



Report to the Chairman, Committee on
Small Business, House of
Representatives

May 2014

EXPORT PROMOTION

Trade Agencies Should Enhance Collaboration with State and Local Partners

Why GAO Did This Study

The 2010 National Export Initiative calls for the federal government to coordinate more with state and local governments and other public and private partners on export promotion. Recently, the TPCC identified three key initiatives to enhance collaboration among federal, state, and other partners. Congress requested that GAO review federal and state collaboration in export promotion.

This report examines (1) the main characteristics of federal and state export promotion efforts, including their collaboration, and (2) the extent to which the TPCC has advanced collaboration between state and federal efforts. GAO analyzed federal and state documents and data from 2012 and 2013; interviewed officials from federal, state, and other export promotion organizations; and visited federal and state trade offices and other relevant organizations in five states selected as a nongeneralizable sample based on their participation in the TPCC initiatives and other factors.

What GAO Recommends

GAO recommends that the TPCC take steps consistent with key practices for collaboration to (1) improve implementation of the Export Outreach Teams to better achieve their intended objectives; (2) enhance TPCC agencies' collaboration on export promotion with nonfederal entities; and (3) enhance federal information sharing with state trade offices, where possible, on Commerce's export promotion activities, for example, by providing formal guidance to staff on allowable information sharing. Commerce and SBA agreed with GAO's recommendations.

View [GAO-14-393](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or gianopoulosk@gao.gov.

May 2014

EXPORT PROMOTION

Trade Agencies Should Enhance Collaboration with State and Local Partners

What GAO Found

Federal and state governments share a common interest in promoting exports as a tool for economic growth and creating jobs. Both provide similar and overlapping export promotion services to similar clients, but their staffing, budgetary resources, and ways of measuring performance vary. Located across the country, Department of Commerce (Commerce), Small Business Administration (SBA), and state trade offices provide outreach, counseling and training, and trade leads, mostly to small businesses. In some states, state trade offices have more domestic staff than Commerce offices do. However, Commerce provides more overall coverage abroad, with offices in 72 countries, 15 of which have no state trade office representation. In the five states GAO visited, federal and state collaboration on export promotion varied from working closely in the same location to not collaborating at all, depending on unique factors in each state.

The federal interagency Trade Promotion Coordinating Committee (TPCC) has three initiatives designed to advance federal-state collaboration in promoting U.S. exports by strengthening and expanding networks of state and local governments and other partners. Results of these efforts have been limited, however, in part because their implementation has not consistently followed key collaboration practices. In prior work, GAO found that collaboration is generally enhanced by following key practices, such as articulating common outcomes; agreeing on roles and responsibilities; monitoring, evaluating, and reporting on results; and coordinating resource planning. In the states it visited, GAO found weaknesses in the implementation of Export Outreach Teams, a TPCC initiative. For example, in some cases, activities were missing key participants and were inconsistent with the activities' objectives, in part because SBA is not fully monitoring implementation of the teams across its 68 district offices. Similarly, GAO found that TPCC's involvement in a Brookings Institution initiative to engage metropolitan areas in export promotion has unknown implications for federal export promotion efforts and resources because Commerce lacks a means to monitor the initiative's results. Finally, an agreement between Commerce (the TPCC Chair) and a national group representing state trade offices expired without achieving its collaboration objective or enhancing client information sharing so states can share credit with Commerce for helping companies make export sales. According to Commerce, by law, it cannot release its clients' confidential commercial information, and its policy is to make determinations on releasing information case by case, but it does not provide formal guidance to staff on what information sharing is allowable.

TPCC Initiatives to Promote Federal-State Collaboration in Export Promotion

Export Outreach Teams	Commerce Support of Global Cities Exchange	Commerce and State International Development Organizations (SIDO) Agreement
Commerce-and-SBA-led initiative to strengthen local networks of export service providers	Brookings Institution effort to expand metro areas' involvement in exports, e.g., mayors' offices, economic development entities	Collaborative effort between Commerce and state trade offices' organization to better coordinate export promotion services

Source: GAO analysis of SBA, Brookings Institution, and SIDO information.

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Abbreviations

Commerce	Department of Commerce
CS	Commercial Service
CTS	Client Tracking System
GPRA	Government Performance and Results Act
ITA	International Trade Administration
MOA	memorandum of agreement
MOI	memorandum of intent
NEI	National Export Initiative
SBA	Small Business Administration
SBDC	Small Business Development Center
SIDO	State International Development Organizations
STEP	State Trade Export Promotion
TPCC	Trade Promotion Coordinating Committee
USEAC	United States Export Assistance Center

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May 21, 2014

The Honorable Sam Graves
Chairman
Committee on Small Business
House of Representatives

Dear Mr. Chairman:

Given the importance of U.S. exports in supporting economic growth, in 2010, the President announced the National Export Initiative (NEI) aimed at doubling U.S. exports in the next 5 years.¹ The Office of Management and Budget (OMB) subsequently identified the NEI's goal of doubling U.S. exports as one of 14 interim crosscutting priority goals under the GPRA Modernization Act.² The NEI identifies increased coordination among the federal government and its nonfederal partners as a priority and a tool for increasing exports.³ Congress called for such coordination more than two decades ago in the Export Enhancement Act of 1992, which directed the President to establish the interagency Trade Promotion Coordinating Committee (TPCC) to coordinate U.S. government export promotion and export financing activities and develop a U.S. government-wide strategic

¹The President launched the National Export Initiative in his January 2010 State of the Union Address. Subsequently, in Executive Order 13534 (Mar. 11, 2010), the President established a new body, the Export Promotion Cabinet, to develop and coordinate the implementation of the NEI. The Export Promotion Cabinet is coordinated by a White House official, has most of the same member agencies as the Trade Promotion Coordinating Committee (TPCC), and is to coordinate its efforts with the TPCC. For a list of TPCC member agencies, see http://export.gov/advocacy/eg_main_022762.asp.

²This act calls upon OMB to develop long-term, outcome-oriented goals for a limited number of crosscutting policy areas and to provide information on how they will be achieved. Parts of the act do not come into effect until the 2015 budget is issued, but the act requires OMB to develop interim goals starting with the 2013 budget. Pub. L. No. 111-352, 124 Stat. 3866 (2011) (amending the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (1993)). For comments on each of the interim crosscutting priority goals provided in the President's budget, see GAO, *Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRA Modernization Act*, [GAO-12-620R](#) (Washington, D.C.: May 31, 2012).

³In September 2010, the Export Promotion Cabinet issued the *Report to the President on the National Export Initiative*, which is its plan for doubling U.S. exports in 5 years. All further references to the NEI in this report include the Export Promotion Cabinet and its activities.

plan for carrying out such federal programs.⁴ The act also called for the TPCC, chaired by the Secretary of Commerce, to review efforts by the states to promote U.S. exports and propose ways to develop cooperation between federal and state efforts.⁵

In light of the federal government's emphasis on the importance of promoting U.S. exports, you asked that we review federal and state collaboration in export promotion, which includes activities undertaken by government agencies to assist U.S. businesses with the process of bringing goods and services to market in other countries. This report examines (1) the main characteristics of federal and state export promotion efforts, including their collaboration, and (2) the extent to which the TPCC has advanced collaboration between state and federal efforts to promote U.S. exports.

To determine the main characteristics of federal and state export promotion efforts, including their collaboration, we compared their services, types of clients, and performance measures using information collected from documents and interviews from the Department of Commerce's (Commerce) Commercial Service (CS), the Small Business Administration (SBA), and state trade offices in five states (Florida, Minnesota, Oregon, Pennsylvania, and Virginia). We chose these states based upon the following criteria: presence of relevant Commerce and SBA officials; participation in export promotion initiatives we were evaluating; state trade office presence overseas; extent of state-level export promotion activities according to Commerce officials in Washington, D.C.; and state trade office staff size (mix of large and small). We chose these five locations to better understand and test federal initiatives to advance collaboration with state trade offices at the local level. This allowed us to assess federal implementation efforts overall, but these five locations are not representative of the situations in each of the individual 50 states.

⁴Pub. L. No. 102-429, § 201, 106 Stat. 2186 (15 U.S.C. § 4727).

⁵*Id.*

We also analyzed data collected by the State International Development Organizations (SIDO) in its annual member surveys for 2012 and 2013.⁶ We also determined the extent to which CS and state trade offices share operational costs and clients. We gained additional insights into how CS and state trade offices work together in providing their services by examining 2012 data in Commerce's Client Tracking System.⁷

To assess the extent to which TPCC has supported collaboration between federal and state efforts to promote U.S. exports, we focused on three initiatives identified by TPCC officials. We examined SBA guidelines for Export Outreach Teams, and the TPCC Interagency Communiqué about the teams; reviewed the memorandum of agreement (MOA) on the Metropolitan Export Initiative signed by Commerce and the Brookings Institution,⁸ as well as export plans for four metropolitan areas developed in the pilot phase of that initiative; and reviewed the memorandum of intent (MOI) signed by Commerce and SIDO, an agreement outlining plans to collaborate. We analyzed the information we gathered on the three initiatives to assess the extent to which their collaboration efforts were consistent with key practices and considerations for interagency collaboration identified by previous GAO work.⁹ We also interviewed officials from state trade offices; SBA District Offices; and U.S. Export Assistance Centers (USEAC) in Florida, Minnesota, Oregon,

⁶To assess the reliability of the survey data from the SIDO, we interviewed the SIDO representatives responsible for developing and implementing the survey, performed a formal review of the survey questionnaire for methodological quality, and performed data testing. We determined that some of the survey data were reliable for the purposes of this report.

⁷On the basis of interviews with knowledgeable agency officials and our assessment of the data for missing data, outliers, and obvious errors, we concluded that all data elements we assessed in the export successes data provided to us by Commerce were sufficiently reliable for the purposes of this report.

⁸The Brookings Institution is nonprofit public policy organization based in Washington, D.C.

⁹GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005). We identified these practices through interviews with experts on collaboration and a review of findings from a number of our previous reports on collaboration in the federal government; and *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012). To develop these considerations, we reviewed relevant literature, including our prior work, and interviewed experts in the area of collaboration.

Pennsylvania, and Virginia. Where recommended in those states, we interviewed other entities including trade associations, economic development organizations, and Small Business Development Centers (SBDCs). In addition, we interviewed officials from the mayors' offices in Miami, Florida; Minneapolis, Minnesota; and Portland, Oregon. In Washington, D.C., we interviewed officials from the TPCC, Commerce's International Trade Administration (ITA), as well as from SIDO, the National Governors Association, and the Brookings Institution. We took into account past GAO work on export promotion and related performance audits by the Commerce Office of Inspector General. We also reviewed the TPCC authorizing legislation, current and past National Export Strategies, and the President's NEI. See appendix I for further details of our objectives, scope, and methodology.

We conducted this performance audit from February 2013 to May 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Export promotion activities include efforts to raise awareness about exporting and to provide businesses with export counseling, training, and information on market opportunities; help connecting with potential buyers abroad; and help obtaining financing. Responsibility for export promotion is widely dispersed. Many federal and state agencies operate a wide variety of programs across the country and overseas that are intended, at least in part, to assist U.S. companies in entering foreign markets, or in expanding their existing presence in markets abroad.

Some of the 20 TPCC member agencies directly assist small businesses¹⁰ to export overseas, including Commerce, SBA, the Export-

¹⁰Throughout this report, we use the term "small businesses" in keeping with SBA's definition of a small business as an enterprise that is independently owned and operated, organized for profit, and not dominant in its field. SBA's definition of a small business also sets industry-specific standards for other factors, including maximum number of employees and annual revenue, to identify how large a company may be and still qualify for SBA assistance.

Import Bank, the Departments of State and Agriculture, and the U.S. Trade Development Agency. This review of export promotion efforts focuses solely on Commerce and SBA because their activities in this area are similar to those of state governments.

The TPCC Secretariat is housed in Commerce's ITA and takes the lead in coordinating the activities of federal export promotion activities and implementing the NEI through an annual National Export Strategy. The ITA also manages CS as part of its Global Markets unit. In most states, CS is the primary government entity providing federal export promotion services to non-agricultural businesses. Commerce's mission includes strengthening the international economic position of the United States by facilitating global trade and opening up new markets for U.S. goods and services. CS's network of domestic and international trade professionals seeks to increase exports of goods and services from the United States.¹¹ While CS's mission identifies small businesses as a particular focus of its export promotion efforts, CS assists companies of all sizes.

SBA's key roles in export promotion are to conduct outreach and provide training, counseling, and export financing for small businesses. Within SBA, the Office of International Trade has primary responsibility for export promotion efforts. The Office of International Trade field staff are mainly responsible for providing outreach, training, and technical assistance on SBA's export finance programs. In addition, one person in each of SBA's 68 District Offices is designated as a District International Trade Officer and provides basic export assistance as a collateral duty. The District International Trade Officers are managed by a separate SBA office, SBA's Office of Field Operations. SBA partially funds SBDCs, which are located primarily at colleges and universities as a cooperative effort among SBA, the academic community, the private sector, and state and local governments. Our January 2013 report on the SBA's role in export promotion noted that in addition to providing general business services, SBDCs may help businesses interested in exporting, particularly those that are new to exporting and need assistance with preparing their business to export.¹² The report also noted that while most SBDCs

¹¹See 15 U.S.C. § 4721.

