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Report to Congressional Requesters

September 2002

EXPORT PROMOTION

Mixed Progress in Achieving a Governmentwide Strategy

G A O

Accountability ★ Integrity ★ Reliability

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Abbreviations

BEM	Big Emerging Market
DOC	Department of Commerce
EcoLinks	Eastern European Partnership for Environmentally Sustainable Economies
EU	European Union
Eximbank	U.S. Export-Import Bank
FAS	Foreign Agricultural Service
FCS	Foreign Commercial Service
G-6	Group of Six industrialized countries
GTN	Global Technology Network
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
SBA	Small Business Administration
SME	Small- and Medium- sized Enterprises
TDA	Trade and Development Agency
TPCC	Trade Promotion Coordinating Committee
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USTR	U.S. Trade Representative

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

September 4, 2002

The Honorable Christopher S. Bond
Ranking Minority Member
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Donald A. Manzullo
Chairman
Committee on Small Business
House of Representatives

Ten years ago, to coordinate the activities of the various federal agencies involved in export promotion and to ensure better delivery of services to potential exporters, Congress established the interagency Trade Promotion Coordinating Committee under the Export Enhancement Act of 1992 (P.L. 102-429). Among other things, the act required the committee to develop a governmentwide strategic plan that (1) establishes priorities for federal activities in support of U.S. export activities and (2) proposes an annual, unified federal trade promotion budget that supports the plan. The nine federal agencies that play important roles in assisting U.S. firms to export or invest overseas were to be part of the committee that would develop the plan and set a unified budget.[1] These nine agencies' export promotion budgets totaled about $2.5 billion in fiscal year 2002. The committee developed the first national export strategy in 1993 and has generally reported annually since then.

As you requested, we reviewed how the Trade Promotion Coordinating Committee has carried out these directives. Specifically, we assessed (1) whether the committee's strategy has established export priorities, assessed progress made toward achieving the strategy's priorities, and proposed an alignment of federal resources in support of these priorities; and (2) whether the committee has made progress in coordinating the

[1]Nine federal agencies play an important role in assisting U.S. firms to export or invest overseas: the Departments of Agriculture, Commerce, and State; the Office of the U.S. Trade Representative; the U.S. Export-Import Bank; the Trade and Development Agency; the Overseas Private Investment Corporation; the Small Business Administration; and the Agency for International Development. These agencies provide a range of export services, including training potential exporters, identifying trade leads, conducting trade missions, offering trade finance and insurance, and providing government-to-government advocacy and policy support. Another 10 agencies that contribute to export promotion are also members of the Trade Promotion Coordinating Committee.

various agencies' export promotion programs. In addition, we also identified how the various agencies are including small- and medium-sized businesses in their export promotion programs.

To address these questions, we reviewed the Trade Promotion Coordinating Committee's national export strategies for 1993-1998, 2000, and 2002 and its coordination efforts during the past 10 years.[2] To examine how the committee developed the export strategy and coordinated various agencies' export promotion programs, we reviewed the committee's strategy for Central and Eastern Europe contained in the 1997 national export strategy. We visited five countries in this region including two of the designated "big emerging markets"[3]—Poland and Turkey— as well as Croatia, a country in the early stages of making a transition to a market economy; and the Czech Republic, a country in a more advanced transitional phase. For perspective on the nature of U.S. programs in a more mature market, we visited and reviewed U.S. export promotion programs in Germany. To assess how small businesses have participated in these federal export programs we obtained data on agencies' programs dedicated to small- and medium-sized businesses. Appendix I contains a more detailed description of our scope and methodology.

Results in Brief

The Trade Promotion Coordinating Committee's annual national export strategies identify broad priorities for promoting U.S. trade, but they do not discuss agencies' specific goals or assess progress made. In its initial strategies, the committee identified 10 regionally dispersed priority markets for future trade promotion efforts, but it did not discuss agencies' specific goals or report later on progress made in increasing exports to these markets. Shifting to a regional approach 3 years later in its1997 strategy, the committee identified Central and Eastern Europe as a region where U.S. government assistance to U.S. exporters would be important in increasing market share. Again the strategy did not discuss agencies' specific goals nor did later strategies report on progress made or even cover consistent topics from year to year. Without regular assessments of

[2]Change in the national export strategy reporting date resulted in no 1999 strategy, and the Trade Promotion Coordinating Committee did not prepare a 2001 strategy.

[3]The big emerging markets are Argentina, Brazil, the Chinese Economic Area (China, Hong Kong, and Taiwan), Indonesia, India, Mexico, Poland, South Africa, South Korea, and Turkey.

progress, it is not clear whether export promotion resources are being used most productively in support of the strategy. Furthermore, the committee has limited ability to align agency resources with its strategy. Nonetheless, the departments of Commerce and Agriculture did realign staff in support of most of the targeted markets.

The committee has made modest but inconsistent progress in coordinating federal agencies' export promotion efforts. In its first national export strategy in 1993, the committee identified coordination weaknesses and recommended improvements, most of which required interagency consensus to implement. While many of its initial recommendations were implemented during the committee's first few years, some have not been implemented — for example, the need for improved agency staff training and improved trade information services to bring clarity to the export process, as well as the need for expanded outreach and trade education for new-to-export firms. In its May 2002 national export strategy, the committee recognized the need to complete these early initiatives to clarify export processes and programs in order to better service potential exporters, but the strategy did not specify how its goals were to be accomplished. Unless the committee follows through consistently on its initiatives, potential U.S. exporters will continue to find the export process confusing.

Six export promotion agencies dedicate part of their programs to small- and medium-sized businesses. The Department of Commerce reports that almost 91 percent of firms it helped at foreign posts and 25 percent of firms that received advocacy assistance were small- and medium-sized businesses. The Small Business Administration focuses exclusively on this customer base. According to data provided by the agencies, almost 18 percent of the value of the U.S. Export-Import Bank's fiscal year 2001 loans, guarantees, and insurance, and 48 percent of the Trade and Development Agency's total fiscal year 2000 obligations went to small- and medium-sized businesses. The Overseas Private Investment Corporation stated that 40 percent of its programs in fiscal year 2000 involved small- and medium-sized businesses. Although the U.S. Agency for International Development does not track the percentage of its programs that go to such businesses, two of their programs—the Global Technology Network and EcoLinks—assist smaller businesses.

In this report, we are recommending that the Chairman of the Trade Promotion Coordinating Committee ensure that its national export strategies consistently (1) identify specific goals established by the

agencies within the strategies' broad priorities, (2) identify how agencies' resources are allocated in support of their specific goals, and (3) analyze the progress made in addressing the recommendations in the committee's prior annual strategies.

We obtained comments from the Committee, and it agreed with our findings (see app. VI).

Background

The Trade Promotion Coordinating Committee (TPCC) is a cabinet-level interagency committee chaired by the Secretary of Commerce. It began meeting in 1993, and it has met at least once annually, except during an 18-month period between 1999 and 2001. The TPCC also encouraged the formation of various interagency staff-level working groups. These groups have met or communicated more frequently. The TPCC has a staff of three or four Commerce trade professionals, located in Commerce's International Trade Administration. The TPCC has no independent budget and no specific authority to direct its member agencies.

Key Agencies' Responsibilities

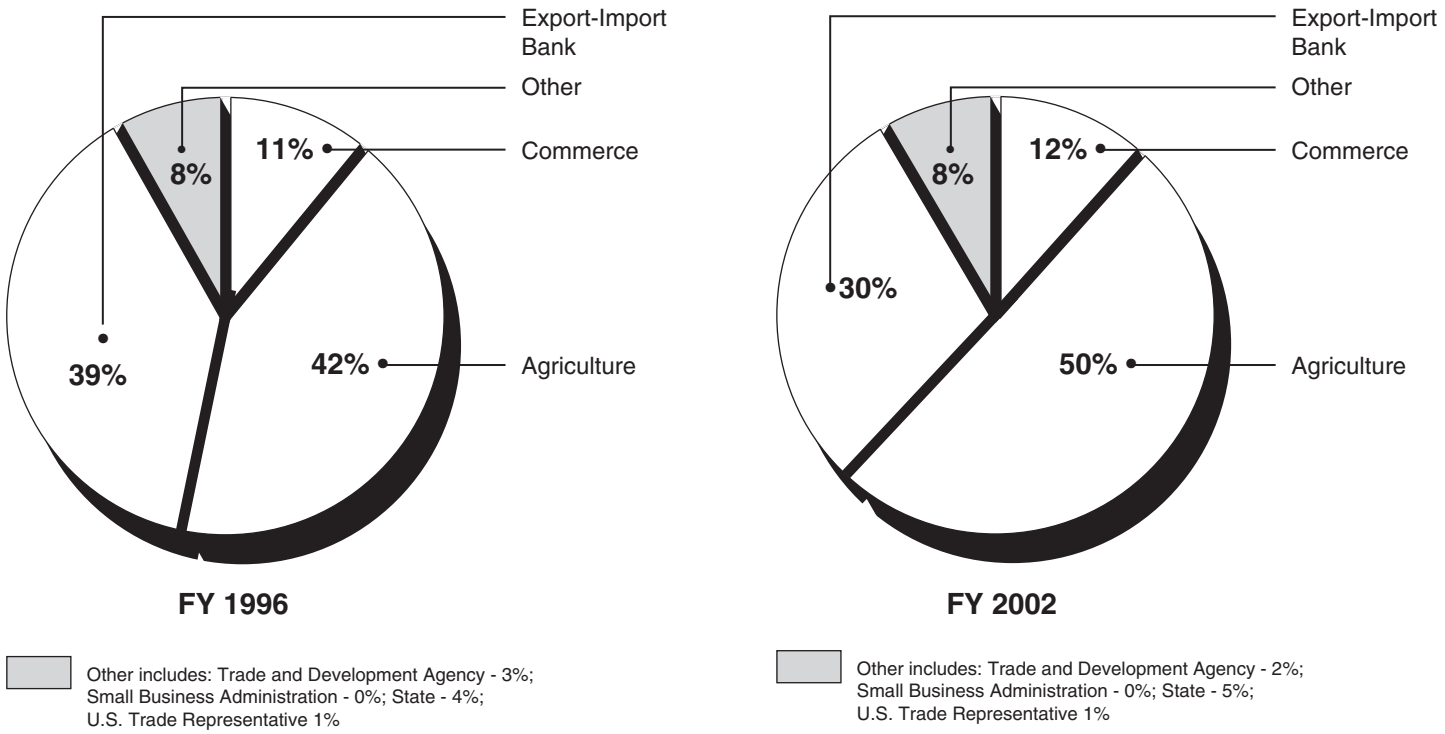
Nine key TPCC member agencies provide a range of specific trade promotion programs for exporters. The Departments of Commerce and Agriculture identify export opportunities and conduct trade promotion activities. The U.S. Export-Import Bank (Eximbank) and the Overseas Private Investment Corporation (OPIC) help businesses participate in riskier markets by providing financing and insurance for exports or development projects. The Small Business Administration (SBA) provides export training and loans for small- and medium-sized businesses desiring to export. The U.S. Trade Representative (USTR) and the Department of State seek to create and maintain open markets for U.S. exports and investments. Although it is not actually a trade agency, the U.S. Agency for International Development (USAID) seeks to promote economic growth; assist developing country governments make economic reforms and identify changes to laws, regulations, and banking systems; and provide firm-level assistance to small businesses, thus allowing these countries to become more attractive trade and investment partners to the United States. In developing country markets, basic infrastructure and capital equipment are also essential to assist market growth. The U.S. Trade and Development Agency (TDA) supports the planning of infrastructure development and trade capacity building in such areas as energy or transportation systems,

with the expectation that U.S. exporters will later have opportunities to bid on these projects for which TDA has provided support.

