questions the Subcommittee may have.

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