¹²See GAO, *Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role*, [GAO-13-217](#) (Washington, D.C.: Jan. 30, 2013). SBA concurred with our recommendations.

provide export assistance as one of many business-development services, some SBDCs meet SBA's criteria to be designated as International Trade Centers that focus primarily on providing export assistance to businesses.

Every state government conducts some export promotion activities. State-level trade functions can be housed in various state government entities, including governors' offices, state departments of commerce, and state departments of economic development.¹³ State trade offices often have both domestic and international staff; while domestic staff generally are state employees, international staff may work directly for the state trade office or may work as contractors.

Federal and State Export Promotion Efforts Have Key Similarities but Vary in Staffing and Budgetary Resources, Performance Metrics, and Extent of Collaboration

The federal government and state trade offices across the country work to promote exports, offering similar services to similar types of clients, primarily small businesses. When government agencies and state trade offices have similar goals, activities, strategies, or beneficiaries, their programs may overlap. This overlap may be beneficial for clients if federal and state offices collaborate to better address the demand for export promotion services. However, gaps in collaboration may result in an inefficient use of limited resources dedicated to export promotion. We found that although federal agencies and state trade offices overlap to varying degrees in their provision of export promotion services, their staffing levels, resource levels, and metrics for measuring program effectiveness often differ. Furthermore, we found that although increased collaboration may increase the efficiency and effectiveness of overlapping export promotion efforts, the extent of collaboration between federal agencies and individual state trade offices varies widely.

¹³In this report, we refer to all state government entities providing export promotion as "state trade offices."

Federal and State Trade Offices Provide Similar Services to Help Small Businesses Export

In seeking to promote exports, the federal government and state trade offices provide services that overlap to varying degrees. By definition, overlap occurs when programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.¹⁴ Officials at both U.S. Export Assistance Centers (USEAC)¹⁵ and state trade offices that we visited told us that they are operating at capacity in terms of resources to meet the demand for their export promotion services. Consequently, officials at two USEACs and two state trade offices that we visited viewed the provision of similar services by different organizations as positive for beneficiaries of these services because the overlap meant that more resources were available to companies looking for help exporting. As we previously concluded, however, without enhanced collaboration, overlap may have a negative effect in that limited resources may not be used in the most effective and efficient manner.¹⁶ Furthermore, small business beneficiaries could be confused about how to access available services and unclear about who could best meet their needs.

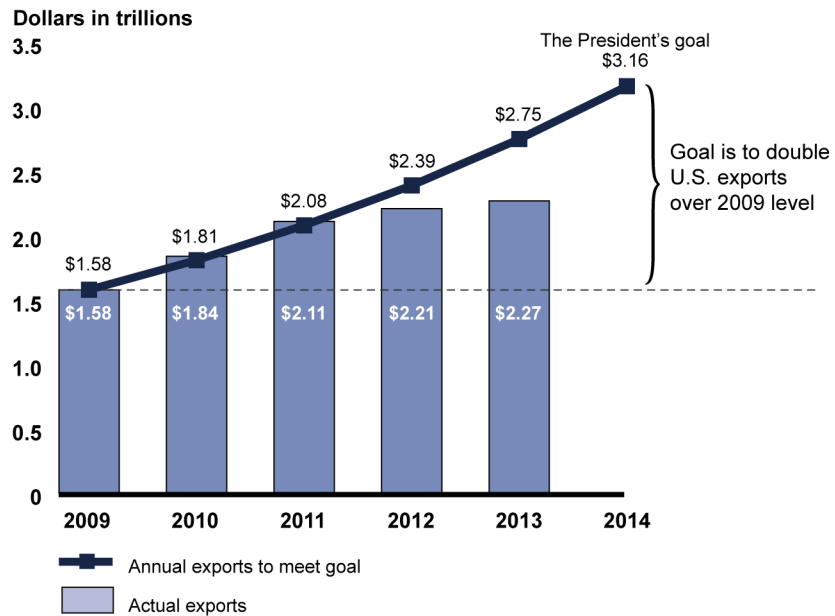
Federal and state efforts to provide export promotion services share the same goal: to strengthen the economy and create jobs. The President's National Export Initiative (NEI) articulates this goal in very specific terms, aiming to double U.S. exports (based on 2009 export levels) by the end of 2014. Export promotion is also a component of many state strategies for economic development and job creation. U.S. exports have increased substantially since 2009, reaching record levels in 2013; nevertheless, they have fallen short of the levels needed to attain the NEI goal. Figure 1 illustrates progress toward this goal.

¹⁴GAO, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-13-279SP](#) (Washington, D.C.: April 2013).

¹⁵USEACs are the more than 100 domestic offices where Commerce's CS operates, including where SBA, the Export-Import Bank, and sometimes state trade offices have staff colocated with Commerce's staff. USEACs were established to act as "one-stop shops" that would provide coordinated guidance on export promotion services and available financing. SBA's field staff—Export Finance Specialists—are colocated with Commerce in 19 USEACs throughout the United States.

¹⁶GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration and Performance Management for Financial Assistance Programs*, [GAO-14-335T](#) (Washington, D.C.: Feb. 6, 2014).

Figure 1: Total Dollar Value of Annual U.S. Exports, 2009 to 2013, and Export Level Needed to Meet 2014 National Export Initiative Goal



Source: GAO analysis; actual export data from U.S. Census Bureau.

Note: The line labeled in the legend "Annual exports to meet goal" represents the annual export totals required to achieve the 2014 goal of doubling exports over 2009 levels, assuming identical year-to-year percentage increases. Under this assumption, starting in 2010, export totals need to increase by 14.9 percent over the previous year's totals to double by 2014. Actual yearly export totals may vary from "Annual exports to meet goal." The "Actual exports" bars represent the actual annual exports from 2009 to 2013.

Commerce and SBA provide some of the same types of export promotion services, such as outreach, counseling and training, and trade leads, as most states do through their state trade offices. For example, as shown in table 1, we found this to be true in the five states we visited.

Table 1: Export Promotion Services Provided by the Department of Commerce's (Commerce) Commercial Service, Small Business Administration (SBA), and State Trade Offices in the Five States GAO Visited

Service	Commerce	SBA	FL	MN	OR	PA	VA
Outreach	X	X	X	X	X	X	X
Counseling and training	X	X	X	X	X	X	X
Trade leads	X		X	X	X	X	X
Financing		X	X				

Source: GAO analysis of Department of Commerce and SBA documents and information from state trade offices.

In prior work, we established the following definitions for the four types of export promotion services shown in table 1:¹⁷

- **Outreach.** Outreach can include any activity in which agencies generally increase public awareness about exporting, including seeking to inform businesses or other partners about the export promotion services offered by the federal government. Both Commerce and SBA conduct outreach to businesses. For example, outreach includes Commerce staff attending a trade show and counseling clients. Similarly, Commerce or SBA staff may conduct outreach at seminars and training sessions, where they meet businesses to identify potential clients interested in exporting.¹⁸
- **Counseling and training.** Counseling is specific to the needs of each business and can cover a variety of topics relating to international trade and exporting, such as helping a business identify a target export market or discussing logistics for shipping exported goods. For example, Commerce organizes trade missions for U.S. firms that want to explore and pursue export opportunities by meeting directly with potential clients in their markets. Commerce often refers businesses new to exporting to the SBDCs for export training. SBA also provides counseling and training, primarily through SBDCs.
- **Trade leads.** Trade leads, also known as matchmaking, refers to the process of connecting businesses with overseas buyers. Commerce leverages its international network of Commercial Officers to help U.S. businesses set up appointments with potential buyers abroad and to notify businesses when foreign buyers are looking to import U.S. goods, also known as matchmaking. Also, Commerce organizes trade missions for U.S. firms that want to explore and pursue export opportunities by meeting directly with potential clients in their markets. Typically, SBA does not provide trade leads but does hosts or co-sponsors events that link businesses to export management companies—intermediaries that represent a company's product overseas and reduce some of the risks associated with exports by managing the logistics of the process.
- **Financing.** SBA assists small businesses with export financing through its Office of International Trade. Of the states we visited,

¹⁷GAO-13-217. For a full list of services provided by Commerce, SBA, and other TPCC agencies, visit <http://export.gov>.

¹⁸SBA field staff engage in a variety of activities but are primarily responsible for providing technical assistance, outreach, and training on SBA's export finance programs.

Overlap of Federal and State Services

Florida is the only state that offers export financing; state trade offices generally refer interested clients to SBA and the Export-Import Bank for export financing help. While Commerce is not involved in export financing, its Commercial Officers at USEACs often refer interested clients to SBA and the Export-Import Bank.

Like the state trade offices in the five states we visited, most of the 28 state trade offices that responded to a 2013 SIDO survey also provide export promotion outreach, counseling and training, and trade leads. While not all states provide all services, the survey results showed that state trade offices provide a range of services such as outreach, which can include providing marketing materials; counseling and training, which can include export counseling and export readiness training; and trade leads, which may result from participation in or coordination of trade shows.

In our fieldwork, we found that the depth and breadth of services state trade offices provide vary depending on the availability of resources such as funding, staff, and overseas capacity. For example, the state of Florida's program provides export counseling, educational events, and international trade leads, including international trade missions and trade shows. Similarly, the Minnesota Trade Office offers organization of trade missions, export counseling, training programs on the export process, including creating an export plan, mitigating risk, and understanding trade regulations. Virginia also offers a number of export promotion services including counseling; training; trade missions; an array of services such as in-country market research provided by an extensive network of international consultants; and a 2-year business acceleration program for selected companies whose goal is to increase their export sales.

While Commerce charges fees for certain services, including those that provide trade leads, some states provide their services for free, subsidize businesses' participation in trade missions and trade shows, or both. For example, the Philadelphia USEAC operated by Commerce provides export counseling, market research, and trade events for a fee. However, the Pennsylvania state trade office provides those same services, in addition to market-entry strategy development and technical support, at no cost to businesses; moreover, the state trade office awards some grants to businesses to pay for or partially subsidize some export-related activities. Because Commerce charges fees, businesses in some states sometimes opt to seek the same or similar services from the state trade office rather than from Commerce, according to one state trade office official. Both Commerce and a state official from one of the states that we

visited noted that perceived quality of service also influences businesses' decisions in selecting a service provider for export promotion services.

Overlap of Federal and State Clients

In addition to providing similar services, the federal agencies offering export promotion services at the state level—Commerce and SBA—and most state trade offices primarily serve small businesses. According to Commerce, the majority of its customers are small businesses, although firms of any size may request its services. SBA, by law, offers services exclusively to small businesses. In 2012, 97 percent of the over 301,000 identified U.S. exporters that exported were small and medium-sized exporters.¹⁹ In the 2013 SIDO survey, of the 22 state trade offices that responded, most states reported that small businesses were their primary clients.²⁰ Four of the five state trade offices that we visited told us they work primarily with small businesses, although three said they also serve some larger companies.

