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Report to Congressional Requesters

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EXPORT PROMOTION

Federal Programs Lack Organizational and Funding Cohesiveness

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The Honorable Doug Barnard, Jr.
Chairman, Subcommittee on Commerce,
Consumer, and Monetary Affairs
Committee on Government Operations
House of Representatives

The Honorable Frank Horton
Ranking Minority Member
Committee on Government Operations
House of Representatives

As you requested, we are reviewing a number of issues regarding the federal government's export promotion programs. These programs are designed to encourage U.S. companies to sell goods or services abroad and consist of such activities as providing business counseling, information, and training; conducting market research services; organizing trade missions and trade fairs; and giving export financing assistance.

In this report, we assess (1) the rationale for and the resources devoted to these programs and (2) the adequacy of recent attempts to consolidate and streamline these programs. Our reports on other aspects of your request will be issued at a later date.

Results in Brief

In fiscal year 1991 the U.S. government spent about $2.7 billion on export promotion programs and approved about $21.4 billion in export loans, export credit guarantees, and export insurance. However, the funding for the 10 executive branch agencies involved in export promotion is not made on the basis of an explicit governmentwide strategy or set of priorities. Without an overall rationale it is unclear whether export promotion resources are being channeled into areas with the greatest potential return.

Agricultural programs receive the most funding, even though the agriculture sector accounts for only about 10 percent of total U.S. exports. Moreover, a significant portion of agricultural funds go to large, established U.S. firms and cooperators instead of to smaller and more inexperienced firms that are likely to be more in need of financial assistance.

To cope with the problem of the government's decentralized approach to export promotion, the President created an interagency committee in 1990. The committee, chaired by the Secretary of Commerce, is responsible for, among other things, coordinating and streamlining the government's programs. Although the interagency committee has achieved some success, it has not yet addressed the issue of how to consolidate the government's export promotion programs. This task will be complicated by several factors, especially the manner in which the programs are funded. The interagency committee lacks permanent status and cannot reallocate resources among the government agencies. The committee's long-term effectiveness is yet to be demonstrated.

Background

Eighteen executive branch agencies are on the Trade Promotion Coordinating Committee. Of the 18, 8 currently fund a wide range of export promotion programs.[1] The eight agencies are

- the Department of Agriculture
- the Department of Commerce
- the Department of Energy
- the Agency for International Development
- the Export-Import Bank of the United States
- the Overseas Private Investment Corporation (OPIC)
- the Small Business Administration (SBA)
- the U.S. Trade and Development Program.

In addition, two other agencies not on the committee—the Department of the Interior and the National Aeronautics and Space Administration—fund export promotion programs.

Export Promotion Programs Can Help Increase Foreign Sales

Export promotion programs can play a useful role in increasing the exports of goods and services in particular sectors in which the United States is competitive. Alone, these programs cannot produce a substantial change in the U.S. trade balance, because the trade balance is largely determined by the underlying competitiveness of U.S. industry and by the macroeconomic policies of the United States and its trading partners.[2] However, export promotion programs play an important role in the following situations:

[1]The other 10 agencies on the committee are the Departments of State, the Treasury, Defense, Labor, and Transportation; the Office of Management and Budget; the Office of the U.S. Trade Representative; the Council of Economic Advisers; the U.S. Information Agency; and the Environmental Protection Agency.

[2]For a more complete discussion of this topic, see The U.S. Trade Deficit: Causes and Policy Options for Solutions (GAO/NSIAD-87-135, Apr. 28, 1987).

- when U.S. firms lack export awareness because markets have failed to give the right information to producers who otherwise would export;
- when U.S. businesses are aware of export opportunities but need additional technical assistance to consummate export sales;
- when U.S. firms need representational assistance from the U.S. government in opening doors overseas; and
- when U.S. businesses need competitive financing, loan guarantees, or insurance to close an export sale.

Funding Levels Raise Questions

Because the U.S. government's export promotion programs are not funded based on a governmentwide strategy or set of priorities, they may not be structured in the most effective way. In fiscal year 1991 the government spent about $2.7 billion on export promotion programs. In addition, the government approved about $12.8 billion in export loans and guarantees and extended about $8.6 billion in export insurance (see table 1).