Distribution of the Export Promotion Resources Among TPCC Agencies

Total export promotion funding (excluding that for OPIC and USAID)[4] declined slightly, from nearly $2.4 billion to $2 billion between fiscal years 1996 and 2001, but rose to $2.5 billion in fiscal year 2002. The resource allocations among TPCC agencies did not change significantly over the last 5 years. The Department of Agriculture continued to have the largest share of total export promotion funding in fiscal year 2002, as it did in fiscal year 1996. (See fig 1.) Eximbank and the Department of Commerce still have the second and third largest funding levels among the agencies.

Figure 1: Agencies' Share of Federal Dollars Devoted to Export Promotion Activities, Fiscal Years 1996 and 2002



[4]USAID's primary mission is development.

During this period, the funding levels of the two agencies whose overseas staff identify and develop export opportunities for U.S. firms seeking to export—Commerce's Foreign Commercial Service (FCS) and Agriculture's Foreign Agricultural Service (FAS)—increased. The FCS budget increased about 14 percent, and the FAS budget increased by about 8 percent between fiscal years 1996 and 2002. However, beginning in 1998, these agencies' administrative costs increased due to the implementation of the Department of State's Interagency Cost Sharing System. According to Commerce, these costs made fewer funds available for export services.

Limits of TPCC Authority

The Export Enhancement Act of 1992 requires that the TPCC develop and implement an annual national export strategy that, among other things,

- establishes a set of federal priorities supporting U.S. exports and explains their rationale;
- develops a plan to align federal programs with established priorities; and
- proposes an annual unified federal trade promotion budget.

The act did not provide the TPCC with specific authority to create a unified export promotion budget,[5] which would include the reallocation of agency resources to support the national export strategies. In practice, the TPCC

- facilitates interagency discussions of trade issues,
- coordinates interagency responses to administrative or congressional initiatives, and
- prepares the mandated national export strategy.

[5]Based on the provisions of the act, we considered the annual unified federal trade promotion budget as one that coordinates, consolidates, and prioritizes funding of all federal agency export promotion and financing programs and activities.

The TPCC's National Export Strategies Do Not Identify Agencies' Specific Goals or Use of Resources

The TPCC's annual national export strategies have identified broad priorities, but they have not discussed agencies' specific export promotion goals, such as increasing exports in a TPCC targeted market, or assessed progress made toward achieving the committee's broad priorities. The TPCC has limited ability to affect the alignment of export promotion resources across agencies, but some agencies have aligned resources to support the TPCC's broad priorities.

Strategies Identify Broad Priorities but Not Agencies' Specific Goals

The TPCC's annual strategies, called "national export strategies," describe export promotion efforts and outline broad priorities. However, they do not identify specific goals and associated agency responsibilities. The first several strategies identified numerous markets and sectors of export promise as priorities. For example, the 1994 national export strategy identified a broad set of 10 markets, called the big emerging markets (BEM), where the TPCC expected exports to grow over the next several decades. In 1995, the strategy gave additional attention to the traditional export markets of Japan, Canada, and Western Europe, and 3 years later the strategy expanded its targets further, emphasizing increasing exports to nontraditional markets in Latin America and Asia. However, none of these strategies discussed agencies' specific goals for targeted markets or regions or outlined various agencies' responsibilities in addressing goals over the coming years.

One of the regions identified as having promise as a market for U.S. exporters, for example, was Central and Eastern Europe. Citing Poland's and Turkey's rapid transitions to market economies, their pent-up demand for western goods, and their desire to join the European Union (EU), the 1997 strategy noted that these countries drove regional trade and, together with the Czech Republic and Hungary, were regional focal points for U.S. trade and investment. It identified the most competitive sectors for U.S. companies as well as regional barriers to U.S. exports. Later strategies also discussed broad trade objectives. Again, however, they did not identify specific goals or agency responsibilities in implementing the strategy.

TPCC Has Not Assessed Progress

The TPCC's successive strategies lack continuity in addressing identified issues, and they have not assessed progress made toward achieving the TPCC's broad export priorities. For example, the 1997 strategy noted that the United States was losing market share in Eastern Europe[6] to the EU, but the 1998 strategy did not report on any changes in this condition. Instead, it discussed U.S. market share in the EU countries. Nor did the 1998 strategy update specific objectives for Central and Eastern Europe identified earlier, such as addressing bribery, negotiating for international product standards in Poland, or identifying specific barriers to trade in Turkey. Rather, the 1998 strategy focused on Europe and the challenges of competing in the EU market. The next strategy, for 2000, did not discuss East European markets but highlighted the opportunities in China. The 2002 strategy did not specifically discuss China.

The TPCC has been unable to identify common performance measures because it has not achieved consensus on how agencies should measure export program results. Moreover, it has not reviewed agencies' annual performance reports under the Government Performance and Results Act of 1993. This act mandates that the Office of Management and Budget (OMB) require federal agencies to develop performance measures and assess performance. Since 1994, the TPCC has called for the development of common measures to evaluate trade promotion performance. The TPCC identified three common measures of success—the amount of new exports, the number of new jobs, or the value of sales resulting from exported services—to help assess agencies' export promotion programs. However, the TPCC's 2000 national export strategy noted that generally the indicators that each agency developed to measure its performance differed from those of other agencies, as well as from the cross-cutting measures developed for prior TPCC reports. Without common indicators, it is not possible to trace performance over time in achieving TPCC priorities. The overall effect is that it is not clear whether federal export promotion resources are being used most productively.

[6]This includes the Central European countries of Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria, Estonia, Latvia, Lituania, Slovenia, Croatia, Bosnia-Herzegovina, Macedonia, Yugoslavia (Serbia and Montenegro) Albania, and Turkey.

TPCC Has Limited Ability to Align Agency Resources with Its Strategy

The TPCC has sought to move toward developing a unified federal trade promotion budget and has worked with OMB to participate in the budget process. However, with no authority to reallocate resources among the agencies and occasional agency resistance to its guidance, the TPCC has provided limited direction over the use of export promotion resources used to support the strategy. Moreover, the most dramatic resource changes occurred within its own agency, Commerce, but even Commerce did not fully support all the targeted markets. Finally, resource allocations have been affected by other factors, such as foreign policy initiatives, the need to provide broad country coverage, and the agencies' emphasis on pursuing export opportunities in the most accessible overseas markets.

TPCC Sought to Work with OMB to Influence Resource Allocations

The TPCC has sought to propose a unified federal trade promotion budget by making recommendations to the President, through OMB, on selected export promotion budget matters. The TPCC also obtained OMB approval to screen member agencies' high-priority trade promotion initiatives in 1999; however, this effort was limited in that it highlighted only individual agency priorities and did not serve as an examination of how agencies' trade promotion programs and budgets overall were most productively used to support the strategy. Agencies have continued to submit their proposed budgets separately to OMB, and agency representatives told us that their agencies would resist any TPCC "clearance" of their budgets. For example, in 1999, USAID decided not to participate in the TPCC budget reviews, even after representatives of the TPCC Chairman specifically requested that it do so. USAID representatives with whom we spoke did not view their programs as having a commercial application, although some TPCC member agencies consider some types of USAID technical assistance, such as energy or environmental projects, as possible precursors to potential exports of U.S. services.

The TPCC indicated to its members that the use of this process could more likely result in favorable funding decisions; however, OMB was not always responsive to TPCC recommendations. For example, of 10 items submitted by the TPCC to OMB for funding, only 2 received full funding, 4 received partial funding, and 4 were not funded. The TPCC has not consistently used this process and did not submit a list of priorities to OMB in 2001 or 2002.

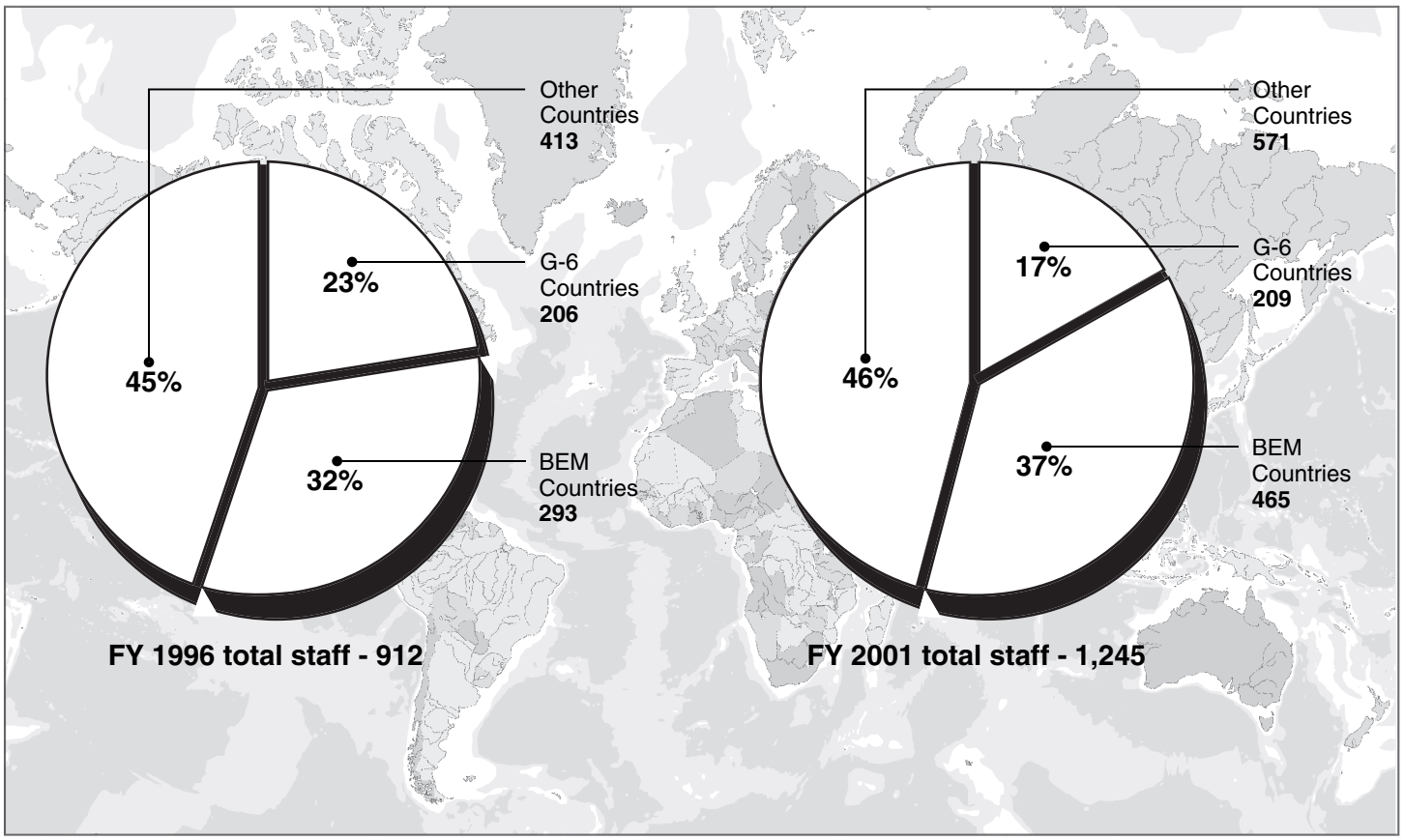
Staffing Resources Shifted to Targeted Markets