Federal and State Export Promotion Efforts Vary in Staff and Budgetary Resources and in Metrics Used to Track Results

Domestic Staffing Levels

In most states, federal agencies and state trade offices have different levels of domestic staff resources available for providing export-related assistance to companies. As of February 2014, there were 265 domestic Commerce CS staff in the 108 USEACs located in every state with the exception of Delaware and Wyoming.²¹ SBA also has staff in every state that provides export services, and partially funds more than 900 SBDCs across the country. Most states have trade offices that also provide export-related assistance to businesses. One state trade office reported

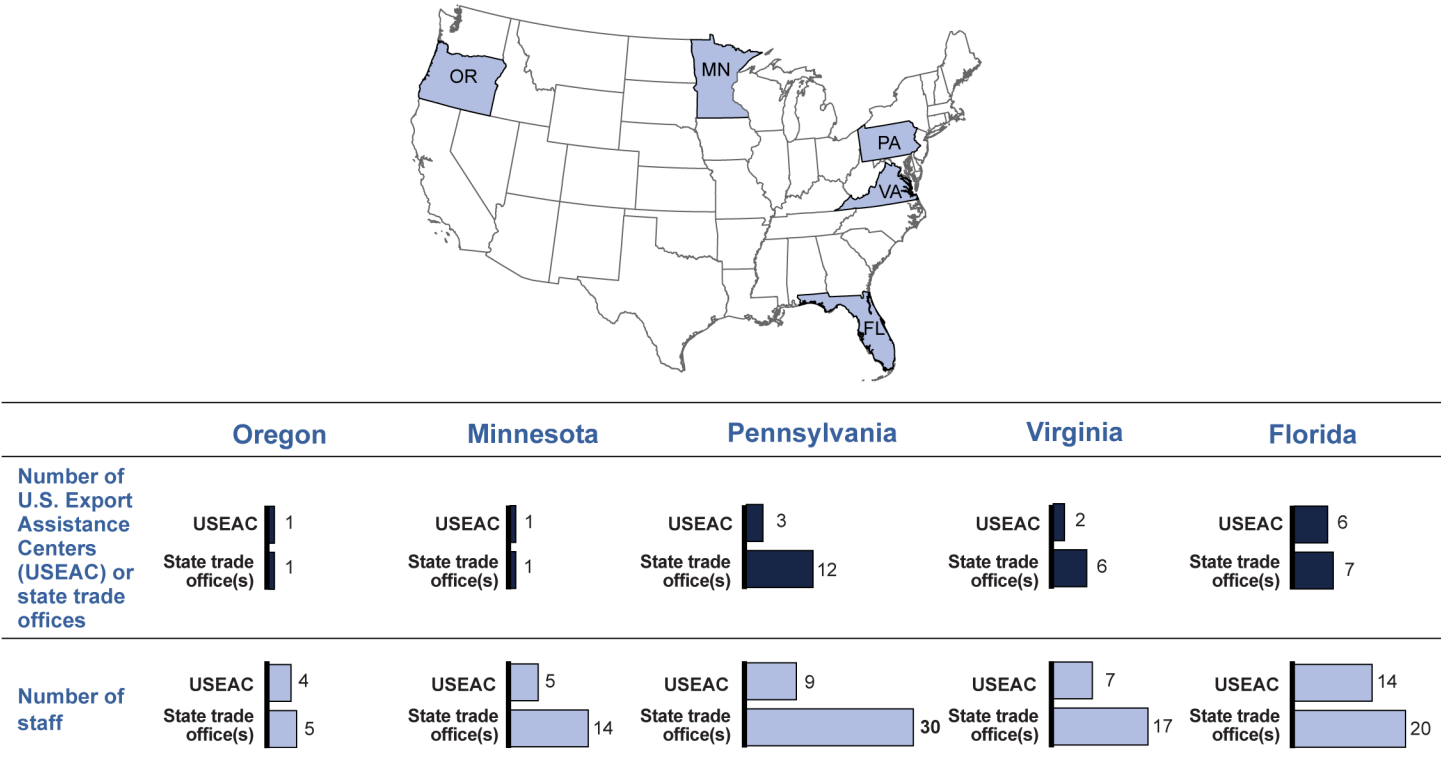
¹⁹Based on U.S. Census Bureau *2012 Preliminary Profile of U.S. Exporting Companies* (Dec. 4, 2013).

²⁰Twenty-eight states responded to the 2013 SIDO survey; however, not all states provided a response to all survey questions.

²¹According to Commerce officials, Delaware businesses are served by the Philadelphia USEAC, and Wyoming businesses are served through the Denver USEAC. Currently, 11 USEACs are unstaffed.

only 2 staff while another reported having 28 staff dedicated to international trade, according to the 2013 SIDO survey.²² As shown in figure 2, for the five state trade offices that we visited, staff numbers ranged from 5 full-time employees statewide to 30; the state export promotion employees in each state outnumbered the Commerce USEAC export promotion employees.

Figure 2: Overview of Commerce and State Trade Office Presence in Selected States



Source: GAO analysis of data from Department of Commerce and state trade offices.

Notes: The number of USEAC staff shown in this figure includes only those from the Department of Commerce. Department of Commerce USEAC and staff numbers are as of February 2014; state trade office figures vary in terms of month but are all for 2013.

²²In this survey, for example, 18 states provided numbers on their full-time equivalent (FTE) employees currently employed by their international economic development agencies; the numbers reported were to include all domestic personnel and personnel abroad, including state employees and contracted representatives. The mean number of officials reported was 13, with the middle 90 percent of states reporting in the range of 2.5 to 28 FTEs. The mean number of FTEs and ranges were similar for the 2012 SIDO data.

International Representation

Commerce has greater representation abroad than state trade offices. Commerce has 930 staff in offices in 72 countries abroad.²³ In 15 of these countries, no state trade office maintains its own representation.²⁴ An official from one state explained that Commerce's presence internationally is more important for state trade offices than Commerce's domestic offices in serving the needs of small businesses. This was because there is less overlap between states and the federal government overseas, according to this official, and a number of states do not have a presence overseas and rely entirely on Commerce for those services.

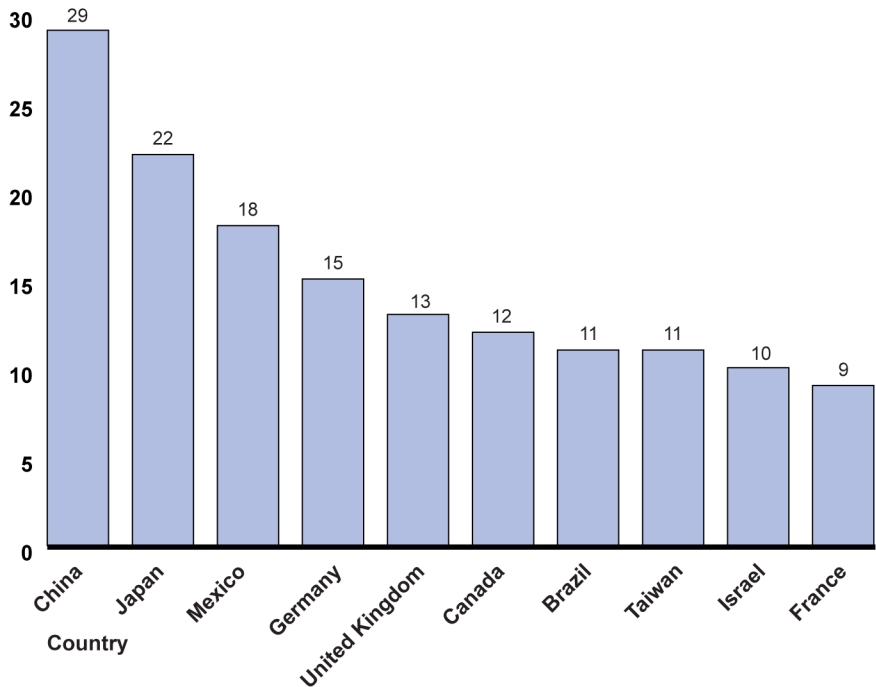
Nevertheless, many state trade offices have their own international representatives that provide services to businesses from those states similar to the services offered by Commerce's Foreign Commercial Officers. This representation is provided by either state employees or contractors hired as service providers, or both, and they provide these services to a country from offices located in-country or on a regional basis from offices not located in-country. While 38 state trade offices collectively have representation in 83 countries abroad, the number of countries in which individual state trade offices have representation varies. For example, Pennsylvania operates abroad relatively independently from Commerce through its own network of overseas contractors located in 22 countries from which the contractors serve 73 countries. Similarly, Virginia utilizes a combination of its own staff (in 2 countries), and overseas contractors, which constitutes a network that reaches 57 countries. Conversely, Oregon relies almost exclusively on its own staff and contractors in 4 countries where it has representation, but it relies heavily on Commerce in all the countries where it has no formal representation. Figure 3 shows the top 10 countries in terms of state trade office representation, with China, Japan, and Mexico having the most. See appendix II for more details on Commerce's and the states' export promotion representation overseas.

²³Commerce overseas staffing levels are as of November 2013.

²⁴We previously found that Commerce could improve its resource allocation planning practices to maximize the effectiveness of limited resources and that it could take steps to gather more complete information about export successes, one of the main Commerce performance metrics. See GAO, *National Export Initiative: U.S. and Foreign Commercial Service Should Improve Performance and Resource Allocation Management*, [GAO-11-909](#) (Washington, D.C.: Sept. 29, 2011).

Figure 3: Top 10 Countries in Which State Trade Offices Had Representation as of February 2014

Number of state trade offices with representation



Source: GAO analysis of data from state trade offices.

Budgetary Resources

- In fiscal year 2013, Commerce's ITA dedicated \$267.5 million of its total budget to export promotion. SBA's Office of International Trade, which provides export financing and promotion services to small businesses, had fiscal year 2013 total program costs of approximately \$9.8 million. Additionally, SBA's export-related loans amounted to approximately \$1.2 billion in fiscal year 2013.²⁵ The total amount of money spent on federal export promotion is unclear because comparable budget information for federal agencies involved in export promotion is not readily available, as we found in July 2013.²⁶

²⁵Congressional Research Service, *Small Business Administration Trade and Export Promotion Programs*, R43155 (Washington, D.C.: Jan. 22, 2014).

²⁶GAO, *Export Promotion: Better Information Needed About Federal Resources*, [GAO-13-644](#) (Washington, D.C.: July 17, 2013).

Metrics Used to Measure Performance

State governments vary greatly in the budgetary resources they provide for export promotion. According to the 2013 SIDO survey, among the 14 state trade offices that responded to this question, office annual budgets ranged from \$80,000 to \$6.2 million, with 90 percent of the 14 states having budgets ranging from \$420,000 to \$1.75 million.²⁷ The 5 state trade offices we visited had budgets for export promotion that ranged from \$1.9 million to over \$5 million annually for fiscal year 2013. In the 2013 SIDO survey, of the 23 states that responded to this survey question, over half reported no significant changes in their overall budgets from the previous year.

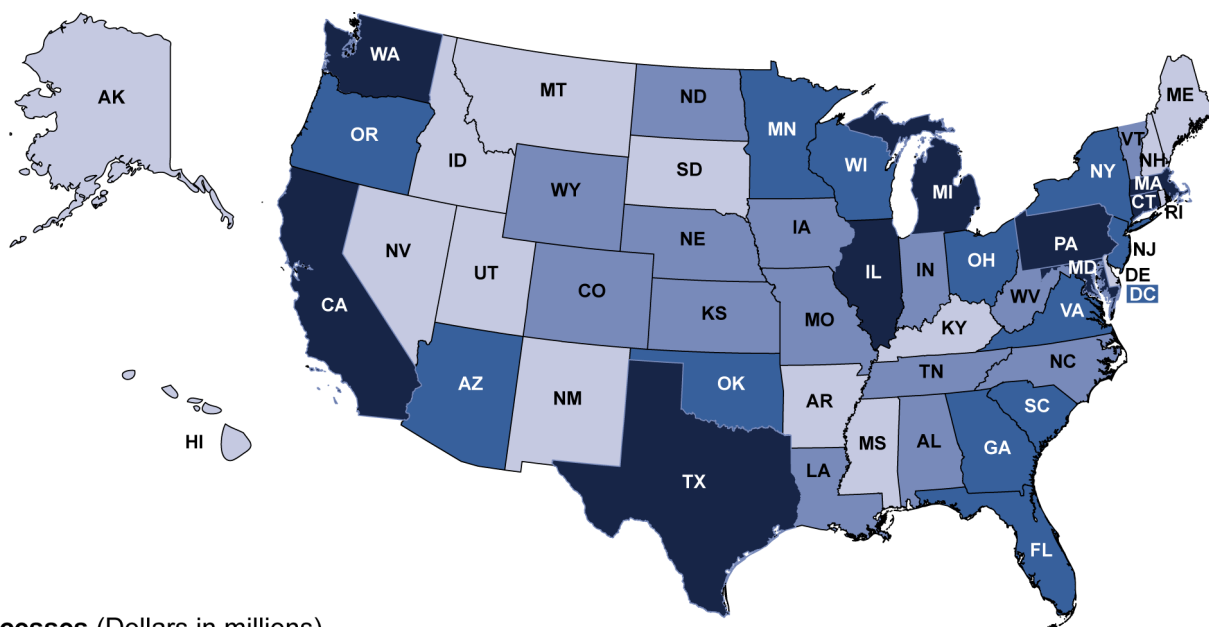
Organizations define performance metrics to reflect priorities, measure achievement, and create incentives for management and staff. Measuring performance allows organizations to track the progress they are making toward their goals and gives managers crucial information on which to base their organizational and management decisions.²⁸ Commerce primarily uses “export successes” to measure performance. When any Commerce trade-promotion activity successfully assists a U.S. company to export a product or service, Commerce staff document an export success that is verified by Commerce management.²⁹ The total dollar value of Commerce export successes in each state varies greatly, with, for example, export successes from Alaska totaling \$370,000 in 2012 and export successes from Washington exceeding \$10 billion for that same year (see fig. 4).

²⁷In this survey, 14 states provided numbers on their state trade promotion budgets, including both domestic costs and costs for overseas offices and contractors. The average 2013 budget reported by these states was about \$960,000, with the totals ranging from \$72,000 to \$3.3 million, and with all but three of the 14 states having budgets between \$200,000 and \$1.74 million. The average budget and overall range for the 21 states that responded to the budget question on the 2012 SIDO data were similar to those for 2013. Note that these data are only illustrative and cannot be generalized to all states as many did not respond to this question in the SIDO survey.

²⁸GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs’ Collaboration, Data-Tracking, and Performance Management*, [GAO-13-452T](#) (Washington, D.C.: Mar. 20, 2013).

²⁹An export success is defined as a Commerce service, rendered by locally employed staff, Foreign Service Officers, or USEAC staff that facilitates (1) a sale of a product or service; (2) a commercial agreement (distribution, wholesale, or joint venture); or (3) an overseas activity resulting in revenue for a U.S. company or its affiliate or subsidiary.