Table 1: Levels of U.S. Export Promotion Activities, Fiscal Year 1991

Dollars in millions

Agency	Outlays[a]	Loans and loan guarantees	Insurance
Agency for International Development	$106[b]	$0	$160
Agriculture Department	1,972[c]	5,700	0
Commerce Department	195[d]	0	0
Energy Department	3	0	0
Export-Import Bank	326[e]	6,638	4,554
Interior Department	*	0	0
National Aeronautics and Space Administration	*	0	0
Overseas Private Investment Corporation[f]	11	290	3,900
Small Business Administration[g]	4	123	0
U.S. Trade and Development Program	37	0	0
Totals[h]	**$2,655**	**$12,751**	**$8,614**

*Represents $100,000 or less.

(continued)

[a]Includes salaries of U.S. government personnel who are devoted full-time to export promotion, but excludes those who devote only part of their time to export promotion. Part-time export facilitation personnel are found in several government agencies, including the Departments of State and Transportation. These figures also include net claims paid out under agencies' export loan, credit guarantee, and insurance programs. The figures in several cases include obligations or budget authority because some agencies were unable to provide outlays. The figures also include grants made to exporters for the purpose of enhancing their export capability, and grants to organizations to study export promotion issues.

[b]Consists of $103.4 million spent by the Commodity Import Program, $1 million spent by the Private Investment and Trade Opportunities program, $0.5 million spent by the Trade and Investment Services program, $0.5 million spent by the Market Technology Access Program, $0.3 million spent by the Private Sector Energy Development Study Fund, and $0.3 million spent by the Trade and Investment Monitoring System.

[c]Consists of $890.1 million devoted to the Export Enhancement Program, $761 million paid out in claims on finance programs, $200 million spent by the Market Promotion Program, $105.5 million spent by the Foreign Agricultural Service, $7.8 million spent by the Office of the General Sales Manager to manage the GSM-102 and GSM-103 loan guarantee programs, and $7.3 million spent by the Agricultural Research Service.

[d]Consists of $169.8 million spent by the International Trade Administration, $15.9 million spent by the U.S. Travel and Tourism Administration, $7.6 million spent by the Economic Development Agency, $1.2 million spent by the National Institute of Standards and Technology, $0.6 million spent by the Economics and Statistics Administration on the National Trade Data Bank, and $0.1 million spent by the National Oceanic and Atmospheric Administration.

[e]Consists of $158.4 million in net claims paid out under the agency's export loan, credit guarantee, and insurance programs; $145.4 million of War Chest grants; and a $21.7-million budget.

[f]The Overseas Private Investment Corporation is a self-sustaining U.S. government entity whose purpose is to promote economic growth in developing countries by encouraging U.S. private investment in those nations. OPIC activity stimulates U.S. exports as well. The finance and insurance figures for OPIC are overall agency figures, whereas the outlays relate to isolated items. The outlays consist of $14.3 million budgeted for salaries and administrative support activities, $3.3 million in recoveries made on its insurance and guarantee programs, and $0.4 million for pre-investment programs.

[g]The export-related loans and loan guarantees shown for SBA are overstated. The amount SBA classifies as export-related loans and guarantees represents all SBA loans and guarantees extended to small businesses that report that they are exporters. There is nothing about most of this credit assistance that requires companies that borrow to use the money for export purposes.

[h]Totals do not add due to rounding and do not include amounts spent by the Departments of State and Defense on export promotion and export facilitation duties. Although Department of State officials told us that commercial duties are an important function of the Department's overseas foreign service staff, especially in the more than 82 posts where the Department of Commerce has no presence, they also told us that the State Department does not have systems in place to measure the amount of staff time spent on this function. Department of Defense officials told us they could not quantify the time spent by the Department's security assistance staff in providing export facilitation assistance to U.S. exporters.

Export promotion programs do not receive funding based on a governmentwide strategy or set of priorities. Without an overall rationale, it is unclear whether export promotion resources are being channeled into areas with the greatest potential return. At present, the Agriculture Department receives the bulk of export promotion resources even though agricultural products account for only about 10 percent of total U.S. exports. In fiscal year 1991 the Department accounted for about $2 billion of total outlays, representing about 74 percent of the government total. About $890 million of this amount was spent under the Department's Export Enhancement Program. The program was established in 1985 and provides government-owned surplus agricultural commodities as bonuses to U.S. exporters to help make them competitive with subsidized foreign agricultural exports. In addition, the Agriculture Department provided almost 50 percent of the export credit guarantees given by the U.S. government in fiscal year 1991—about $5.7 billion.