Based on the TPCC's strategy of targeting big emerging markets, we analyzed the shift in staffing allocations to these markets.[7] Generally, FCS and FAS have shifted their staffing allocations to support TPCC-identified priority markets. For example, in fiscal year 1996, 32 percent of FCS overseas staff were located in the BEMs. In the same year, 23 percent of overseas staff were located in the group of industrialized countries called the Group of Six (G-6) countries (to exclude the United States).[8] In fiscal year 2001, the distribution changed to 37 percent in the BEMs and 17 percent in G-6 countries. (See fig. 2.)

[7]Movement of staff to overseas posts can take several years to complete.

[8]The G-6 countries are Canada, France, Germany, Italy, Japan, and the United Kingdom.

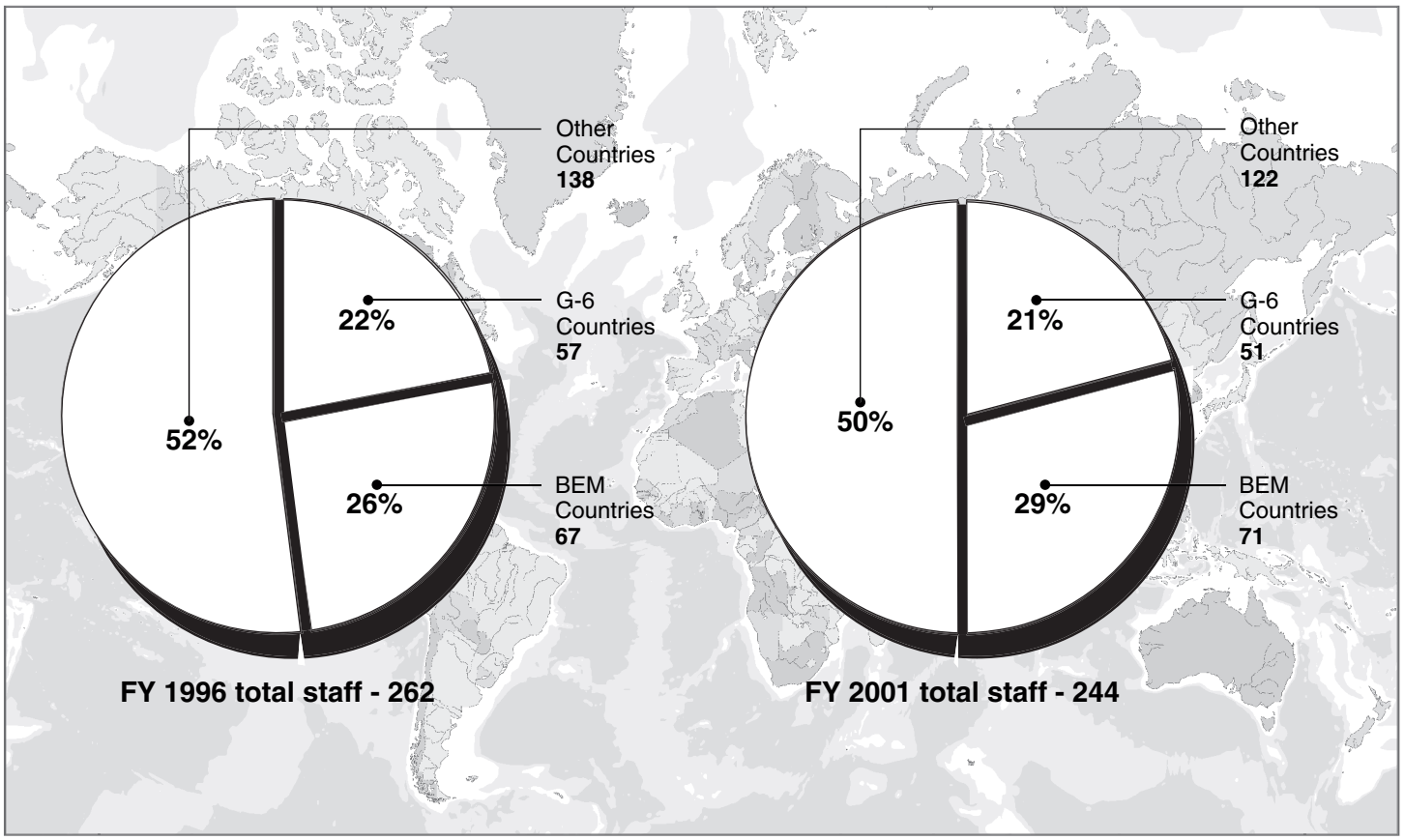
Figure 2: Distribution of Foreign Commercial Service Staff in G-6 Countries, BEMs, and All Other Countries with FCS Presence, Fiscal Years 1996 and 2001



Source: Department of Commerce.

The distribution of FAS's staff among G-6 countries, BEM countries, and all other countries with FAS offices also shifted between fiscal years 1996 and 2001. In fiscal year 1996, 26 percent of FAS staff in overseas offices were located in BEM countries, and 22 percent were in G-6 countries. In fiscal year 2001, the distribution changed to 29 percent in BEM countries and 21 percent in G-6 countries. (See fig. 3.)

Figure 3: Distribution of Foreign Agricultural Service Staff in G-6 Countries, BEMs, and All Other Countries with FAS Staff Presence, Fiscal Years 1996 and 2001



Source: Department of Agriculture.

With respect to the TPCC priority markets that we visited, Poland and Turkey, Commerce's FCS staff increases have been at lower levels. In its 1997 national export strategy, the TPCC noted that the United States was losing market share in some of the BEMs and directed that, where resources allow, the TPCC agencies target the more promising of these markets. It identified Poland as one of four BEMs with the greatest market potential. Commercial staff in Poland initially rose from 9 to 18 between fiscal years 1996 and 1997; however, the Commerce Inspector General, noted in a 1997 report that this level was not sufficient. The Inspector General reported that Poland did not get increased resources, like other BEMs did, because FCS headquarters did not consider European countries

a priority.[9] In its report to the Congress in September 2001, the Inspector General citing declines in exports from the United States to Poland, recommended that the post develop a missionwide strategy that reflects U.S. priorities and objectives.[10] At the time of our visit in 2002, the FCS post staff level was 14. Nor did Commerce significantly increase staffing in Turkey, the other BEM in our study of the TPCC's 1997 strategy for Central Europe, where FCS staff levels fluctuated from 13 to 15 staff between fiscal years 1996 and 2001, and a key position was vacant for more than a year.

Other Factors Affect Resource Allocations

Other factors, such as foreign policy initiatives; the need to provide minimum coverage for a broad set of countries; and agency emphasis on pursuing exports in open, accessible foreign markets, have also affected the decisions that agencies make regarding resource allocations.

In response to foreign policy initiatives, agencies have reallocated staff overseas and established offices, as illustrated by the following examples.

- In 1994, Congress directed the executive branch to develop an Africa trade and development policy,[11] and in 2000 Congress enacted the African Growth and Opportunity Act (P.L. 106—200, title I). The act offers trade and other economic benefits to sub-Saharan countries that are committed to certain economic reforms. As a result, the Trade and Development Agency requested funding for a training initiative in Nigeria. Moreover, FCS increased its staffing level at its offices in sub-Saharan Africa. For example, FCS opened an office in Ghana in fiscal year 2000. In fiscal year 2002, FCS expects to increase staffing in Ghana and plans to open an office in Senegal.

- In 1999, TDA and OPIC established the Caspian Finance Center in Turkey. The center supports two national interests as well as offers opportunities for U.S. businesses. First, the development of the rich Caspian Sea energy reserves estimated to be 178 billion barrels or more of oil would reduce U.S. reliance on more volatile sources of oil; and

[9]U.S. Department of Commerce, "US&FCS Poland: Effective Post Needs Attention to Certain Management Issues," Inspection Report No. IPE-9288 (Washington, DC: Apr. 22, 1997).

[10]U.S. Department of Commerce, Office of the Inspector General, "Semiannual Report to the Congress, April 1 to September 30, 2001."

[11]The Uruguay Round Agreements Act (P.L. 103-465).

second, the transport of oil over a western route through Turkey would economically benefit this vital U.S. ally. One staff person from both these agencies shares space with FCS in Ankara to help U.S. companies identify, evaluate, and finance commercially viable projects in the region.

- In 1999, the executive branch pledged to help stabilize and revitalize southeastern Europe by developing a strategy for trade and investment in the region. To support the President's regional initiative, OPIC and TDA, with TPCC support, have had full-time regional representatives in Zagreb since about March 2000, and Commerce has increased its staff there by one. The office serves as a local point of contact, information, and support for U.S. investors in the region.