Figure 4: Dollar Value of Commercial Service Export Successes by State Groupings, in Fiscal Year 2012



Export successes (Dollars in millions)

Over \$500 million		\$100 - \$499 million		\$11 - \$99 million		Under \$10 million	
State	Export success amount	State	Export success amount	State	Export success amount	State	Export success amount
WA	10,118.73	AZ	479.17	LA	96.86	MS	7.19
CA	2,419.81	GA	355.48	NC	67.14	NM	5.06
CT	2,413.05	FL	344.36	CO	64.69	NH	4.63
IL	2,096.20	OR	240.00	AL	55.05	ID	4.19
DC	1,596.37	SC	172.10	ND	52.49	SD	3.96
MI	1,457.66	MN	157.07	IA	47.78	RI	3.30
VA	1,203.66	KS	150.22	MO	43.79	MT	2.40
NY	1,199.49	OH	137.98	WV	40.46	ME	0.92
PA	1,170.62	WI	134.73	TN	38.57	AK	0.37
NJ	775.18	OK	132.84	NE	16.64		
MA	745.00	IN	116.99	DE	16.29		
TX	715.47			WY	15.87		
MD	711.96			KY	14.43		
				VT	13.19		
				NV	12.27		
				HI	11.08		
				UT	10.86		
				AR	10.09		

Source: GAO analysis of Department of Commerce data; Map Resources (map).

Note: Export successes reported for fiscal year 2012 represent those approved in fiscal year 2012, which include some export successes that occurred in previous calendar years.

State trade offices use a variety of metrics to gauge progress, including measures similar to Commerce export successes. According to the 2013 SIDO survey, the 26 state trade offices that responded to these survey questions reported using one or more of the following categories to measure export promotion activities:³⁰

- dollar amount of export transactions assisted by the state;
- number of jobs created or retained;
- number of new clients assisted;
- quality of service provided to clients;
- number of deals made;
- number of deals anticipated; and
- total state export value.

States that we visited also used a variety of metrics to measure export promotion activities. One trade office tracked export sales that it helped generate using a methodology similar to the one used by Commerce to track export successes, whereas another state trade office used client satisfaction surveys exclusively. This state trade office Director explained his office focuses on quality of services because his office has no direct influence on whether a given client company actually exports. In contrast, another state trade office uses a formula for measuring performance that incorporates several variables, such as the number of companies served annually, the number of export activities in which a company participates (i.e., attending a trade show, meeting with a distributor), and the total export sales assisted by the state trade office.

The Extent of Federal and State Collaboration Varies Widely

In the five states we visited, we found that the extent of collaboration between federal and state trade offices ranged from no collaboration in one state, to very little collaboration in another, to close collaboration between federal and state export promotion providers in three states. According to federal and state officials with whom we spoke, factors affecting their level of collaboration included physical proximity, level of communication, and resource levels. In addition, we note that state offices report to their own executive and legislative bodies, and state trade offices determine their own priorities and are not obligated to

³⁰Some states also reported that they had separate performance measures for overseas offices.

collaborate with federal agencies.³¹ States that do choose to collaborate with federal partners in trade promotion primarily interact with Commerce but also collaborate with SBA, both to varying degrees.

Among the five states we visited, we found little to no collaboration with federal agencies in two states. One state Director described the state's relationship with Commerce export promotion staff in his state as cordial but involving virtually no interaction. In another state, we found minimal interaction between the state trade office and the state's USEACs. In both states, local federal officials agreed that they had a limited relationship with their state counterparts. Both these state trade offices are well-funded and provide export assistance services through their networks of in-state trade offices and extensive networks of international offices staffed by contracted service providers. The Directors of both state trade offices noted that in most cases they opt not to work with Commerce because their experience has been that Commerce response times are slow and that the quality of the service inconsistent. For example, one state Director said that his state provides export promotion assistance faster, better, and cheaper than Commerce. However, both states collaborate with Commerce overseas when their staff or contractors are not located in a country or are unable to meet the demand for services from exporters. Both states also minimally collaborate with SBA; one state refers new-to-export companies to SBDCs for training, while the other state refers companies that need export financing to SBA.

In contrast, we found that staff in three of the five state trade offices we visited work closely with Commerce. Officials from these state trade offices explained that the services their offices provided complement Commerce's services, and they cited colocation or proximity of offices and good communication as factors that facilitate collaboration.³²

³¹We previously reported that Commerce and the majority of states provide many of the same types of export promotion services, but that some states have limited budgets and staff. Partly as a result of this limited capacity, most states reported that Commerce's services are important to their export promotion capabilities and have partnered with Commerce's offices. See GAO, *Export Promotion: Commerce Needs Better Information to Evaluate Its Fee-Based Programs and Customers*, [GAO-09-144](#) (Washington, D.C.: Mar. 4, 2009).

³²Fifteen USEACs are colocated (share office space) with a state economic development partner, which may include state trade office staff. In an example of proximity, Commerce and Business Oregon are located in the same building, which makes collaboration among their staff easier because it allows them to be more aware of and more easily build on each other's work.

According to Commerce's client management system,³³ for fiscal year 2012, state trade offices or other state government offices or agencies are among Commerce's most frequent partners in achieving export successes.³⁴

- In one state, Commerce and state officials characterized their working relationship as seamless and their services and activities as complementary. For example, the state organizes trade missions while Commerce helps with recruiting companies and arranges one-on-one meetings with prospective buyers. Similarly, officials told us that in some cases the state trade office provides funding to businesses that is used to purchase Commerce's services. This state trade office and Commerce also occasionally provide joint counseling to some companies, according to state trade office officials.
- In another state trade office, located in the same building as Commerce, the Director believed that a primary factor encouraging collaboration was that both offices had small staffs whose members knew each other well. According to state trade office officials, this state's trade staff and Commerce's staff provide joint counseling services and promote one another's services to businesses. This state trade office also collaborates with Commerce and SBA to deliver export-focused training intended to provide introductory information to businesses on the exporting process and available federal resources to nonexporting companies.
- A third state trade office described its relationship with Commerce as complementary and noted that the organizations collaborate on joint trade missions and activities that bring together businesses interested in exporting with potential buyers. State trade office officials noted that Commerce relies on the state for their export education programs and that the state works mostly with new-to-export companies. This state trade office refers only companies who require very basic assistance, such as basic accounting information, to SBDCs. The Director of the state trade office commented that any duplication in the services

³³Commerce's client management system for tracking fee-based and non-fee-based activities, including interactions with clients, does not require staff to complete the field where a partnership on an export success may be reported.

³⁴Also, a 2012 Commerce Inspector General survey reported that state trade offices are among Commerce's most frequent collaboration partners. Other partners included other federal agencies and private sector organizations.

provided by Commerce and her office would not be a concern because the demand for export assistance in the state was so great.

In two states we visited, SBA grants to state trade offices through the State Trade and Export Promotion (STEP) program have facilitated collaboration with Commerce and SBA.³⁵ In those states, for instance, Commerce refers their clients to state trade offices for STEP funding. The state trade offices reported using STEP funds to expand their services or replace lost state funding and said they were able to provide for export-related activities such as attendance at trade shows and to purchases of Commerce services. For example, Minnesota's Trade Office was using STEP funds to provide matching funds to Minnesota businesses for export activities and their expenses, including trade missions. As another example, in partnering with a local SBDC, Florida's trade office was using STEP funds to help new-to-export businesses create strategic exporting plans.

TPCC Initiatives to Promote Federal-State Collaboration Have Had Limited Results, Due in Part to Inconsistent Use of Key Practices

Three TPCC initiatives utilize networks of state and local governments and other partners to advance federal-state collaboration in promoting U.S. exports. These efforts have produced limited results, however, in part because they have not consistently implemented key collaboration practices. In prior work, we found that collaboration is enhanced when collaborating partners follow certain key practices, such as articulating common outcomes; agreeing on roles and responsibilities; monitoring, evaluating, and reporting on results; and leveraging resources. In states we visited, we found weaknesses in the implementation of Export Outreach Teams, a TPCC initiative that was to be co-led by Commerce and SBA. Similarly, we found that TPCC's involvement in a Brookings Institution effort to engage metropolitan area economic development groups in export promotion has unknown implications for federal export promotion efforts and resources. Finally, an agreement between Commerce (the TPCC Chair) and a national group representing state

³⁵STEP was a 3-year pilot trade and export initiative authorized by Section 1207 of the Small Business Jobs Act of 2010 (Pub. Law 111-240, Sept. 27, 2010) and funded at \$30 million per year for the first 2 years. Under the program, SBA made matching-fund grants to states to assist "eligible small business concerns" enter and succeed in the international marketplace. Services under the program were funded in part by SBA but were provided to eligible small business concerns—or "STEP Clients"—by STEP grant recipients located in most states and territories and the District of Columbia. During the first 2 years of this program, SBA awarded approximately \$60 million.

trade offices expired without achieving its collaboration objectives and without Commerce addressing ways for it to share within legal restrictions more information about its clients with state trade offices.

Collaboration Is Enhanced When Participants Follow Key Practices

In prior work, we found that federal agencies face a range of challenges and barriers when they attempt to work collaboratively. Such challenges and barriers also exist—and sometimes to an even greater degree—when federal agencies partner with state and local governments, nonprofit organizations, and the private sector. However, our prior work has also identified practices that can help to enhance and sustain collaboration among agencies and thereby maximize performance and results, and we have recommended that agencies follow them.³⁶ Among the key collaboration practices we have identified and recommended in prior work are the following:

- Define and articulate a common outcome.
- Identify and address needs by leveraging resources.
- Develop a mechanism to monitor, evaluate, and report on results.
- Agree on roles and responsibilities.
- We have also found that there are key issues to consider when implementing collaborative mechanisms. These include leveraging resources, such as human, information technology, physical, and financial resources to sustain a collaborative effort, and composing written guidance and agreements documenting how the parties to the agreement will collaborate and a way to update the guidance and agreements as needed.³⁷

The enhanced federal-state collaboration in export promotion envisioned in the NEI calls for the implementation of some of these key collaboration practices. In its 2010 report to the President on the NEI, the Export Promotion Cabinet identified improved coordination with state government trade offices as a priority, and called for federal agencies to make joint planning the standard procedure in all states that have export promotion programs. The Export Promotion Cabinet also stated that interagency coordination could be strengthened and that federal-state partnership could be particularly helpful in identifying potential exporters to meet the NEI goal. In addition, the subsequent National Export

³⁶[GAO-06-15](#).

³⁷[GAO-12-1022](#).

Strategies highlighted collaboration with state and local governments as a priority.³⁸

TPCC Has Identified Three Initiatives to Enhance Federal-State Collaboration

In support of the NEI, the TPCC's two most recent National Export Strategies made enhancing federal-state collaboration on export promotion a priority. The 2011 and 2012 strategies called for increasing collaboration with state export promotion programs and metropolitan areas. Accordingly, the TPCC identified three initiatives intended to increase U.S. exports under the NEI and enhance collaboration between federal and state efforts: (1) Export Outreach Teams, created to increase local awareness of export promotion resources and facilitate collaboration among local networks of export promotion service providers; (2) collaboration with the Brookings Institution to support its Global Cities Exchange (initially referred to as the Metropolitan Export Initiative), as part of TPCC efforts to expand export promotion activities in metropolitan areas; and (3) a memorandum of intent (MOI) with a national organization that represents state trade offices from across the country, as part of TPCC efforts to work with national organizations with common interests. The TPCC highlighted the first two initiatives in its 2011 and 2012 strategies, and TPCC officials told us that the MOI was important to federal-state collaboration.

Efforts to Improve Local Networks of Export Promotion Service Providers Have Had Limited Results Due to Implementation Weaknesses

The TPCC promoted Export Outreach Teams as a mechanism for bringing together the various organizations that provide export promotion services in a locale to share information with small business service providers. The Export Promotion Cabinet's 2010 report to the president on NEI and the TPCC's 2011 and 2012 National Export Strategies discuss the role of these teams in leveraging state and local resources to help small businesses export successfully. Export Outreach Teams were originally a pilot program launched by SBA in 2010 as a way to inform small business service providers about local available export resources provided by the various federal agencies, state trade offices, and their partner organizations. Small business service providers include Small Business Development Centers, Women's Business Centers, SCORE

³⁸Furthermore, the Export Enhancement Act of 1992 called for the TPCC to review efforts by the states to promote U.S. exports and propose ways to develop cooperation between federal and state efforts. A Commerce official noted that federal agencies do not have authority over state trade offices and can only encourage their willingness to cooperate.

offices,³⁹ local economic development agencies, trade associations, and chambers of commerce.