One Agriculture program, the Market Promotion Program, received more funds in fiscal year 1991—$200 million—than was spent by the entire Department of Commerce on its export promotion programs. We have questioned the justification for this program in a prior report because some of the money under the program is used to fund brand identification and consumer loyalty programs for successful U.S. firms, cooperators, and trade associations.[3] These include Sunkist Growers ($10 million); the California Raisin Advisory Board ($8.5 million); the Wine Institute ($14.5 million); and the National Honey Board ($0.3 million).

The Interagency Committee Attempts to Consolidate Export Promotion Programs

In May 1990 the President established an interagency Trade Promotion Coordinating Committee to "unify and streamline" the government's decentralized approach to export promotion. The committee is chaired by the Secretary of Commerce and includes senior-level representatives from other agencies. One of the first tasks the committee completed was to issue a directory of U.S. government programs and resources to assist U.S. exporters. The committee's recent activities have centered around three areas: working groups for specific activities, export facilitation conferences for the U.S. business community, and a trade information center to provide information on federal assistance available to exporters.

The Working Groups: The day-to-day work of the committee is carried out by 12 working groups that consider various geographic areas, industry

[3]For a more detailed discussion of this program, see Agricultural Trade: Improvements Needed in Management of Targeted Export Assistance Program (GAO/NSIAD-90-225, June 27, 1990).

sectors, and issues. Most of the groups were organized in late 1990. To date, the accomplishments of the working groups have been modest and primarily related to planning trade events, organizing trade missions, and conducting business outreach efforts, including the following:

- The Trade Missions and Promotion Planning Working Group has issued an interagency calendar of upcoming U.S. government events concerning trade promotion. To create the calendar, the Departments of Commerce and Agriculture, which account for the majority of events, merged their event calendars. The calendar is available to the public through an electronic bulletin board as well as in printed form.
- The Energy, Environment, and Infrastructure Working Group helped Commerce's planning and coordination of a June 1990 U.S. trade fair in Kuwait. According to Commerce officials, U.S. industry has sold $50 million in goods and services as a result of the event.
- The Trade Finance Working Group has drafted a report that identifies structural impediments that U.S. exporters face in trying to obtain adequate financing. The final version of the report is scheduled to be released in February 1992.

The National Export Conferences: Under the auspices of the committee, a series of national export conferences has been held to raise the export awareness of the U.S. business community. The first of these conferences took place in February 1991. As of December 1991, 30 conferences had been held. To demonstrate the government's commitment to helping firms export, high-level Commerce officials chair the conferences, and senior officials from other agencies participate. More specialized assistance is available for firms that choose to attend the conferences' follow-up sessions, which generally begin 3 to 4 weeks after each conference.

Commerce officials told us that about 7,000 people attended the conferences, and, of those attending, about 350 clients returned for more specialized export assistance at a Commerce district office.

The Trade Information Center: The Trade Information Center provides U.S. businesses with a "one-stop shop" for information on trade promotion programs and activities. The center is located in the Department of Commerce in Washington, D.C., and can be reached on a toll-free number, 1-800-USA-TRADE. It has 10 trade specialists who provide counseling, referrals, and follow-up to U.S. companies interested in exporting. The center receives about 200 calls a day. Most of the calls are from new-to-export or new-to-market firms. Exporters who do not have previous, sustained exporting experience are classified as "new-to-export." Exporters who have not sold on a sustained basis in a specific country or who are introducing a new product line are classified as "new-to-market."

Interagency Committee Faces Problems

The interagency committee faces several obstacles to achieving its presidential goal of unifying and streamlining the government's export promotion programs. First, the committee lacks permanence. Because the committee was not established through law and is dependent on the active interest of senior management, its work may be interrupted when key officials, such as the Secretary of Commerce, leave office. A predecessor to the committee, the Interagency Task Force on Trade, headed by a Director of the Export-Import Bank, was dissolved when the Director left office.