In addition, both FCS and FAS have had to spread their overseas staffing to cover a broad range of countries. During fiscal years 1998 through 2001, Commerce's FCS opened 21 new offices overseas—many in the newly independent former Soviet states and African countries where export markets are in the early stages of development. During the same time period, Agriculture's FAS opened four offices but closed five offices overseas, with an overall decline of nearly 7 percent in the total number of staff located overseas. (App. V contains the number of staff at FCS offices by country from fiscal year 1996 to fiscal year 2001. App. VI contains the number of staff at FAS offices by country during the same fiscal years.)

Finally, to meet U.S. exporters' market preferences and increase exports, FCS has maintained relatively high staff levels in more mature markets that have open, accessible, and regularized trading relationships, compared to the often more difficult TPCC-targeted developing country markets, according to an FCS official. FCS decreased staff levels in three of the six G-6 markets between fiscal years 1996 and 2001, but 2001 staffing levels are higher in each of the G-6 countries than in six of the BEMs. For example, Argentina, Hong Kong, Poland, South Africa, South Korea, and Turkey each have fewer staff than Italy, the country with the lowest staff level among the G-6 countries. Moreover, staff levels have increased dramatically in the United Kingdom and Canada—where the number of FCS staff grew by 63 percent and 33 percent, respectively.

TPCC Has Had Modest Success in Coordinating Agency Programs

The TPCC has improved interagency coordination in many areas, but as it recognized in its May 2002 national export strategy, it has not completed implementing several of its early initiatives to coordinate export promotion programs aimed at better delivery of federal export services. The TPCC has improved the delivery of export services by collocating export finance services and establishing a network to assist U.S. businesses in addressing barriers to trade. However, the TPCC did not complete its efforts to clarify and make more readily available the numerous resources available to exporters, in part because the TPCC did not consistently meet at the Cabinet level to address these issues. In October 2001, the committee reconvened at the cabinet level to readdress these issues, and it is currently working to alleviate exporters confusion over the export process by (1) instituting cross-agency staff training, (2) improving the dissemination of trade information, and (3) improving outreach to new-to-export businesses. Overall, we found that, for overseas export promotion activities in the countries we visited, FCS staff serve as focal points in coordinating other agency efforts.

Progress Made

With interagency cooperation, the TPCC achieved some early successes in coordinating member agencies' export promotion activities, as the following examples show.

- The TPCC recommended the establishment of an "advocacy coordinating network" to develop a system of high-level government advocacy in coordination with the private sector, for U.S. firms seeking contracts from other governments. Created in 1993, this advocacy center is a unit within Commerce and functions as a coordinated, interagency effort.

- The TPCC recommended that the agencies work together to create "one-stop shops" so that exporters could receive assistance from several agencies in one location. In 1994, the TPCC established a network of U.S. Export Assistance Centers that grew to 19 Centers by 1999. The Centers are staffed by Commerce, the SBA and, in some cases, the Eximbank to provide centralized export assistance.

- The TPCC recommended that the Eximbank and SBA streamline their pre-export Working Capital programs to make them more customer focused and to take advantage of the agencies' comparative strengths.[12] In 1994, the agencies began the process of sharing the coverage of their similar loan programs and established a network of private sector lenders to support small businesses.

- The TPCC recommended that the export promotion agencies create a country commercial plan that combined disparate TPCC agency documents into one coordinated country report on commercial activities. This led to the creation of "country commercial guides" for prospective exporters or investors to use.

- More recently, in 1998, the TPCC developed a coordinated response to the Asian financial crisis, in response to direction from executive branch officials.

Progress Slowed

The TPCC has not completed its original efforts to streamline the numerous federal export services available to exporters, in part, because the TPCC did not consistently meet at the cabinet level to address these issues. From June 1999 through October 2001, the TPCC did not meet at the cabinet level and, as a result, the TPCC was less active in coordinating agency efforts. During this period some staff-level working groups continued to address trade promotion issues and work on publishing the national export strategy, but they were not able to complete work implementing the earlier recommendations. Key issues continuing to need resolution are:

- TPCC identified the need to have cross-agency training so that agency staffs would be knowledgeable enough about the export promotion programs of the other agencies to explain them to potential exporters. In 1999, the TPCC requested but did not receive funding from OMB for such training at overseas posts. At the five overseas posts that we visited, several of the staff that are responsible for providing U.S. firms with information on exporting said that they are not fully familiar with other agencies' programs. Most FCS domestic and overseas staff acknowledge the need for training to better understand the needs of

[12]SBA provides Export Working Capital loans for amounts below $1 million; the Eximbank provides Export Working Capital Loans for amounts above $1 million.

exporters, and FCS is attempting to institute an exchange program to address this issue. However, cross-agency training has not been systematically conducted. The national export strategy for 2002, released in May 2002, renews the 1993 call to improve cross-training among TPCC agencies in order to provide better service for U.S. exporters.

- The TPCC has recognized that improvements were needed in the accuracy, acquisition, and dissemination of information available to exporters. To provide this information, 19 TPCC agencies created Internet Web sites that identify trade assistance programs and in some cases export leads. However, according to the TPCC survey and focus groups, businesses have found these sites to be too numerous, difficult, and time-consuming to navigate. (See app. III for descriptions of programs that provide trade leads.) Moreover, some of the overseas FCS staff told us that some U.S. firms get frustrated when directed to another agency for assistance. The TPCC's 2002 national export strategy addresses this difficulty, stating that a new TPCC task force is working to simplify and consolidate the various trade information Web sites.

- The TPCC was also unable to coordinate training programs for new-to-export firms. Our 2001 report[13] noted that the TPCC was unaware of duplicative, new-to-export training programs that the U.S. Export Assistance Centers provided. One of these programs was a new initiative within the Department of Commerce that had not been specifically coordinated with the TPCC.

Recent TPCC Initiatives

In October 2001 the TPCC met and recognized the need to continue work on problems identified earlier, as well as to examine some new issues. The TPCC conducted a survey of U.S. businesses and found that the export process was still confusing to potential exporters. To address these issues, the TPCC made recommendations in its 2002 strategy, several of which were similar to those made in the TPCC's earlier strategies.

[13]Our report, *Export Promotion: Government Agencies Should Combine Small Business Export Training Programs*, GAO-01-1023 (Washington, D.C.: Sept. 21, 2001), recommended that the TPCC eliminate duplication of export training services and that the U.S. Export Assistance Centers follow up on new-to-export training participants to better identify the training needs of small businesses.

Agency Coordination Was Good at Overseas Posts

TPCC agencies generally coordinated their overseas export promotion activities through contacts with the FCS. In the countries we visited, FCS staff served as focal points to coordinate various agencies' day-to-day export activities. In addition to supporting Commerce programs, they worked in support of other U.S. trade agencies, such as TDA, the Eximbank, and OPIC, as well as visiting trade missions from various states and visitors from other U.S. agencies. Typical FCS assistance provided to U.S. government or business visitors included preparing country commercial briefings, researching market sectors, scheduling and attending appointments, arranging for transportation and translation services, and generally assisting in representing U.S. trade interests overseas. Overseas U.S. business representatives with whom we spoke cited numerous ways in which FCS and other embassy staff worked together to overcome the many foreign bureaucratic obstacles they encountered in trying to export. In the countries we visited, for example, FCS staff did the following:

- FCS staff in Poland coordinated eight visits by TDA officials, three visits by Department of Commerce officials, a visit by Eximbank officials, one trade association, two state delegations, and a presidential visit in 2001. FCS staff in Turkey coordinated the attendance at a security summit of the President and the secretaries of State and Energy in fiscal year 2000.

- FCS staff in Turkey prepared background information on the impact of proposed Turkish policy on U.S.-developed energy projects for the administration and edited a paper on telecommunication issues for Commerce's Market Access and Compliance Division. They also assisted TDA and its contractors in arranging meetings with high-level Turkish officials, providing them with information on potential projects.

- Czech Republic FCS staff arranged a trade event in Prague for the Governor of Pennsylvania that included 36 U.S. firms in 2001.

While we found that the various agencies' overseas staffs would benefit from cross-agency training to understand various agencies' programs, we also found that these agencies collaborated on issues that affected exporters, such as market entry, regulation changes, and contract bidding. As members of the ambassadors' interagency country teams, commercial officers shared information about U.S. export activities and became aware of broader political and economic concerns affecting the export environment. In the countries that we visited, these teams met at least weekly. FCS staff, embassy economic officers, agricultural attaches, and

embassy political/military officers were aware of each other's in-country activities and felt that they worked well together.

Agencies Seek to Increase Small- and Medium-sized Enterprises' Export Participation

The Department of Commerce, SBA, Eximbank, TDA, OPIC, and USAID have programs that assist small- and medium-sized enterprises (SME).[14] According to the TPCC, SMEs may have limited resources to address the complex issues associated with exporting, and U.S. government agencies can help fill this information gap. These U.S. government agencies can provide market information, guarantee export loans, identify business opportunities, fund risk and credit insurance, and advocate on behalf of U.S. firms.

Commerce and SBA focus on providing help to SMEs as their core business. Commerce data show that for the five countries we visited, SMEs represented almost 91 percent of the firms that foreign posts helped during fiscal year 2001. Commerce's Advocacy Center coordinates the actions of TPCC agencies to work on behalf of U.S. firms dealing with foreign governments, complex bidding rules, and regulatory regimes.[15] From November 1993 through fiscal year 2002,[16] the Advocacy Center reported 685 successes,[17] of which 173 (25 percent) involved SMEs. The Advocacy Center valued the contracts won by SMEs at $3.9 billion (about 3 percent).

SBA provides credit and capital assistance, procurement and government contracting help, and entrepreneurial development assistance to small business exporters. To promote small business exports, the SBA offers three export loan guarantee programs: the Export Working Capital Program, the International Trade Program,[18] and the Export Express

[14]Small- and medium-sized enterprises are those that employ fewer than 500 employees.

[15]This assistance can take the form of high-level official visits, letters to foreign decision makers, and coordinated action by U.S. government agencies for businesses of all types and sizes.

[16]Fiscal year 2001 and 2002 data are year to date due to the lag time for determining results of advocacy actions.

[17]The Advocacy Center counts as a success those procurement bids won by the U.S. firm.

[18]The SBA's International Trade Program provides small businesses involved in exporting a guarantee up to $1.25 million for a combination of fixed asset financing and working capital.

Program.[19] According to SBA, in fiscal year 2001 it guaranteed 425 export loans worth an estimated $167 million, or about 1.8 percent of the total loan guarantees of $9.1 billion provided by the agency.