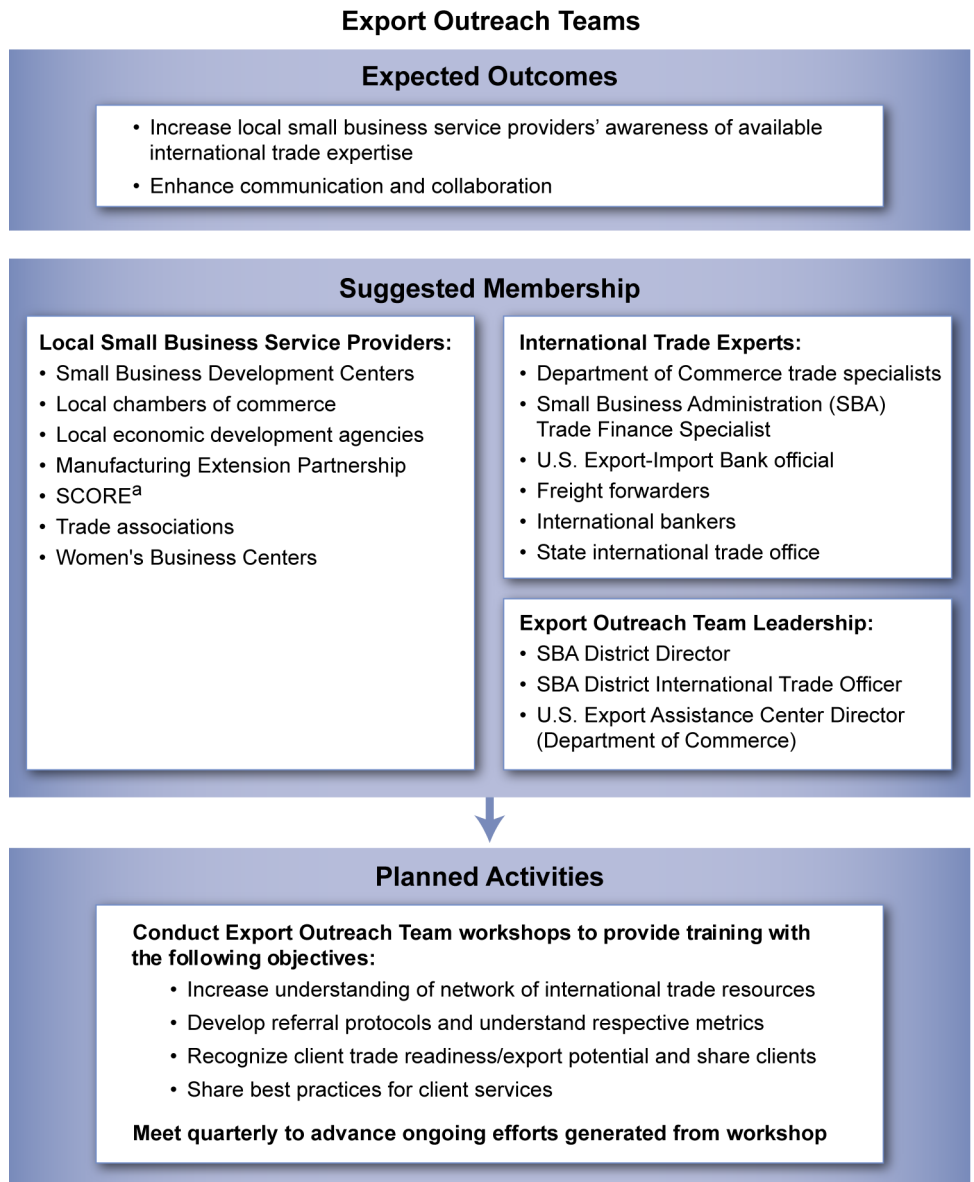
In 2012, the Export Promotion Cabinet and TPCC issued an interagency communiqué that expanded SBA's Export Outreach Teams across the country. In keeping with a key collaboration practice described above, the communiqué outlined two main purposes, or common outcomes, for the Export Outreach Teams:

- to increase local small business service providers' awareness of available international trade expertise and
- to enhance communication and collaboration.

According to the interagency communiqué, Export Outreach Teams were to serve as a forum for collaboration by including export promotion agencies from all levels of government—federal, state, and local. As a first step, the communiqué called for team members, including staff from Commerce's CS, SBA, SBDCs, state trade offices, and small business service providers to participate in workshops with activities meant to advance the program's objectives. One of those activities was the formation of referral protocols that would help to establish roles and responsibilities and to leverage available resources. These referral protocols were intended to help ensure that local businesses could find the right export promotion service provider for their particular needs. The interagency communiqué stated that Export Outreach Teams were to hold a workshop by September 30, 2013, and that the teams should convene quarterly thereafter. Figure 5 shows the expected outcomes, suggested membership, and planned activities of Export Outreach Teams.

³⁹SCORE is an SBA-supported nonprofit association that provides assistance to help start and expand small businesses through a network of over 11,000 volunteers nationwide.

Figure 5: Expected Outcomes, Suggested Membership, and Planned Activities of Export Outreach Teams



Source: GAO analysis of Trade Promotion Coordinating Committee Interagency Communiqué and SBA Export Outreach Team Facilitator's Guide.

^aSCORE is an SBA-supported nonprofit association that provides assistance to help start and expand small businesses through a network of over 11,000 volunteers nationwide.

The interagency communiqué called for both Commerce and SBA to be co-managers of the Export Outreach Teams, but SBA, whose role in federal export promotion efforts has grown in recent years,⁴⁰ took the lead in implementing the initiative in its 68 SBA districts across the country. SBA provided detailed guidance to each District Office on how to conduct the initial team workshops described in the communiqué. SBA tracked the dates and numbers of attendees of the initial workshops of the Export Outreach Teams through 2013 and reported that all but one district held its initial workshop by the September 30, 2013, deadline. In February 2014, SBA distributed to the District Offices a separate document to track the Export Outreach Teams' quarterly meetings; that document requested information from District Offices about the agencies represented, the activities planned, and the topics covered at the meetings.

Despite TPCC and SBA efforts to provide guidance on achieving the objectives of the Export Outreach Teams, we found weaknesses in their implementation that limit their ability to enhance federal-state collaboration.

- First, the team memberships and activities were inconsistent with the guidance. In some instances, not all relevant participants were present at the workshop, while in other instances, the events reported as Export Outreach Team workshops did not have the purpose of facilitating interagency collaboration. For example, in one location we visited, state trade office officials were not aware that the local Export Outreach Team existed, and at another site, the Export Outreach Team had not included state trade office representatives in its initial workshop. According to an SBA document that tracked the attendees at the first meetings of all Export Outreach Teams, the participants in the meetings varied widely. Teams reported from 4 to 220 attendees at their initial workshops,⁴¹ and some meetings reported as Export Outreach Team events were larger conferences, presentations to small businesses, or other events not intended to serve as a forum for interagency and intergovernmental coordination. Officials at two locations we visited reported that presentations about SBA's export financing programs were Export Outreach Team workshops, and in one location we visited, the Export Outreach Team workshop was in

⁴⁰GAO-13-217.

⁴¹Some locations did not provide a final tally of all attendees.

fact a presentation to private companies, not the intended meeting to coordinate local export promotion resources.

- Second, we identified and examined two referral protocols developed by Export Outreach Teams and both lacked important details that would facilitate the referral process and better communication and collaboration. Specifically, the protocols were not consistent with the key collaboration practice of agreeing on roles and responsibilities. For example, the protocols we examined lacked important details that would facilitate the referral process such as information about federal, state, and local agency responsibilities and the circumstances under which a business would be referred from one agency to another. Furthermore, SBA officials did not emphasize the importance of the referral protocols, rather stating that they were a desirable but not a necessary outcome of the teams. Referral protocols with clear roles and responsibilities can help federal and state officials determine when to refer businesses to each other, for assistance, and to avoid delays and confusion on the part of businesses seeking export assistance.
- SBA recently created a document to track the Export Outreach Teams' quarterly meetings and, as of March 2014, plans to use it to collect, review, and use the information to manage the program. Without monitoring, evaluating, and reporting on results, SBA does not know whether the teams are reaching out to and including the appropriate organizations, such as state trade offices; whether the teams are meeting regularly as intended; and whether the teams are exploring ways to foster better collaboration through referral protocols or other means. Therefore, SBA has lacked pertinent information needed to make decisions in managing the program, including how to adjust the program to strengthen local networks of export promotion service providers so that businesses receive the best possible assistance. As a result, until the TPCC and SBA collect and review information on the program, they cannot ascertain the extent to which Export Outreach Teams are achieving their objectives to increase awareness of local export resources and enhance collaboration between federal and state agencies.

Initiative to Engage Metropolitan Entities Has Unknown Implications for Federal Export Promotion Efforts

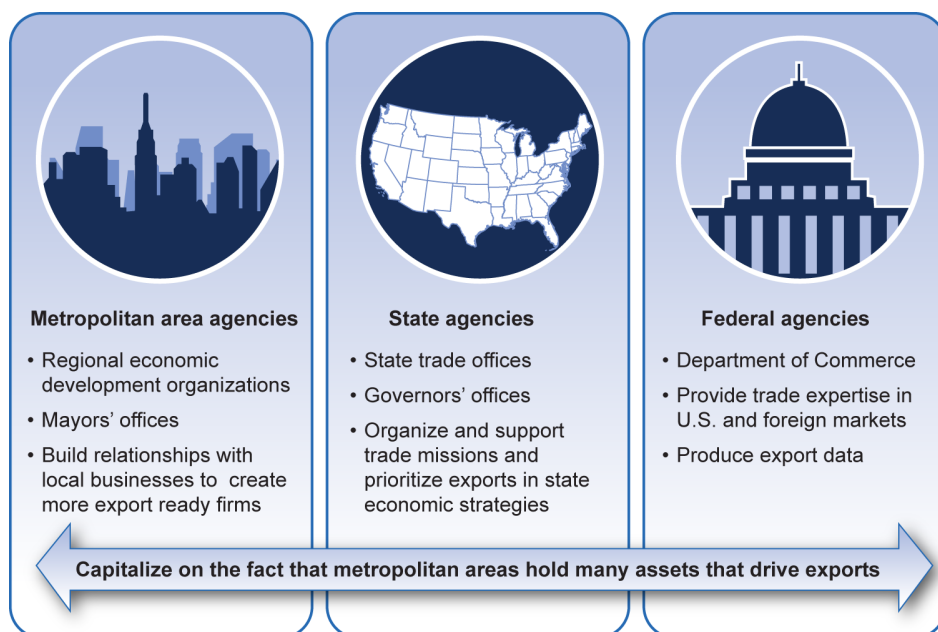
TPCC officials sought to enhance collaboration among regional, state, and local economic development entities to increase their involvement in export promotion through a Commerce collaboration with the Brookings Institution's Global Cities Exchange (hereafter referred to as Global Cities).⁴² Initially launched as the Metropolitan Export Initiative, Global Cities was established to engage metropolitan area governments and other local entities in collaboration with federal and state providers to increase exports and economic growth and to broaden global economic engagement. The TPCC's 2011 and 2012 National Export Strategies describe this initiative as a tool for federal collaboration with state and local governments, and the TPCC has identified it as a mechanism to broaden export promotion efforts to include new partners and help reach the goal of the NEI. According to the 2012 strategy, collaboration with metropolitan areas is particularly important because metropolitan areas account for most of the nation's exports and are home to each region's unique concentration of capital, investment, and innovation. According to the Brookings Institution, Global Cities will increase U.S. exports by leveraging the knowledge and connections of local economic development leaders to proactively identify firms and sectors with the greatest export potential, coordinate fragmented export assistance providers, and leverage limited resources for maximum benefit. As shown in figure 6, federal, state, and metropolitan agencies are to combine their varied missions, functions, and perspectives to achieve the Global Cities objective of enhancing each metropolitan area's exports. Other participating organizations include universities, chambers of commerce, and regional economic development organizations. In 2011, Global Cities started in Los Angeles, California; Minneapolis-St. Paul, Minnesota; Portland, Oregon; and Syracuse, New York. Another 16 locations started the process as of December 2013.⁴³ Ultimately, according to the

⁴²The Global Cities Exchange is a component of the Brookings Institution's Global Cities Initiative. According to a representative of the Brookings Institution, the Global Cities Initiative aims to catalyze a shift in economic growth policy that results in more globally competitive metropolitan areas by positioning them for high-quality growth and better jobs for more workers in the 21st century.

⁴³As of December 2013, Global Cities had expanded from the first four locations to also include the following cities: Atlanta, Ga.; Charleston, S.C.; Chicago, Ill.; Columbus, Ohio; Des Moines, Iowa; Greenville, S.C.; Indianapolis, Ind.; Jacksonville, Fla.; Louisville/Lexington, Ky.; Milwaukee, Wisc.; Phoenix, Ariz.; Sacramento, Calif.; San Antonio, Tex.; San Diego, Calif.; Tampa, Fla.; and Wichita, Kans. As of April, 2014, the Brookings Institution has not announced the remaining eight locations.

Brookings Institution, Global Cities is to be implemented in a total of 28 metropolitan areas.

Figure 6: Metropolitan Export Initiative/Global Cities Exchange



Source: GAO analysis of Brookings Institution information; Map Resources (map).