Second, the committee has no authority to set program or budget priorities across government agencies even though its goal is to streamline government export promotion programs. Agencies fund and manage their own programs under separate budgets and priorities. Bureaucracies are "turf conscious" and resist change. In fact, according to a senior Commerce official, the formation of the interagency Trade Promotion Coordinating Committee was predicated on an assumption that the current fragmented agency approach to export promotion is likely to continue.

Over the years various agencies have been mandated by Congress to conduct export promotion programs. The number of government agencies and programs involved in export promotion tends to create confusion in the U.S. business community. A senior Commerce official stated that the effect is especially pronounced for smaller-sized firms that typically cannot afford to establish a Washington, D.C., presence to help work their way through the federal bureaucracy.

A recent development may exacerbate the coordination and organizational problems. Under proposed legislation, the Department of Energy's authority to carry out export promotion programs would be expanded. The proposed National Energy Security Act of 1991, S. 1220, would allow an interagency group, the Committee on Renewable Energy Commerce and Trade, chaired by the Department of Energy, to "establish renewable energy and energy efficiency industry outreach offices in the Pacific Rim and in the Caribbean Basin for the purpose of providing information concerning renewable energy and energy efficiency products, technologies, and industries of the United States to territories, foreign governments, industries, and other entities."

Such a proposal may detract from the interagency committee's efforts because it creates a new program without a plan specifying how it would fit in with the existing programs or into an overall U.S. strategy for the most productive use of export promotion funding.

Conclusion

U.S. export promotion programs should be carried out in a manner that maximizes their potential for contributing to the U.S. economy. The government's present approach to export promotion lacks coherence because no overall strategy exists to guide agency efforts. Without an overall strategy, the U.S. government does not have reasonable assurances in today's highly competitive economic environment that its export promotion resources are being most effectively used to emphasize sectors, regions, and programs with the highest potential return.

Matters for Congressional Consideration

To help ensure that export promotion programs achieve increased organizational and funding cohesiveness, Congress should require the executive branch to formulate a governmentwide export promotion strategy. Congress should then consider requiring that the programs be integrated into the governmentwide strategic plan and funded in a manner consistent with the emphasis given them under the plan.

Recommendation

We recommend that the Secretary of Commerce, as chair of the Trade Promotion Coordinating Committee, work with other member agencies and the Director of the Office of Management and Budget to (1) develop a governmentwide strategic plan for carrying out federal export promotion programs and (2) ensure that the budget requests for these programs are consistent with their relative strategic importance.

Scope and Methodology

No governmentwide data exists that identifies all federal expenditures on export promotion. Therefore, to identify how much money federal agencies spent on export promotion efforts in fiscal year 1991, we reviewed individual agencies' budget documents and interviewed officials representing the 18 agencies on the Trade Promotion Coordinating Committee. Our totals (shown in table 1) are understated because some agencies, such as the Departments of State and Defense, were unable to quantify their expenditures on export promotion and facilitation.

Our discussion of the rationale for export promotion programs and their effect on the U.S. trade balance is based on recent GAO reports and testimony and on interviews with agency officials.

To assess the activities of the Trade Promotion Coordinating Committee, we reviewed the documentation establishing the committee, interviewed committee members, and reviewed internal memoranda and minutes describing the accomplishments of the committee's working groups. We also attended several of the national export conferences sponsored by the committee and visited the Trade Information Center located at the Department of Commerce.

We performed our work from July to October 1991 in accordance with generally accepted government auditing standards.

As requested, we did not obtain formal agency comments on this report. We informally discussed our findings with program representatives of various agencies and have incorporated their views in the report as appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time we will provide copies to the Secretary of Commerce; the heads of all the agencies represented on the Trade Promotion Coordinating Committee; the Director, Office of Management and Budget; and other interested congressional committees. We will also make copies available to others upon request.

This report was prepared under the direction of Allan I. Mendelowitz, Director, International Trade, Energy, and Finance Issues, who may be reached at (202) 275-4812 if you or your staff have any questions. Other major contributors were John Watson, Assistant Director; Stephen Lord, Evaluator-in-Charge; and David Genser, Evaluator.

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