The Eximbank provides SMEs with pre-export financing from commercial lenders through its Export Working Capital Program. According to the Eximbank, almost 18 percent of the value of its fiscal year 2001 loan authorizations (more than $1.6 billion) went to SMEs, and almost 80 percent of its overall number of loans in fiscal year 2001 loans benefited SMEs.[20] Based on Eximbank data, the value of fiscal year 2001 Export Working Capital loans that benefited SMEs averaged about $1.5 million. The Eximbank also issued 1,723 export credit insurance policies to small businesses in fiscal year 2001. These represented 98 percent of Eximbank insurance policies and totaled more than $900 million.

As for TDA, all consultant contracts for desk studies, definitional missions, and feasibility studies are with either small- or medium-sized enterprises. TDA reported that small- and medium-sized business participation in its programs for fiscal year 2000 amounted to 48 percent of total TDA obligations.

OPIC programs also involved small business in 40 percent of its fiscal year 2000 programs. According to OPIC, it funded 16 projects involving SMEs in fiscal year 2000 totaling $265 million.

USAID's technology transfer programs—the Global Technology Network and the Eastern Europe Partnership for Environmentally Sustainable Economies (EcoLinks)—also have SME participation. Both programs provide trade leads for SMEs, and EcoLinks provides travel and project grants. (See app. III for a description of agencies' various export promotion programs.)

[19]The Export Express Program provides export financing to small businesses whose borrowing needs are too small to be profitably met by lenders using the Export Working Capital and the International Trade loan programs.

[20]The Eximbank is required to provide not less than 10 percent of its aggregate loans, guarantees, and insurance to small businesses.

Conclusions

Our review of the TPCC's national export strategies indicated that the strategies have not provided clear and consistent guidance over federal agencies export promotion programs and that some of the problems identified remain to be fixed. The TPCC has not used its annual export strategies to identify specific agencies' goals and responsibilities or to examine how agencies' resources are aligned, and it is not clear whether export promotion resources are being used most productively. In its 2002 strategy, the recently energized TPCC identified several key areas for improved agency coordination, some of which address problems initially recognized in the TPCC's 1993 strategy, including the need for (1) cross training agency personnel so they are knowledgeable about other agency programs, (2) improving exporters' access to timely and accurate trade information, and (3) expanding outreach and trade education for new-to-export firms. Without identification in the national export strategy of how these renewed initiatives are to be accomplished, it is not clear how the TPCC will overcome the problems experienced previously.

Recommendations for Executive Action

To assist federal agencies in making the best use of federal export promotion resources and to assist U.S. exporters, we recommend that the Chairman of the TPCC ensure that its national export strategies consistently (1) identify agencies' specific goals within the strategies' broad priorities, (2) identify how agencies' resources are allocated in support of their specific goals, and (3) analyze progress made in addressing the recommendations in the committee's prior annual strategies.

Agency Comments and Our Evaluation

We received written comments on our draft report from the TPCC Secretariat, which incorporated TPCC member agencies' input (see app. VI). The TPCC agreed with the report's call for the TPCC to provide clear and consistent strategic guidance from year to year, to identify agency-specific goals and responsibilities, and to report regularly on progress made toward achieving recommendations. The TPCC noted that it is committed to providing periodic reports to Congress on the implementation of its recommendations, including specific agency goals and associated responsibilities. It expects that the first of such progress reports will be sent in October to the Senate Banking Committee and the House International Relations Committee.

The TPCC noted that its 2002 National Export Strategy was based on a survey of exporters and potential exporters and that regular direct input

from such TPCC customers now provides continuity and consistency in the TPCC's strategic approach. It stated that changes in strategic approach will now be made in response to the changing needs of exporters. We agree that exporter needs should help define the national export strategy. We also believe that the TPCC needs to provide leadership to the various federal agencies involved in export promotion so that the government strategy better clarifies goals, agency responsibilities, and associated resource allocations.

The TPCC noted that our draft report was misleading in its reference to the TPCC's not completing its implementation of earlier TPCC recommendations. It stated that it had made progress in establishing interagency services such as the Trade Information Center and the Export.gov Web site and that it did not expect its work ever to be completed. It also noted that training is another area where agencies are constantly striving to innovate and improve. We believe these areas are important, and we agree that continuous improvement is desirable. We commend the TPCC for its recently renewed efforts to implement earlier TPCC recommendations.

The TPCC also noted that the report's attention to the "big emerging markets" detracted from the report's otherwise valid findings on consistency and follow-up. According to the TPCC, the world economy, as well as the economies in these countries, has changed markedly since the TPCC's 1994 report. Our purpose in selecting the October 1997 National Export Strategy's Central and East European regional strategy for closer review was to examine how the various export promotion agencies coordinated their efforts in implementing a TPCC strategy over a 5-year period—not to review the actual results of export activities. Many of the export agencies were represented in this region, including USAID. In addition, the region included two special offices designed to facilitate interagency coordination—the Caspian Finance Center in Turkey and the Southeastern Europe Initiative office in Croatia.

The Department of Commerce also provided written technical comments, which we incorporated into the report as appropriate.

As you requested, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to the Chairman of the Senate Committee on Small Business and Entrepreneurship and the Ranking Minority Member of the House

Committee on Small Business and interested congressional committees. We are also sending copies to the Chairman of the TPCC. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www/gao/gov.

If you or your staff have any questions regarding this report, please call me at (202) 512-4128. Key contributors to this assignment were Virginia Hughes, Patricia Martin, Judith Knepper, Victoria Lin, Ernie E. Jackson, and Rona Mendelsohn.

Loren Yager
Director, International Affairs and Trade

Objectives, Scope, and Methodology

The Ranking Minority Member of the Senate Committee on Small Business, as well as the Chairman of the House Committee on Small Business, asked us to determine if the Trade Promotion Coordinating Committee's (TPCC) strategies have helped to focus U.S. export promotion efforts. Specifically, we assessed (1) whether the committee's strategy has established export priorities, assessed progress made toward achieving the strategy's priorities, and proposed an alignment of federal resources in support of these priorities; and (2) whether the committee has made progress in coordinating the various agencies' export promotion programs. In addition, we also identified how the various agencies are including small- and medium-sized businesses in their export promotion programs.

To determine if the committee had established export priorities and whether federal resources had been aligned in support of these priorities, we analyzed the TPCC's and federal agencies' responsibilities under the Export Enhancement Act of 1992 and the Export Enhancement Act of 1999. We also obtained and analyzed the TPCC's national export strategies for 1993 through 2002 to see if, in an effort to increase exports, the committee targeted specific markets, identified agencies' export goals, and reported on the progress made by agencies in implementing the committee's strategy. We also spoke with TPCC member agency officials from the Departments of Agriculture, Commerce, and State; the U.S. Export-Import Bank; the Overseas Private Investment Corporation; the Small Business Administration; the U.S. Agency for International Development; and the U.S. Trade and Development Agency; about the usefulness of the strategy in defining their programs. To determine if the TPCC member agencies aligned their resources to support the strategy, we obtained and analyzed, but did not verify the budget and staffing data reported (1) in the national export strategies and (2) by the Department of Commerce's International Trade Administration and the Department of Agriculture's Foreign Agricultural Service, the two major agencies with overseas staffs. We obtained documentation from officials of these agencies in both domestic and overseas offices regarding the staffing process and resource allocations. We also obtained and reviewed interagency memorandums as well as the minutes of TPCC's meetings and met with TPCC officials and member agency representatives. To identify other factors affecting agencies' resource allocations, we obtained and reviewed documents on congressional or administration directives, analyzed their impact on overseas staffing, and spoke with agency officials responsible for staffing about the impact of these initiatives on resource allocations. In addition, we analyzed the Departments of Commerce and Agriculture's staffing

patterns in the mature Group of six (G-6) markets and compared them with TPCC targeted big emerging markets.

To determine if the TPCC was evaluating member-agencies' progress in implementing the broad priorities identified in the national export strategies, we obtained and analyzed member agency Government and Performance Results Act submissions, analyzed the performance sections of the national export strategies from fiscal years 1993 and 2002, and discussed with TPCC and various member agency officials the reasons that the TPCC did not evaluate agency performance.

To determine how the committee has coordinated the various agencies' export promotion programs, we examined agency trade promotion events, obtained and analyzed TPCC interagency minutes and other correspondence, and discussed with TPCC officials and member agency representatives how issues raised within the committee were resolved. We conducted separate interviews on these matters with key officials from the Departments of Agriculture, Commerce, and State; the U.S. Export-Import Bank; the Overseas Private Investment Corporation; the Small Business Administration; the U.S. Agency for International Development; the U.S. Trade and Development Agency; and the U.S. Trade Representative in Washington, D.C.

To determine how overseas agencies coordinated their efforts to implement the strategy, we selected five countries in Central and Eastern Europe identified in the TPCC's 1997 strategy as a region targeted for growth. The locations represent markets at various stages of maturity. We visited Warsaw, Poland; and Ankara and Istanbul, Turkey— two of the designated big emerging markets; Zagreb, Croatia— a country in the early stages of making a transition to a market economy; and Prague, Czech Republic, a country in a more advanced transitional phase. To contrast the U.S. support provided exporters in a mature market, we also visited Berlin, Germany, a country with the world's seventh largest industrial market economy and the United States' third largest trading partner. We asked for copies of the strategy and discussed it with agency officials responsible for export promotion. We obtained documents from and interviewed officials representing the Departments of Agriculture, Commerce, Defense, and State; the Overseas Private Investment Corporation; the U.S. Agency for International Development; and the U.S. Trade and Development Agency. The documents we obtained included mission and commercial strategic plans, correspondence between agencies, quarterly reports, e-mails, and computerized trade lead data showing interagency interactions.

To determine whether U.S. agencies are including small- and medium-sized businesses in their export promotion programs, we obtained documents from the Departments of Commerce, Defense, and State; the Small Business Administration, the Overseas Private Investment Corporation; the U.S. Agency for International Development; the U.S. Trade and Development Agency, and the Eximbank. The documents we obtained included agency annual reports, reports to Congress, agency performance plans, and data provided by these agencies outlining the nature and degree of small- and medium-sized enterprises participation in their programs. We also obtained documents identifying the use of databases and programs by small- and medium-sized businesses. We did not verify the data. We also obtained and discussed with key officials of the U.S. Agency for International Development reports on small business participation in its Global Technology Network and EcoLinks programs. Because we focused primarily on export promotion programs related to commercial exports, we did not examine in detail small business participation in Agriculture programs. In addition, we interviewed key agency officials representing Commerce, the Eximbank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency at headquarters and at posts in the five countries in Central and Eastern Europe about the participation in agency programs by small- and medium-sized businesses.

We performed our work from September 2001 through May 2002 in accordance with generally accepted government auditing standards.