Los Angeles, Minneapolis-St. Paul, Portland, and Syracuse have completed metropolitan export plans, each of which includes performance measures. The export component of Global Cities' performance measures vary by location and include the value of exports as a percentage of regional gross domestic product, the increase in the number of new-to-export firms, the increase in the number of markets to which local companies export, and the number of new firms entering the export supply chain. A Brookings Institution representative noted that measuring performance across the large and diverse group of organizations involved in Global Cities' efforts is a challenge and that Global Cities is hoping to establish coordinated services and develop success stories with specific companies.

Commerce has provided resources to support Global Cities in the form of staff time and expertise provided at the local level, as specified in the memorandum of agreement (MOA) that Commerce signed with the Brookings Institution in September 2011. Consistent with key practices for

collaboration, the MOA specified how Commerce would participate in the initiative in terms of roles and responsibilities and what resources Commerce would devote in four pilot locations.⁴⁴ Subsequently, Commerce made several contributions to the program under the MOA, including providing data on global demand for U.S. exports in each metropolitan area. Furthermore, Commerce staff in each of the four pilot cities provided expertise to help develop metropolitan export plans, which outline strategies for increasing exports in each location. In some Global Cities locations—such as Minneapolis-St. Paul, Minnesota; Portland, Oregon; and Tampa Bay, Florida—Commerce officials have participated in the planning, development, and implementation of Global Cities projects, including the development of a document describing local export-related resources, providing export-related training to economic development professionals, and assisting with a survey of companies to understand the perceived challenges they face related to exporting their goods and services.

The MOA expired in April 2012, and Commerce and the Brookings Institution do not plan to renew the agreement. However, Commerce will continue to support Global Cities through its USEACs at the local level as the program expands to a planned 28 metropolitan areas. A Brookings Institution representative stated that the MOA was only intended for the initial stage of the program. Similarly, Commerce officials told us they did not think it was necessary to renew the agreement with the Brookings Institution because they consider their role as limited to advising when requested and helping to inform Global Cities' participants in new metropolitan areas about federal export promotion programs and services. Furthermore, Commerce officials told us that, because the Global Cities projects are implemented locally and facilitated by the Brookings Institution nationally, Commerce does not need a process to track and report on the results of the initiative in each city.

Brookings officials told us that their initiative was meant to increase interest in exporting, not to create new export promotion service providers. Thus, to the degree the initiative is successful, it will put new demands for export promotion services on federal and state export

⁴⁴Under the MOA, Brookings had primary responsibility for implementation—including the identification of local leaders for the program and providing data analysis. Brookings also provided technical assistance in developing metropolitan export plans and in surveying local exporting businesses.

promotion agencies. Of the 20 currently established Global Cities locations, 6 are served by a Commerce office of one employee. In locations we visited, Commerce officials told us that a lack of staff resources was already a concern, which would make it challenging to respond to an increase in demand from local businesses for export promotion services.

As mentioned previously, metropolitan areas participating in Global Cities plan to track their progress through performance metrics specified in their metropolitan export plans. However, to date, Commerce has not requested these data. Therefore, the impact of the initiative is still uncertain. Commerce has no plans to monitor results, which is inconsistent with key collaboration practices. With no system in place to monitor the results of the Global Cities initiative, Commerce lacks information needed to participate effectively because it cannot anticipate any increased demand for its export promotion services that the program may generate, or know when to shift resources to certain metropolitan areas with a greater potential for enhancing U.S. exports. Moreover, without such information, Commerce would be unable to identify the most successful Global Cities efforts and to draw lessons from them that could be applied more widely to enhance federal, state, and local collaboration to achieve NEI goals.

Collaboration with SIDO and Other National Organizations Has Had Limited Results

The third initiative to enhance federal-state collaboration identified by TPCC officials aimed to improve collaboration with national organizations that have shared interests in expanding U.S. exports. This initiative focused on strengthening Commerce's relationship with the State International Development Organizations (SIDO), the only national organization devoted exclusively to supporting international trade development through state trade offices.⁴⁵ TPCC agencies also work with other national nonprofit organizations, including the National Governors Association and the U.S. Conference of Mayors. For example, the National Governors Association is developing a means to track and share

⁴⁵SIDO members include state international trade agencies across the country. Through close partnership with the Council of State Governments, SIDO provides a forum where states regularly engage in trade promotion activities by bringing together state and local level international development professionals to share ideas and enhance skills. SIDO is based in Washington, D.C., but relies primarily on the active involvement of state trade directors across the country, including its board of directors, to ensure that all activities focus on the immediate needs of the states.

information on trade missions involving state governors. However, promoting trade is not the primary purpose of these two entities.

SIDO's mission is to provide a forum for collaboration and sharing best practices, advocating for states' international trade and development issues, and supporting the goals of the NEI through coordination of federal and state resources. A SIDO official told us that while many states have good collaborative relationships with federal officials at the local level, there was less collaboration at the national level in Washington, D.C. Both Commerce and SIDO were hopeful that a formal agreement would encourage dialogue and improve collaboration. In September 2011, Commerce and SIDO signed a memorandum of intent (MOI) that articulated their commitment to work together to develop strategies and implement activities in three areas.

- They agreed to enhance Commerce's partnership with state trade offices to coordinate and cooperate in the delivery of critical customer-focused services necessary to assist U.S. companies to successfully export their products and services and enter new foreign markets.
- They agreed to identify opportunities and mechanisms for Commerce and the states, working through SIDO, to increase awareness among companies of available services, trade programs, and overseas events.
- They agreed to create a formal consultation process between Commerce and SIDO to facilitate communication and coordination, exchange ideas, and identify joint activities to be carried out pursuant to a future agreement.

The MOI represented a concerted effort on the part of Commerce and SIDO to improve collaboration consistent with two key collaboration practices. First, the MOI was a written agreement documenting how SIDO and Commerce believe collaboration should occur. Second, the MOI defines the three common outcomes listed above. Nonetheless, the MOI did not specify roles and responsibilities; provide a mechanism to monitor, evaluate, and report on results; address how to leverage state and federal resources; or identify activities to achieve the three outcomes. One Commerce official commented that there was no commitment embedded in the agreement, such as a list of specific actions and who would be responsible for carrying them out. Similarly, one SIDO member commented that, while the agreement had gotten the parties together, it was too general to help them move forward and accomplish much. In contrast, a draft memorandum of understanding (MOU) that had preceded the MOI, did call for specific actions, such as having Commerce and SIDO jointly organize a program of multistate trade missions to key

markets worldwide and developing procedures to enable federal and state trade offices to share credit for successful export promotion efforts. According to SIDO members and Commerce officials, legal concerns about vetting such a specific agreement in the short time frames given prompted them to sign the MOI instead.

Ultimately, the MOI, which was to be renewable annually, expired in September 2012 with limited results, according to SIDO officials. SIDO and Commerce officials reported diverging views about progress on achieving the three common outcomes. Regarding the first activity—coordinating and cooperating in the delivery of critical customer-focused services—SIDO officials noted a continued lack of joint planning. For example, several SIDO members had expressed frustration about being surprised by Commerce’s announcements of new nationwide initiatives, including those for Export Outreach Teams and the precursor of Global Cities, the Metropolitan Export Initiative. Regarding the second activity—increasing awareness among companies of available services—SIDO officials stated that Commerce has not yet instituted a formal mechanism to notify state trade offices about upcoming events such as trade shows in time for state offices to assist or participate. Commerce officials, on the other hand, told us that it resolved this issue by sending SIDO a long list of TPCC upcoming activities twice a year, as well as regular postings on Commerce’s export.gov website. Commerce officials pointed out that states also need to share with Commerce their plans regarding such events, which they said does not always occur, particularly since the states started obtaining additional funds through the STEP program. For example, the governors of Kentucky and Wyoming held a trade show for their mining equipment companies geared toward sales to China at the same time as Commerce’s similar efforts. Regarding the third activity, formal consultation, Commerce and SIDO created a consultation process through which, at the onset, they met quarterly, according to Commerce officials. However, according to SIDO officials, the meetings neither generated any actions nor produced an agreement, as called for in the MOI. Moreover, a 2013 survey of SIDO members indicated that most believed that despite the NEI, federal-state collaboration in promotion exports had not improved in recent years.

According to the Commerce and SIDO officials, several factors contributed to the limited collaboration stemming from the MOI. These officials agreed that collaboration was a joint responsibility and a SIDO official said that they had not met with Commerce since April 2013. A SIDO official also said that recent personnel changes on both sides made it more challenging to maintain regular consultations. Furthermore, SIDO officials

MOI Did Not Address Sharing Client Information

said that they were now giving more priority to working with SBA and Congress to maintain funding for STEP. Nevertheless, the MOI's consistency with key collaboration practices could have helped to enhance collaboration. Agreements to collaborate that define common outcomes but do not identify activities to achieve them or specify roles and responsibilities lack a roadmap to motivate parties to move forward. In addition, when such agreements lack a mechanism to monitor, evaluate, and report on results, they make it more difficult for the partners in collaboration to hold one another, and themselves, accountable for fulfilling their commitments.

SIDO officials called sharing credit in the tracking of export promotion successes their number one priority to enhance federal-state collaboration, which, according to those officials, is why they sought to address this issue in the MOI. Sharing information is consistent with the key collaboration practice of leveraging resources, including information technology, to support a common outcome. However, Commerce pointed out that it is required by law to restrict the extent to which it can share information (e.g., clients' new export markets, export sales, customer satisfaction, services obtained), including information related to Commerce's export successes.⁴⁶ State trade office officials in two of the five states we visited also mentioned sharing client information as important to federal-state collaboration. For instance, an official from one state stated that sharing their client lists with Commerce and vice versa ensured that their customers obtained the best service to meet their needs. Officials from a third state cited three specific issues related to sharing client information:

- First, they said they had no way of knowing whether their referrals of clients to Commerce for Gold Key services resulted in export sales, leading to underreporting of the state trade office's results and limiting its ability to justify additional export promotion resources.
- Second, they said that it is more difficult to advise companies effectively without knowing what information the companies may have already obtained from Commerce.
- Third, the officials said that they and Commerce had to distribute separate evaluation forms after jointly sponsored training events,

⁴⁶As previously discussed, Commerce measures progress, in part, by tracking what it terms "export successes"—any trade promotion activity involving Commerce that successfully assists a U.S. company to export a product or service.

resulting in underreporting because participants generally did not want to fill out two forms.

Commerce USEAC officials in three of the states we visited said that they were prohibited by law from sharing information on client services with state trade offices. A USEAC official in one of the three states explained that Commerce must keep a confidential relationship with clients so that clients will report to them their export successes, an important performance measure. A USEAC official in one state noted, however, that sharing export success information with his state trade office counterpart made sense because they used similar metrics. The official commented that the ability to share export successes with the states would encourage leveraging of resources through joint efforts. In addition, this same USEAC official reiterated that underreporting occurs because the state trade office and Commerce must distribute separate evaluation forms to clients that attend their joint trade shows and trade missions and most clients will not take the time to complete both forms.

According to an official from Commerce's Office of General Counsel, Commerce is legally barred by the federal Trade Secrets Act⁴⁷ from sharing any information that would cause "substantial competitive harm" if released. The official commented that, as a general rule, companies are reluctant to release information to the government and that Commerce must obtain "affirmative permission" from each company in order to share nonpublic information with the states or other federal agencies. She stated the company must give permission in advance, in writing, through some formal process that would have to be captured in a database, with strict controls. She also stated that sharing client information with the state trade offices is particularly challenging because, unlike information Commerce shares with other federal agencies, information that Commerce discloses to a state government is automatically considered releasable to the public under the Freedom of Information Act.⁴⁸ However, she noted that Commerce officials can share any information already publicly available, or information that would clearly not cause substantial competitive harm. She stated that examples of such publicly available information would include a press release about a company attending a trade mission or information in a company's annual report. Finally, the

⁴⁷18 U.S.C. §1905.

⁴⁸5 U.S.C. § 552.

official reiterated that Commerce can share any information with the states if a company gives formal written permission in advance.⁴⁹

Commerce officials from ITA stated that they are now exploring ways for clients to voluntarily give permission for CS to release their information but warned of several challenges.⁵⁰ They noted that CS currently lacks the technical capability to record a client's advance permission to share their proprietary information, except in the case of fee-based services. In this regard, a Commerce official estimated that 15 percent of CS services are fee based. Finally, a Commerce official suggested that Commerce could aggregate the value of export successes by state. However, this would not indicate whether the state actually contributed to the export, thus preventing the state from documenting and sharing credit.

Commerce has circulated guidance in the form of a slide presentation about the need to protect confidential commercial information consistent with limitations on disclosure in the Trade Secrets Act and the Privacy Act,⁵¹ which officials said they sent to CS offices. According to an official from Commerce's Office of General Counsel, Commerce had provided no official general guidance to its employees on what client information may be shared with other federal agencies, the states, or both, and in what situations. Instead, this official stated that Commerce lawyers assess information-sharing requests on a case-by-case basis and offer informal guidance. She noted that currently Commerce has no way to obtain formal permission from companies with regard to sharing information. However, without some formal, general guidance from Commerce on the types of information that can be shared consistent with legal restrictions, and without some effort by Commerce to obtain permission from its clients to share their information, federal and state export promotion providers have less opportunity to leverage resources, such as sharing

⁴⁹GAO recommended in January 2013 that federal agencies involved in export promotion identify ways to increase, where possible, sharing of client information. [GAO-13-217](#).