U.S. Agencies' Trade Promotion Services

Each of the nine major trade promotion agencies offers specific services that, together with other agencies, provide the exporter with help throughout the export process. As shown in table 1, more than one agency may be active in providing these general types of export services. Federal agencies provide export training for potential new exporters; information on promising markets and export processes, as well as specific trade leads; opportunities to participate in trade events that match buyers and sellers; export finance and insurance for exports and investments in risky markets; and government-to-government advocacy on behalf of specific companies encountering trade barriers or bidding (as the sole U.S. bidder) on foreign government procurements. The Department of Commerce's Foreign Commercial Service (FCS) offices serve as focal points for other export agencies operating overseas.

Table 1: Export Promotion Services and Federal Providers

	Federal providers								
Export promotion services	**DOC**	**USDA**	**State**	**SBA**	**EXIM**	**OPIC**	**TDA**	**USAID**	**USTR**
Export training	X			X	X	X			
Developing market information	X	X	X	X			X	X	X
Trade events	X	X		X			X		
Trade finance		X		X	X	X	X		
Advocacy	X	X	X	X	X	X	X	X	X

Export Training

Both Commerce and SBA assist potential exporters with export training classes and one-on-one export counseling. Commerce and SBA staff at the 19 U.S. Export Assistance Centers sponsor export training, often assisted by other agencies, like the Export-Import Bank (Eximbank), as well as state and private sector trade organizations. The training introduces potential exporters to general information about foreign markets, assists in the development of sound market plans, explains possible funding sources,

and sometimes provides opportunities to participate in agency-led trade missions.[21] The following example illustrates such training.

Developing Market Information

The departments of Commerce and Agriculture, TDA, and USAID are the major providers of trade information and specific trade leads. Commerce provides industry analysis and policy support at headquarters, as well as support in foreign markets through its Foreign Commercial Service (FCS) and Trade Development unit. FCS staff routinely provide at no charge general research services, such as industry sector analyses and specific market insights to customers. They also provide a range of fee-for-service products, including customized (flexible) market research, international company profiles, and Commerce's Gold Key service, which matches qualified buyers with U.S. firms. Trade Development staff provide market reports and seminars and regular one-on-one market counseling, and they manage the Trade Information Center's 1-800-USATRADE hotline and Web-based information service.

To illustrate:

- A small U.S. manufacturer of cooling and heating system parts used Commerce's Gold Key service to meet with potential buyers in Poland. Following the initial sale, a U.S. Export Assistance Center continued to provide the firm additional trade leads generated through the market research produced by FCS staff in Poland. The firm went on to make additional sales in Poland.

Exporters can also find a broad range of trade-related information at the federal government's Export.gov Web site in addition to two Commerce Web sites. Subscription-based STAT-USA provides a broad range of information, including trade leads, market information, as well as access to the National Trade Data Bank. The annual fee for this service is $175, with quarterly subscriptions also available. Commerce's BUYUSA program matches U.S. sellers with foreign buyers and provides U.S. firms the option of publishing on the site the firm's electronic catalog of available products. The basic service costs $400, with the enhanced catalog service ranging between $1,075 and $2,000. Currently, about 3,400 U.S. and 19,000 foreign

[21]For a more complete description of export training, see U.S. General Accounting Office report, *Export Promotion: Government Agencies Should Combine Small Business Export Training Programs*, GAO-01-1023 (Washington, D.C.: Sept. 21, 2001).

firms are registered at BUYUSA. According to one Commerce official, BUYUSA permits small businesses to gain low-cost access to prescreened foreign buyers.

USAID funds two programs that seek to link U.S. small- and medium-sized exporters with business opportunities in USAID-specific sectors. The Global Technology Network (GTN) links U.S. agribusiness, environment and energy, health, and information technology firms with opportunities that support USAID development goals in Africa, Asia and the Near East, Central and Southeast Europe, and Latin America and the Caribbean. GTN automatically notifies (at no charge) registered U.S. firms of qualified business opportunities. These business opportunities include direct purchases, agent/distributor agreements, joint ventures, and franchise agreements. According to USAID, the GTN program generated 44 transactions totaling about $10 million in fiscal year 2001, and for the first 6 months in fiscal year 2002, 38 transactions valued at $30.1 million.

USAID's Eastern European Partnership for Environmentally Sustainable Economies (EcoLinks) program addresses environmental issues in the regions of Europe and Eurasia. The region is struggling to balance economic and environmental concerns. EcoLinks is a form of technical assistance that focuses on technology transfer by promoting partnerships between businesses, municipalities, and associations within the region and between the region and the United States. Its program focuses on three interrelated sets of activities: (1) partnership grants, (2) technology transfer and investment, and (3) an information technology initiative. EcoLinks program grants fund (1) initial matchmaking meetings between prospective partners and (2) project grants that test the viability of potential environmental projects. According to USAID data, EcoLinks generated four deals totaling $0.4 million in fiscal year 2001. An example of an EcoLinks grant follows.

- An EcoLinks grant helped rebuild a Croatian meat processing wastewater treatment plant destroyed by war. A small U.S. water management firm assisted plant managers in restoring the facility. The new plan will reduce water consumption by 30 percent and has already reduced the amount of waste produced in processing and cut the plant's operating costs by 20 percent.

TDA also provides market information to U.S. exporters and investors. It provides TDA grants for feasibility studies, whose contractors are primarily small- and medium-sized U.S. businesses. TDA also sponsors conferences

that familiarize foreign decision makers with U.S. goods and services, build business relationships, and encourage and assist U.S. firms in exporting to developing and middle-income countries. To illustrate:

- A TDA contractor organized a "Building Infrastructure for Tourism Development" conference in May 2002 in Istanbul, Turkey. The conference focused on the Eurasian region and, according to the meeting subcontractor, the conference drew approximately 300 people, including about 50 U.S. firms and 75 to 100 foreign firms.

Like Commerce, the Department of Agriculture provides full range of information and services to agricultural exporters, including market information, trade leads, and other help, including a Web-based training module, to agricultural exporters.[22]

Trade Events

Trade events bring buyers and sellers together or provide them with information (including but not limited to trade missions, trade fairs, catalog shows, reverse trade missions, and seminars). Two units in Commerce's International Trade Administration—the U.S. and Foreign Commercial Service and Trade Development—share responsibility in coordinating trade events. Other federal agencies also organize trade events that focus on specific sectors. For example, Agriculture sponsors trade missions for agricultural products; Energy, the Environmental Protection Agency, and USAID have sponsored events related to energy and the environmental technology sectors; and the SBA organizes a few trade missions annually for small businesses. Trade events are also sponsored by other federal agencies, including Eximbank, TDA, the Departments of State and Transportation, and states. For all of these other entities, Commerce provides essential support in doing market research and arranging foreign business community contacts for the associated trade events. Based on a cursory review of world trade events data maintained by Commerce, we found that Commerce sponsors the large majority of all trade events.

Of the four Central and Eastern European countries in which we did field work (Croatia, the Czech Republic, Poland, and Turkey), Poland had the

[22]Our review of the Department of Agriculture's export promotion activities was limited to interviews about the Department's coordination with other TPCC agencies at the foreign posts we visited, its participation at TPCC meetings in Washington, D.C., and a cursory examination of its Web-based provision of market information.

most trade events (23) during fiscal years 1996 through 2000. In contrast, Germany, a more mature European market, was the destination for 164 trade events during the same time period.

Trade Finance for Major Projects

Major infrastructure projects require years of negotiation with foreign governments, are costly, and are risky because their returns are generated from revenues from operations that can be affected by economic or political turmoil. Three agencies, Eximbank, OPIC, and TDA, work on separate aspects of trade finance in markets where commercial funding is not readily available.

The Eximbank provides U.S. firms with financing and insurance for exports in markets where commercial financing is limited or unavailable due to risk. The Eximbank has an export working capital program that provides loans for and guarantees lenders financing of pre-export production of goods. It also provides project finance for exporters or project sponsors that need financing for exports to large foreign infrastructure projects, such as oil and gas refineries. Exporters' goods must contain over 50 percent U.S. content.

OPIC is a self-sustaining agency that provides loans and guarantees to investors in overseas developing markets. OPIC's political risk insurance and loans help U.S. businesses of all sizes invest and compete in developing nations worldwide. Specifically, OPIC insures investments overseas against a broad range of political risks, finances businesses overseas through loans and loan guaranties, finances private investment funds that provide equity to businesses overseas, and advocates in the interests of the American business community overseas.

TDA provides planning assistance for foreign development projects that might offer sales opportunities for U.S. exporters. TDA's primary tool for such projects, feasibility studies, evaluates the technical, legal, economic, environmental, and financial aspects of a potential project. In developing markets, for example, TDA approaches foreign governments or municipalities considering privatizing national assets such as energy plants or constructing an airport terminal and offers to have a small U.S. firm study the feasibility of the project or to provide technical assistance such as air controller training. If the foreign government or municipality agrees to the project, it may use U.S. firms or equipment. If the market holds risk

of repayment and commercial financing is scarce,[23] OPIC may provide the U.S. firm with loans or insurance,[24] while the Eximbank may provide loans or guarantees for the equipment used in the project. An example follows.

- In 1997, the U.S. government supported building the Baku-Ceyhan oil pipeline from Azerbaijan through Turkey to a Black Sea port and on to lucrative markets in Western Europe. In 1998, TDA provided grant money to assist the Turkish government with the legal and financial negotiations of the deal. FCS staff in Turkey have continued to advocate for U.S. companies bidding on the Turkish portion of the project, and the Eximbank is now considering a guarantee covering U.S. goods and services for part of the project.

Advocacy

Operating since November 1993, Commerce's Advocacy Center assists U.S. firms when they encounter difficulty in winning foreign government procurements. The center coordinates the actions of the relevant U.S. agencies in a specific procurement. Top-level U.S. government officials work with their foreign counterparts to ensure a level playing field during all phases of the procurement process, and the Advocacy Center coordinates the timing of the actions, which may be official contacts via letters, telephone calls, or personal visits by one or more high-level U.S. official(s). Examples of problems that the center addresses include:

- foreign firms' pursuit of contracts using assistance from their home governments to persuade foreign government officials to buy their equipment or services;
- unfair treatment by government decisionmakers, preventing firms from having a chance to compete; and
- bidding offers that may be tied up in bureaucratic red tape, resulting in lost opportunities and providing an unfair advantage to a competitor.

In considering requests for assistance from a U.S. firm, the Advocacy Center confirms that the international transaction is in the national

[23]OPIC's mandate is to help U.S. businesses invest in overseas markets while assisting in the development of emerging countries.

[24]OPIC's loan requirements call for the firm to have 25 percent equity in the project.

interest, that the U.S. content of the potential procurement is at least 50 percent, and that the firm is the only U.S. bidder. When more than one U.S. firm is bidding on the procurement, U.S. officials will advocate with the foreign government for U.S. participation but not for any one U.S. firm.

Advocacy Center officials advocate for both large and small U.S. businesses, and a Commerce publication states that when large U.S. firms win a procurement bid, their U.S. suppliers—often small- and medium-sized businesses—also benefit. For example, the Advocacy Center has worked with the Boeing Corporation in its successful efforts to win contracts in Cyprus, Morocco, and South Africa. According to Commerce, Boeing has in excess of 500 suppliers covering all 50 states.

According to Commerce, the center re-committed itself in July 2002 to expand its support of small and medium-sized businesses. The efforts of center managers with responsibility for these businesses will be coordinated by a Small Business Advocate and Advisor to the Director. The center has also launched a plan for extended outreach and will work to define the target market to which advocacy services can be realistically and effectively offered.

Budgets of Export Promotion Agencies in Constant 2001 Dollars (in Millions, Fiscal Years 1996 through 2001)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Commerce							
Trade Development	$61	$62	$61	$61	$63	$64	$66
Market Access and Compliance	20	18	18	18	20	25	27
U.S. and Foreign Commercial Service HQ	19	19	17	17	20	16	16
U.S. Commercial Service (Domestic)	36	36	32	31	34	34	33
Foreign Commercial Service (Overseas)	123	121	136	126	131	142	140
Administrative	No data	No data	13	13	12	12	13
Commerce Export Promotion Activities[a]	258	258	277	265	281	293	294
Agriculture							
Export Enhancement Program	5	0	2	1	2	7	467
Dairy Export Incentive Program	22	130	116	151	80	8	60
Market Access Program	98	97	95	94	92	90	88
Foreign Market Development Program	37	36	36	29	29	28	27
P.L. 480 Title I - Food Aid	317	217	267	867	354	214	171
CCC Export Credit Guarantees	467	4	216	195	218	198	408
Foreign Agricultural Service	50	57	57	56	55	55	54
Agriculture Export Promotion Activities[a]	998	541	789	1,394	830	600	1,275
Export Import Bank	910	828	773	851	833	928	748
U.S. Trade and Development Agency	65	58	66	64	57	64	49
Overseas Private Investment Corporation	(117)	(126)	(185)	(183)	(209)	(206)	(245)
Small Business Administration	7	10	11	13	13	14	12
State Department	98	102	105	127	127	129	124
U.S. Trade Representative	23	23	24	27	27	30	29
U.S. Agency for International Development	723	579	450	0	0	0	0
Total Budget for Export Promotion Activities (excluding OPIC and USAID programs)	**$2,359**	**$1,819**	**$2,045**	**$2,741**	**$2,168**	**$2,058**	**$2,532**

[a]Totals may not add due to rounding.

Source: National Export Strategies and federal budget documents.

FCS Overseas Staff by Country, Fiscal Years 1996 through 2001

	1996		1997		1998		1999		2000		2001	
	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices
Algeria	1	1	1	1	1	1	1	1	1	1	1	1
Argentina[b]	10	1	17	1	21	1	22	1	23	1	24	1
Armenia	0	0	1	1	1	1	1	1	1	1	1	1
Australia	17	4	17	3	18	3	19	3	20	3	20	4
Austria	7	1	8	1	5	1	8	1	8	1	7	1
Azerbaijan	0	0	0	0	3	1	3	1	3	1	3	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1
Belarus	1	1	1	1	1	1	1	1	1	1	1	1
Belgium	17	2	17	2	16	2	16	2	18	2	23	2
Brazil[b]	30	4	54	4	56	4	60	4	62	5	69	5
Bulgaria	3	1	9	1	7	1	7	1	7	1	6	1
Canada	24	6	31	7	32	7	29	7	29	7	32	7
Chile	10	1	14	1	14	1	14	1	14	1	15	1
China[b]	50	5	63	5	80	5	86	5	81	5	83	5
Colombia	10	1	11	1	10	1	11	1	11	1	13	1
Costa Rica	3	1	6	1	5	1	6	1	6	1	5	1
Cote d'Ivoire	6	2	10	2	11	2	11	2	11	2	11	2
Croatia	1	1	4	1	4	1	3	1	3	1	4	1
Czech Republic	5	1	8	1	11	1	11	1	10	1	5	1
Denmark	6	1	6	1	6	1	6	1	6	1	4	1
Dominican Republic	5	1	9	1	13	1	11	1	12	1	11	1
Ecuador	6	2	8	2	8	2	8	2	8	2	8	2
Egypt	12	2	15	2	13	2	14	2	12	2	16	2
Finland	4	1	4	1	4	1	4	1	4	1	4	1
France	34	6	34	6	36	6	34	5	33	6	32	5
Georgia	0	0	1	1	1	1	1	1	1	1	1	1
Germany	47	7	49	7	48	7	48	6	49	6	39	6
Ghana	0	0	0	0	0	0	0	0	1	1	1	1
Greece	9	1	10	1	9	1	9	1	12	2	12	2
Guatemala	4	1	5	1	9	1	7	1	7	1	7	1
Haiti	0	0	3	1	3	1	4	1	4	1	4	1
Honduras	2	1	4	1	5	1	5	1	4	1	4	1

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	1996		1997		1998		1999		2000		2001	
	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices
Hong Kong[b]	14	1	23	1	22	1	21	1	22	1	19	1
Hungary	8	1	10	1	10	1	10	1	9	1	9	1
India[b]	30	5	33	5	48	7	52	7	54	7	58	8
Indonesia[b]	17	2	25	2	23	2	28	2	43	2	41	2
Ireland	4	1	6	1	6	1	5	1	6	1	6	1
Ireland, Northern	0	0	0	0	1	1	1	1	1	1	3	1
Israel	14	2	15	2	15	2	15	2	16	2	14	2
Italy	25	5	24	5	26	5	26	5	26	5	25	5
Jamaica	0	0	2	1	2	1	2	1	2	1	2	1
Japan	57	5	59	5	52	5	51	5	53	5	50	5
Jordan	0	0	0	0	0	0	0	0	2	1	3	1
Kazakstan	6	1	12	1	11	1	11	1	10	1	9	1
Kenya	4	1	3	1	2	1	4	1	11	1	8	1
Korea[b]	23	1	28	1	27	1	24	1	27	1	24	1
Kuwait	6	1	9	1	7	1	7	1	10	1	6	1
Latvia	0	0	0	0	0	0	0	0	1	1	3	1
Lebanon	0	0	0	0	0	0	0	0	1	1	1	1
Malaysia	9	1	14	1	12	1	14	1	14	1	13	1
Mexico[b]	61	3	76	3	73	3	75	3	70	3	66	4
Morocco	3	2	5	2	4	2	4	2	6	2	6	2
Netherlands	11	2	10	2	12	2	12	2	11	2	12	2
New Zealand	4	2	5	2	4	2	3	1	6	2	4	2
Nigeria	7	1	10	1	9	1	9	1	9	1	11	1
Norway	3	1	6	1	6	1	5	1	6	1	6	1
Pakistan	8	3	10	3	9	3	9	3	10	3	10	3
Panama	4	1	6	1	6	1	6	1	6	1	6	1
Peru	4	1	8	1	8	1	8	1	8	1	8	1
Philippines	18	2	25	2	20	2	19	2	25	2	22	2
Poland[a]	9	1	18	1	18	1	18	1	16	1	14	1
Portugal	7	2	8	2	10	2	10	2	9	2	10	2
Romania	4	1	7	1	6	1	6	1	5	1	6	1
Russia	38	3	47	4	43	4	42	4	40	4	40	4
Saudi Arabia	24	3	35	3	35	3	37	3	38	3	34	3
Singapore	17	1	16	1	18	1	19	1	19	1	17	1

(Continued From Previous Page)

	1996		1997		1998		1999		2000		2001	
	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices	#Staff[a]	#Offices
Slovak Republic	1	1	4	1	4	1	4	1	3	1	3	1
South Africa[b]	11	3	19	3	16	3	21	3	24	3	24	3
Spain	15	2	17	2	18	2	18	2	17	2	17	2
Sweden	8	1	9	1	9	1	10	1	10	1	9	1
Switzerland	7	3	8	3	8	3	8	3	8	3	9	3
Taiwan[b]	25	2	28	2	26	2	26	2	28	2	30	2
Thailand	18	1	23	1	22	1	23	1	22	1	19	1
Trinidad/ Tobago	0	0	1	1	1	1	1	1	1	1	1	1
Turkey[b]	13	3	13	3	14	3	14	3	15	3	13	3
UAE	9	2	9	2	10	2	9	2	11	2	9	2
Ukraine	7	1	16	1	13	1	13	1	13	1	12	1
United Kingdom	19	2	21	2	25	2	26	2	29	2	31	2
Uruguay	0	0	0	0	0	0	1	1	2	1	2	1
Uzbekistan	4	1	6	1	7	1	7	1	9	1	7	1
Venezuela	10	1	14	1	16	1	15	1	18	1	20	1
Vietnam	1	1	4	1	12	2	12	2	20	2	5	2
Yugoslavia	0	0	0	0	0	0	0	0	1	1	1	1
Total	**912**	**137**	**1,168**	**143**	**1,198**	**148**	**1,222**	**146**	**1,286**	**155**	**1,245**	**157**

[a]Staff includes Foreign Commercial Service officers, foreign service nationals, and personal service contractors.

[b]Countries in Big Emerging Markets as defined in TPCC's 1994 National Export Strategy.

Source: Department of Commerce.