⁵⁰In November 2012, the Commerce Inspector General (IG) found that restrictions on sharing Commerce's client information hamper collaboration between USEACs and their partners. The IG recommended that Commerce explore the possibility of requiring CS clients to waive confidentiality, in whole or in part, as a condition for receiving services. See Department of Commerce, Office of Inspector General, *International Trade Administration: U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts*, OIG-13-101-1 (Washington, D.C.: Nov. 30, 2012).

⁵¹5 U.S.C. § 552a.

clients and credit for export successes, and thus, less incentive to collaborate.

Conclusions

Federal and state governments share an interest in helping small businesses export in order to promote economic development and create good-paying jobs. Given the overlap of federal and state export promotion efforts and the current environment of constrained government resources, enhancing federal-state collaboration is important to help ensure that export promotion programs operate as efficiently and effectively as possible. It is also important for minimizing any potential barriers to small businesses seeking export promotion assistance. Nevertheless, collaboration is a two-way street, and the nature and extent of the federal and state relationship varies widely by state, depending on the unique factors in each state. The three recent TPCC initiatives to improve federal collaboration with states at the national and local levels recognize the varying nature of the collaborative relationship. Unfortunately, the federal initiatives have had limited success and only partially incorporated key collaboration practices. We found weaknesses in the implementation of Export Outreach Teams that limit their ability to achieve their objectives and enhance federal-state collaboration. Collaborative agreements with partners on the other two initiatives have expired with unknown or limited results. Nevertheless, these initiatives have demonstrated that fruitful opportunities exist to improve local networks of export promotion service providers, to expand activities to better include metropolitan area economic development agencies, and to work with national organizations representing state and local governments. Renewed effort by the TPCC agencies to implement these initiatives with greater attention to key collaboration practices can help improve the support available to small businesses hoping to export, as well as bolster federal efforts to achieve national export goals.

Recommendations for Executive Action

To improve federal-state collaboration in providing export promotion services in accordance with the National Export Initiative, and the Export Enhancement Act of 1992, we recommend that the Secretary of Commerce, as Chair of the TPCC, take the following three actions:

- Improve implementation of the Export Outreach Teams to better achieve their intended outcomes. This could include taking steps, including better monitoring, to ensure that key local participants are invited, that meetings are held as expected, and that the Export Outreach Teams seek to both increase awareness of available export

resources and enhance interagency and intergovernmental collaboration.

- Take steps consistent with key practices for collaboration to enhance TPCC agencies' partnering on export promotion with nonfederal entities, such as SIDO and Global Cities. This could include reassessing and strengthening the TPCC's intergovernmental partnerships by clarifying expected outcomes, defining roles and responsibilities, monitoring results, and planning resource needs.
- Take steps consistent with key practices to enhance, where possible, federal information sharing with state trade offices on Commerce's export promotion activities. This could include more formal guidance to Commerce staff regarding the circumstances, in light of legal restrictions, in which information can be shared with state trade offices and other nonfederal entities, and exploring ways for clients to give permission to release information useful to such nonfederal entities.

Agency Comments

We provided a draft of this report to Commerce and SBA for review and comment. In its written comments on the draft, which are reprinted in appendix III, Commerce concurred with our overall assessment that collaboration can be enhanced through strategic management.

Commerce stated in its letter that our analysis was helpful in pointing out areas where TPCC agencies can enhance their relationship with state and local government partners. Commerce also noted that while our analysis of the status of federal cooperation with state trade promotion entities raises important issues, to make broader program decisions, Commerce would need to obtain input from a wider variety of state trade promotion entities beyond the five state programs that were the focus of our fieldwork. Commerce stated its intention to obtain comprehensive data on the overall federal relationship with state trade promotion entities and that once it obtained that additional data it would work to identify and implement strategies to enhance TPCC agencies' collaboration with state entities on trade promotion. Commerce also described steps that are ongoing or planned to address each of our three recommendations.

- Consistent with our recommendation on Export Outreach Teams, Commerce noted that it will help SBA implement its reform plan to improve the Export Outreach Teams, including defining representative entities at the local level that should be included in the teams.
- Commerce also noted that it is working with the Brookings Institution on raising awareness of best practices under the Global Cities Exchange program and working with Brookings and participating cities to assess the program's impact. Commerce stated its intention to

-
- monitor the impacts of Global Cities through data collected by the Census Bureau on the number of exporters in metropolitan areas.
- Finally, Commerce noted that it has begun transmitting to SIDO information on federal activities, such as trade missions, earlier in the planning cycle; is working with SIDO to further analyze what makes for good federal-state cooperation; and plans to hold quarterly calls with state trade promotion entities on mutually agreed-on topics.

Commerce also stated in its letter that our analysis of the Export Outreach Teams paralleled that of SBA in its review of the new program; and that SBA is taking a number of steps that align with our recommendation, such as defining representative entities at the local level that should be included in the Export Outreach Teams.

In addition, on May 1, 2014, the SBA Deputy Associate Administrator for International Trade provided us with comments in an e-mail on the draft, stating that our analysis and conclusions regarding its implementation of Export Outreach Teams were largely accurate and that SBA will allow the implementation process to unfold over the next year, after which it will review and assess any need for improvements, in line with our recommendations. SBA also clarified that the Export Outreach Teams were a TPCC initiative co-led by Commerce and SBA, as reflected in the mandate in the original TPCC Communiqué; we incorporated this change.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 14 days from the report date. At that time, we will send copies to the Secretary of Commerce, the SBA Administrator, and other interested parties or congressional committees. In addition, the report will be available at no charge on the GAO Website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8612 or at gianopoulosk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found

on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, reading "Kimberly Gianopoulos". The signature is written in a cursive, flowing style.

Kimberly Gianopoulos
Acting Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

In this report, we examine (1) the main characteristics of federal and state export promotion efforts, including their collaboration, and (2) the extent to which the Trade Promotion Coordinating Committee (TPCC) has advanced collaboration between state and federal efforts to promote U.S. exports.

While some of the 20 TPCC member agencies directly assist small businesses to export overseas, this review focuses solely on the Department of Commerce (Commerce) and the Small Business Administration (SBA). This is because the other TPCC agencies generally provide export promotion services comparable to those that state trade offices provide.¹ We conducted our work in Washington, D.C., and through fieldwork in five states: Florida, Minnesota, Oregon, Pennsylvania, and Virginia. We chose these states based upon the following criteria: presence of a District International Trade officer, SBA District Office, and Commerce U.S. Export Assistance Center in the metropolitan areas we planned to visit; initiation of Export Outreach Teams; state trade office presence overseas; participation in Global Cities Exchange; extent of collaboration with federal export promotion providers according to Commerce officials in Washington, D.C.; and state trade office staff size (mix of large and small). We chose these locations to better understand and test federal initiatives to advance collaboration with state trade offices at the local level; these five locations allowed us to assess federal implementation efforts overall but are not representative of the situations in each of the individual 50 states.

To determine the main characteristics of federal and state export promotion efforts, we compared their sizes, services, types of clients, and performance measures using information collected from interviews and site visits to offices of Commerce's Commercial Service (CS) and state trade offices in five states (Florida, Minnesota, Oregon, Pennsylvania,

¹The Department of State and U.S. Trade and Development Agency support some export promotion but focus their efforts internationally. The U.S. Department of Agriculture provides export promotion services through industry organizations and other mechanisms.

and Virginia).² State trade office Directors and their staff provided detailed information regarding their office locations, staffing numbers, services provided, clients served, annual budgets, and the metrics used to measure their programs for fiscal years 2012 and 2013. To assess the reliability of these data, we created a standard set of questions that was sent to each of the five states. We cross-checked these data with similar fields in the SIDO 2012 and 2013 survey data. We also collected information on SBA services, clients, and resources from documents and interviews with SBA officials. We analyzed data collected by the State International Development Organizations (SIDO) in its annual member surveys for 2012 and 2013. To assess the reliability of the survey data from SIDO, we interviewed the SIDO representative responsible for developing and implementing the survey, performed a formal review of the survey questionnaire for methodological quality, and performed data testing. All variables from the survey in this report were determined to be sufficiently reliable for the purposes of this engagement. To calculate export successes and partnerships with state trade offices associated with export successes, we analyzed data from the Commerce's Client Tracking System (CTS).³ CTS, an operational database used by field specialists and local office management, tracks fee-based and non-fee-based activities. CTS is the principal database used for tracking "export successes"—the primary performance measure for CS. We conducted analysis of CTS data for fiscal year 2012 that identified export successes by state and types of partnerships. On the basis of interviews with knowledgeable agency officials and our assessment of the data for missing data, outliers, and obvious errors, we concluded that all data elements we assessed in the export successes data provided to us by Commerce were sufficiently reliable for the purpose of this report. To determine the extent of federal and state collaboration on export

²In this report, we defined "export promotion activities" as previously defined in a recent GAO report on export promotion. See [GAO-13-217](#), *Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role* (Washington, D.C.: Jan. 30, 2013). Export promotion activities are defined as programs and services conducted by federal agencies that involve direct contact with U.S. exporters and have export promotion as their stated goal. Such activities include providing small businesses with export counseling, training, and financial assistance; they do not include activities such as advocacy, commercial diplomacy, and policy development and negotiations.

³CTS does not require that fields that indicate partnerships be completed; consequently, the data analyzed do not provide a complete picture of the extent to which state trade offices and CS collaborate to achieve export successes.

promotion, we met with cognizant officials from CS and state trade offices in the five states we visited. We compiled information from state trade office websites on their international presence abroad. If information was not readily available, we contacted staff in the state trade offices by e-mail or telephone for information about their overseas presence. We cross-checked these data with similar fields in the SIDO survey data. U.S. trade data prepared by the U.S. Bureau of Economic Analysis are used in the report to illustrate the progress toward the National Export Initiative (NEI) goal of doubling 2009 export levels by 2015.

To address the extent to which the TPCC has supported collaboration between federal and state efforts to promote U.S. exports, we reviewed the Export Enhancement Act of 1992, which directed the President to establish the TPCC; Executive Order 12870 (Sept. 30, 1993) that established the TPCC in accordance with the 1992 act; and Executive Order 13534 (Mar. 11, 2010) announcing the NEI, as well as the 2011 and 2012 editions of the TPCC's annual National Export Strategy reports to Congress. We also asked the TPCC to identify their main efforts to collaborate with state and local agencies that have a role in export promotion. They identified three initiatives: Export Outreach Teams, the Global Cities Exchange (initially referred to as the Metropolitan Export Initiative), and the memorandum of understanding (MOU) between Commerce and SIDO. To evaluate the three initiatives, we interviewed staff of the TPCC Secretariat, which is housed in Commerce, as well as cognizant Commerce and SBA officials at headquarters. We analyzed the documents that provide a framework and guidance for the administration of Export Outreach Teams, as well as documents that describe the Global Cities Exchange and Commerce's relationship with the Brookings Institution and SIDO. These documents include a TPCC interagency communiqué formalizing the Export Outreach Teams and the subsequent program guidance issued by SBA, data collected about the first Export Outreach Team meetings, formal agreements between Commerce and the Brookings Institution and between Commerce and SIDO, and documents from the Brookings Institution that describe the goals of the Global Cities Exchange. We also interviewed representatives from the Brookings Institution and SIDO to obtain their perspectives and discuss relevant ongoing changes to their programs and other efforts.⁴ In

⁴It should be noted that, although states are SIDO members, SIDO itself is a professional association without the ability to take binding actions on behalf of its members, and so its positions and actions do not necessarily reflect the views of all its members.

reviewing the Commerce-SIDO MOU, we reviewed the Trade Secrets Act and pertinent legal opinions regarding the act's applicability, and we consulted with a representative of Commerce's Office of General Counsel regarding that office's views on how the act affects Commerce's ability to share information with other federal, state, and local agencies. Finally, we met with a number of national organizations that represent the interests of local government entities to obtain their perspectives and ascertain their roles in promoting U.S. exports. The organizations we contacted include the National Governors Association, United States Conference of Mayors, National Association of Counties, and the National League of Cities.

We also reviewed GAO's guidance regarding good practices for coordinating and managing multiagency initiatives as described in other GAO reports, including those discussing implementation of the Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010.⁵ In states we visited, we interviewed staff at state trade offices, federal officials from Commerce and the SBA District Offices. On the basis of recommendations from federal or state officials in those states, we met with other local entities, including trade associations, economic development organizations, Small Business Development Centers (SBDCs), representatives from District Export Councils, local chambers of commerce, and the mayor's offices in Miami, Florida; Minneapolis, Minnesota; and Portland, Oregon, to obtain information about local approaches to interagency collaboration and about implementation of the three TPCC initiatives. We then discussed what we found on our site visits with officials from TPCC, Commerce, and SBA in headquarters to obtain their input.