FAS Overseas Staff by Country, Fiscal Years 1996 through 2001

	1996		1997		1998		1999		2000		2001	
	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices
Argentina[a]	5	1	5	1	5	1	5	1	5	1	5	1
Australia	4	1	4	1	4	1	4	1	4	1	4	1
Austria	4	1	4	1	4	1	4	1	4	1	4	1
Bangladesh	1	1	1	1	1	1	1	1	1	1	1	1
Belgium	8	2	7	2	8	2	8	2	6	2	6	2
Brazil[a]	8	2	8	2	8	2	7	2	8	2	8	2
Bulgaria	4	1	3	1	3	1	3	1	3	1	4	1
Burma	1	1	0	0	0	0	0	0	0	0	0	0
Canada	5	1	5	1	4	1	4	1	5	1	5	1
Chile	3	1	3	1	3	1	3	1	3	1	3	1
China[a]	6	3	6	3	6	3	5	3	5	3	7	3
Colombia	3	1	4	1	4	1	4	1	4	1	4	1
Costa Rica	3	1	3	1	3	1	3	1	3	1	3	1
Cote d'Ivoire	3	1	3	1	3	1	3	1	3	1	3	1
Czech Republic	1	1	1	1	1	1	1	1	1	1	1	1
Denmark	3	1	2	1	2	1	2	1	3	1	3	1
Dominican Republic	3	1	2	1	2	1	2	1	2	1	2	1
Ecuador	2	1	2	1	2	1	2	1	1	1	1	1
Egypt	3	1	3	1	3	1	3	1	3	1	2	1
France	8	1	7	1	7	1	7	1	6	1	6	1
Germany	10	2	9	2	10	2	8	2	8	2	9	2
Greece	3	1	2	1	2	1	2	1	2	1	2	1
Guatemala	4	1	2	1	2	1	2	1	2	1	2	1
Hong Kong[a]	4	1	4	1	4	1	4	1	3	1	3	1
Hungary	1	1	0	0	0	0	0	0	0	0	0	0
India[a]	7	1	8	1	7	1	7	1	7	1	7	1
Indonesia[a]	4	1	5	2	5	2	5	2	5	2	5	2
Ireland	1	1	1	1	1	1	1	1	1	1	1	1
Israel	1	1	1	1	1	1	1	1	1	1	1	1
Italy	9	2	9	3	9	3	9	3	7	2	7	2
Japan	19	3	21	3	21	3	18	3	20	3	20	3
Kazakhstan	1	1	1	1	1	1	1	1	1	1	1	1
Kenya	1	1	1	1	1	1	1	1	1	1	1	1

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	1996		1997		1998		1999		2000		2001	
	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices	#Staff	#Offices
Korea[a]	8	1	9	1	9	1	9	1	9	1	9	1
Latvia	1	1	1	1	1	1	1	1	1	1	1	1
Malaysia	3	1	3	1	3	1	3	1	3	1	3	1
Mexico[a]	11	2	13	2	12	2	13	2	13	2	14	3
Morocco	2	1	2	1	2	1	2	1	2	1	2	1
Netherlands	5	1	4	1	5	1	4	1	6	1	6	1
New Zealand	2	1	2	1	2	1	2	1	2	1	2	1
Nigeria	2	1	2	1	2	1	2	1	2	1	2	1
Pakistan	3	1	3	1	3	1	3	1	3	1	3	1
Peru	3	1	3	1	3	1	3	1	3	1	3	1
Philippines	5	1	5	1	5	1	4	1	5	1	4	1
Poland[b]	4	1	4	1	4	1	4	1	4	1	3	1
Portugal	2	1	1	1	1	1	2	1	2	1	2	1
Romania	1	1	1	1	1	1	1	1	1	1	1	1
Russia	8	1	9	1	9	2	9	2	9	2	8	2
Saudia Arabia	3	2	3	2	3	2	3	1	2	1	2	1
Serbia	1	1	1	1	1	1	1	0	0	0	0	0
Singapore	4	1	3	1	3	1	3	1	2	1	2	1
South Africa[a]	6	1	5	1	6	1	6	1	6	1	6	1
Spain	6	1	6	1	6	1	6	1	6	1	6	1
Sri Lanka	1	1	0	0	0	0	0	0	0	0	0	0
Sweden	4	1	4	1	4	1	4	1	3	1	3	1
Switzerland	3	2	4	2	4	2	4	1	4	1	4	1
Syria	1	1	1	1	1	1	1	1	1	1	1	1
Thailand	5	1	5	1	5	1	5	1	5	1	5	1
Tunisia	3	1	2	1	2	1	2	1	2	1	2	1
Turkey[a]	4	1	4	1	4	1	4	1	4	1	4	1
UAE	4	1	4	1	4	1	4	1	4	1	4	1
Ukraine	2	1	1	1	2	1	1	1	1	1	2	1
United Kingdom	6	1	5	1	5	1	4	1	4	1	4	1
Venezuela	5	1	5	1	5	1	4	1	5	1	4	1
Vietnam	1	1	1	1	1	1	1	1	1	1	1	1
Total	**262**	**76**	**253**	**75**	**255**	**76**	**245**	**73**	**243**	**72**	**244**	**73**

[a]Countries in Big Emerging Markets as defined in TPCC's 1994 National Export Strategy.

Source: Department of Agriculture.

Comments from the Trade Promotion Coordinating Committee

TRADE PROMOTION COORDINATING COMMITTEE

AUG 21 2002

Loren Yager, Ph.D.
Director, International Affairs & Trade
United States General Accounting Office
Washington, D.C. 20548

Dear Loren:

Thank you for the opportunity to comment on the draft GAO report Export Promotion: Mixed Progress in Achieving a Governmentwide Strategy, GAO-02-850. Per your transmittal letter of July 30, the Secretary has asked me to provide a TPCC response. The TPCC Secretariat distributed the draft report to the agencies, and this response incorporates their input. As a separate attachment, I have included some comments on behalf of the Commerce Department. To the extent that the draft report, including Appendix III, intends to accurately portray the scope of federal trade promotion services, we suggest additional language for the final report.

I would like to commend you and your team for a balanced and constructive study of the TPCC. While there are some limits to the TPCC's ability to coordinate agency programs as noted by the report (e.g., to reallocate agency resources), I agree that the TPCC can and should do more to fulfill its mandate. The draft report has hit the mark in calling on the TPCC to provide clear and consistent strategic guidance from year-to-year, identify agency-specific goals and responsibilities, and regularly report on progress toward achieving recommendations. This Administration has already taken major steps towards addressing these concerns by using the TPCC as a management tool and by applying many of the principles set forth in the President's Management Agenda. We have undertaken a benchmarking process that has set the tone and direction for the TPCC in the years to come.

Consistent Guidance:

A major observation of the draft report is that the TPCC's strategic approach has shifted from year-to-year, noting that overriding foreign policy goals have sometimes been a factor. As a result, TPCC strategies have often lacked continuity which, in turn, has hindered the TPCC's assessment of progress toward achieving broad goals.

Inspired by the President's Management Agenda, the Secretary and other agency heads committed themselves early on in this Administration to citizen-centered change, focused on delivering results that matter to U.S. exporters and potential exporters. By conducting a survey of 3,000 exporters and non-exporters, conducting focus groups, and interviewing 100 other companies, the May 2002 National Export Strategy report was the first wholly committed to responding to customer needs. Regular direct input from exporters and potential exporters now provides continuity and consistency in the TPCC's strategic approach. Changes in strategic

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approach will now be in response to the changing needs of exporters. Nobody knows better than U.S. companies themselves their needs for information, financing, and advocacy. Exporters should also be the starting point for developing strategies that respond to the global competitive environment and foreign government practices that threaten U.S. competitiveness.

One conclusion in the draft report we found misleading was that the TPCC did "not complete" its implementation of certain key recommendations because the May 2002 report includes some of the same general recommendations as early TPCC reports. For example, in the area of improving the dissemination of trade information, the TPCC has made tremendous progress with the establishment of interagency services such as the Trade Information Center and Export.gov. Nevertheless, we do not expect this work to ever be "completed." Changes in the business environment and technology constantly call for new government approaches. Interagency training is another area where agencies are constantly striving to innovate and improve. For example, in the area of trade financing, Ex-Im Bank and OPIC frequently open their training programs to other agencies, and SBA participates in training programs for both domestic and overseas Commercial Service officers. The May 2002 report seeks to institutionalize an even higher level of interagency training and exchanges. The TPCC's readiness to revisit core issues of customer service and leveraging is an important mark of consistency rather than proof the TPCC has not followed through on previous recommendations.

We also felt that the attention given the "Big Emerging Markets" (BEMs) as an ongoing yardstick of the TPCC detracted from otherwise valid findings on consistency and follow-up. Beginning with the entrance conference in March 2001, the TPCC has advised the GAO against basing its analysis on a fixed set of countries first identified in 1994. The world economy, as well as the economies in these countries, have changed markedly since the TPCC's 1994 report. The Asian financial crisis in 1998 negatively impacted most of the Asian BEMs. The European BEMs – Turkey and Poland – have stagnated or regressed as a result of a number of factors. As export opportunities have diminished in these areas, we have tried to respond to market growth and exporter interest elsewhere. Country-specific strategies will continue to be employed by the TPCC. For example, our May 2002 report targets China, Mexico, Russia, Brazil, and South Africa for the development of pilot early project development teams. However, such strategies will be in response to exporter needs in an ever-changing global economy.

Agency-Specific Goals and Measures of Progress:

Another major finding of the GAO is that past reports have not identified specific agencies' goals and responsibilities or analyzed progress made in achieving recommendations from prior year reports.

As stated by the Secretary in presenting the 2002 National Export Strategy to Congress, the reenergized TPCC is committed to results. In viewing the TPCC as a management tool, agencies have committed to regular high level meetings to review each agency's progress toward achieving the recommendations presented in the TPCC report. The TPCC has also committed to

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periodic progress reports to Congress on the implementation of recommendations. For each of the recommendations, we will identify specific agency goals and associated agency responsibilities. We are developing a matrix which specifies agency leads, current status, next steps, and progress measures. The first such progress report will be sent to the Senate Banking Committee and the House International Relations Committee in October.

TPCC's Role in the Budget Process:

The draft report also examines the TPCC's limited ability to affect the alignment of export promotion resources across agencies in support of TPCC strategic priorities. The draft report cites a number of factors, including the lack of authority to reallocate resources among agencies.

As recognized in the draft report, the TPCC has sought new ways to influence the alignment of resources in light of these limitations. In 1999, Congress changed the annual release date of the TPCC report from September to March. This change enables the TPCC to play an active role with OMB in the development of the President's Budget. In preparation of the March 2000 report, the TPCC pioneered several new methods of participating in the budget process, including transmittal to OMB of a prioritized list of TPCC budget initiatives and participation in agencies' budget presentations to OMB. With regard to the FY 2004 budget, the TPCC has begun to employ some of the same methods with regard to budget-related recommendations in the May 2002 report. The goal is to both improve resource coordination on the front end of the budget process and provide a strategic framework for promoting particular budget initiatives to Congress after the President's budget is released.

Conclusions:

Motivated by the same issues identified by the draft report, the TPCC has embarked on a new beginning. The May 2002 presented 60 specific recommendations based on the direct input of customers. The next annual report due in March 2003 is dedicated to analyzing our progress toward implementing those recommendations. Between now and then, the TPCC will be actively coordinating agencies' efforts and holding individual agencies accountable. Because this is a new approach, we welcome your continued interest as the process unfolds.

Please let me or Jeri Jensen-Moran know if we can be of further assistance.

Sincerely,

Grant D. Aldonas

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