We conducted this performance audit from February 2013 to May 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

⁵GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005). We identified these practices through interviews with experts on collaboration and a review of findings from a number of our previous reports on collaboration in the federal government; and *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012). To develop these considerations, we reviewed relevant literature, including our prior work, and interviewed experts in the area of collaboration.

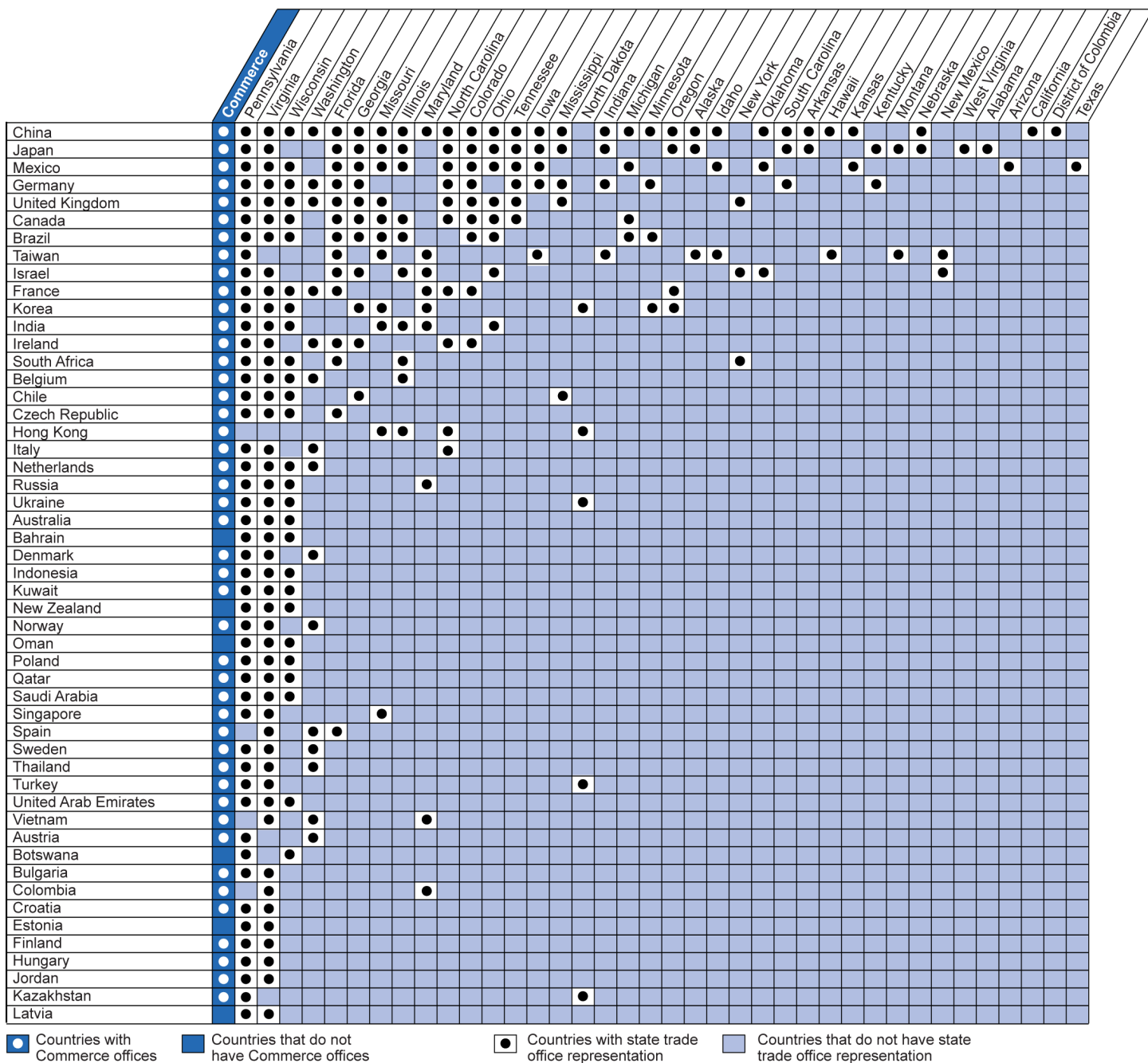
the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Commerce and State Trade Office Representation Overseas

Figure 7 identifies countries in which the Department of Commerce (Commerce) and state trade offices have representation overseas. Commerce representation consists of U.S. Commercial Service staff located in offices overseas. State trade office representation includes state employees located in offices in-country and contractors hired as service providers who provide services to a country from offices located in-country, or on a regional basis from offices not located in-country, or both.

Appendix II: Commerce and State Trade Office Representation Overseas

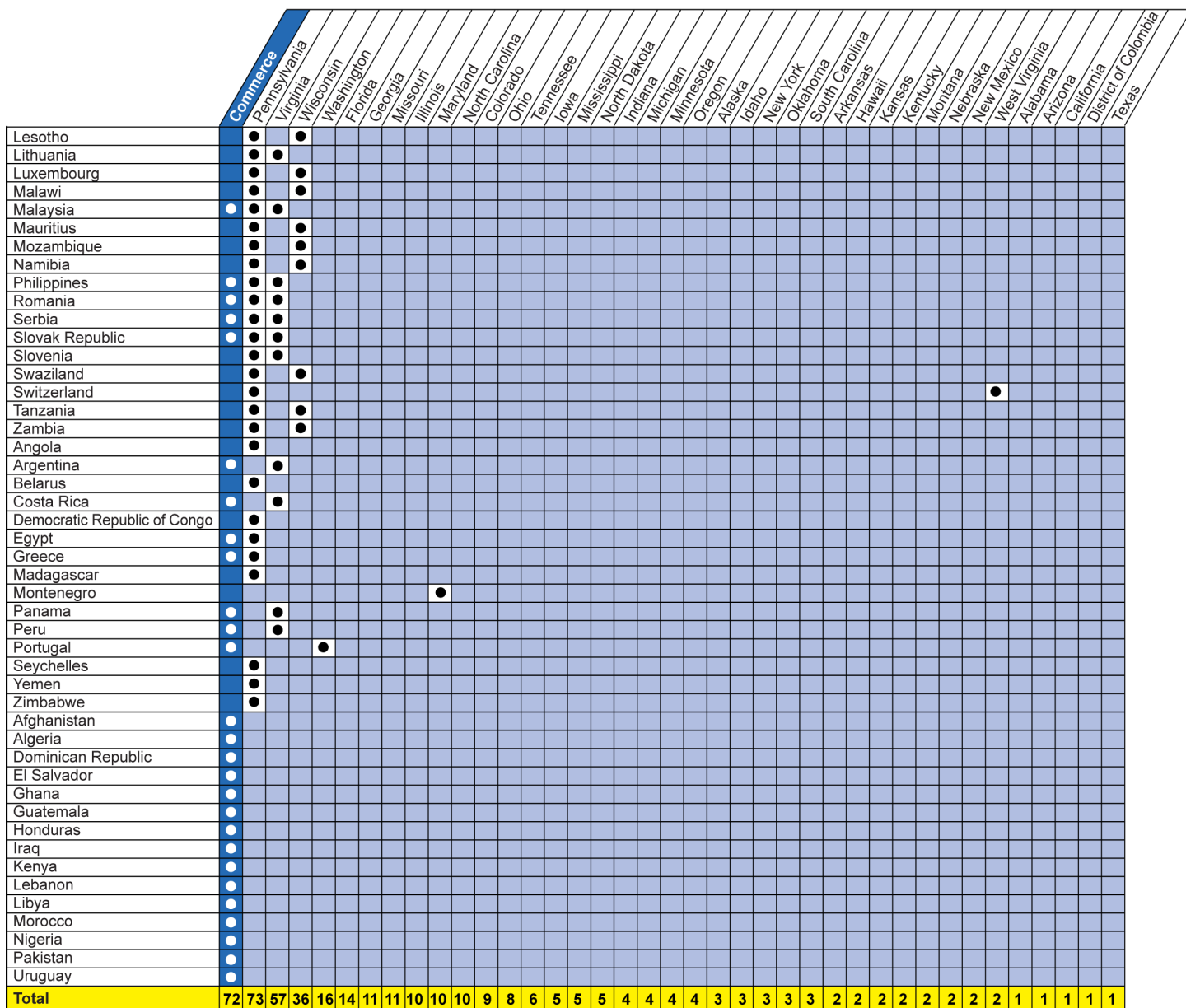
Figure 7: Commerce and State Trade Office Representation Overseas



Source: GAO analysis of data from Department of Commerce and state trade offices.

Appendix II: Commerce and State Trade Office Representation Overseas

Figure 7: Commerce and State Trade Office Representation Overseas (continued)



 Countries with Commerce offices
 Countries that do not have Commerce offices
 Countries with state trade office representation
 Countries that do not have state trade office representation

Source: GAO analysis of data from Department of Commerce and state trade offices.

Appendix III: Comments from the Department of Commerce



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

May 8, 2014

Mr. Adam Cowles
Assistant Director
International Affairs and Trade
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Cowles:

Thank you for the opportunity to comment on the draft report entitled *Export Promotion: Trade Agencies Should Enhance Collaboration with State and Local Partners* (GAO-14-393). With the Secretary of Commerce as Chair of the Trade Promotion Coordinating Committee (TPCC), we appreciate the GAO team's work on how Federal Government trade agencies can improve their work with state and local entities. State and local involvement is critical to assisting U.S. businesses, especially small business, in the global marketplace.

We concur with the overall assessment that collaboration can be enhanced through strategic management. The analysis provided is helpful and points out a number of areas where TPCC agencies can enhance their relationship with state and local government partners. It also raises issues that we need to explore further before implementing some of the recommendations.

On the Export Outreach Teams (EOT), the analysis and recommendation parallel those of the Small Business Administration (SBA) in its review of this new program, with all districts having recently completed their first set of workshops. The SBA and Department of Commerce teams involved in the EOT program should be commended, as the roll-out and acceptance of the EOT concept are impressive, considering how many organizations had to be brought together during this first full year. SBA is now taking a number of steps, including defining representative entities at the local level that should be included on the EOTs. This step aligns with the GAO recommendation.

The analysis of the overall status of cooperation with state trade promotion entities raises important issues; however, the sample size for purposes of the report is too limited to make broader program decisions. We need to obtain input on these important questions from a wider variety of state trade promotion entities beyond the large state programs interviewed for this report. The five states interviewed had a trade promotion budget of between \$1.5 and \$5 million, which puts them at the top end of state spending on trade promotion. We will obtain more comprehensive data on the overall relationship with the state trade promotion entities, taking into account the size of their export promotion programs and the impact of these programs.

Mr. Adam Cowles
Page 2

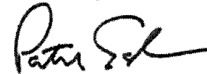
on U.S. businesses, including the impact of the collocation of federal and state trade promotion entities. The states surveyed by GAO reported that collocation enhances cooperation, but there is no analysis in the report linking collocation to the impact on businesses. Once we have this additional data, we will work to identify and implement strategies to enhance the TPCC agencies' collaboration with state entities on trade promotion.

Two of the states contacted stated that the reason they do not work with their federal counterparts is that "Commerce response times are slow and the quality of services are inconsistent." The Department of Commerce's International Trade Administration (ITA) received similar feedback through its customer service survey. Addressing concerns and perceptions about the timing and consistency of service quality will be a priority for ITA under the National Export Initiative (NEI) this coming year.

Regarding the Global Cities project, we are working with the Brookings Institution and participating cities to assess program impact. As the report notes, each metropolitan area measures success in a different way. The Brookings Institution brings together staff from participating metropolitan areas once a year to compare best practices. In our experience with economic development organizations, sharing best practices is an effective way to determine what works and what does not work and to ensure that these metropolitan areas run the most effective programs. We will monitor the impact of programs through data collected by the Census Bureau on the number of exporters in a metropolitan area. In addition, we will work with metropolitan areas and the Census Bureau to identify ways to increase the use of Census Bureau data to make decisions when developing an export plan.

Thank you again for this report. I will work with the TPCC member agencies to expand the use of key collaboration practices. In addition, as part of NEI/Next, the Commerce Department will focus on (1) helping SBA to implement its reform plan for the EOTs, (2) working with the State International Development Organizations (SIDO) to further analyze what makes for good federal-state cooperation, (3) begin transmitting our information about activities, such as trade missions, to SIDO earlier in the planning cycle, (4) holding quarterly calls with state trade promotion entities on mutually agreed-on topics, and (5) continuing to work with the Brookings Institution on raising awareness of best practices under the Global Cities program.

Sincerely,



Patrick Gallagher
NIST Director Performing the Duties of
the Deputy Secretary

Appendix IV: GAO Contact and Staff Acknowledgments

Contact

Kimberly Gianopoulos, (202) 512-8612, or gianopoulosk@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Adam Cowles (Assistant Director), Qahira El'Amin, Nina Pfeiffer, and Cristina Ruggiero made key contributions to this report. Gezahegne Bekele, David Dayton, David Dornisch, Etana Finkler, and Ernie Jackson provided technical assistance.

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