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**EXPORT PROMOTION  
STRATEGIC PLAN**

**Will it Be a Vehicle for  
Change?**

Statement of Allan I. Mendelowitz, Director  
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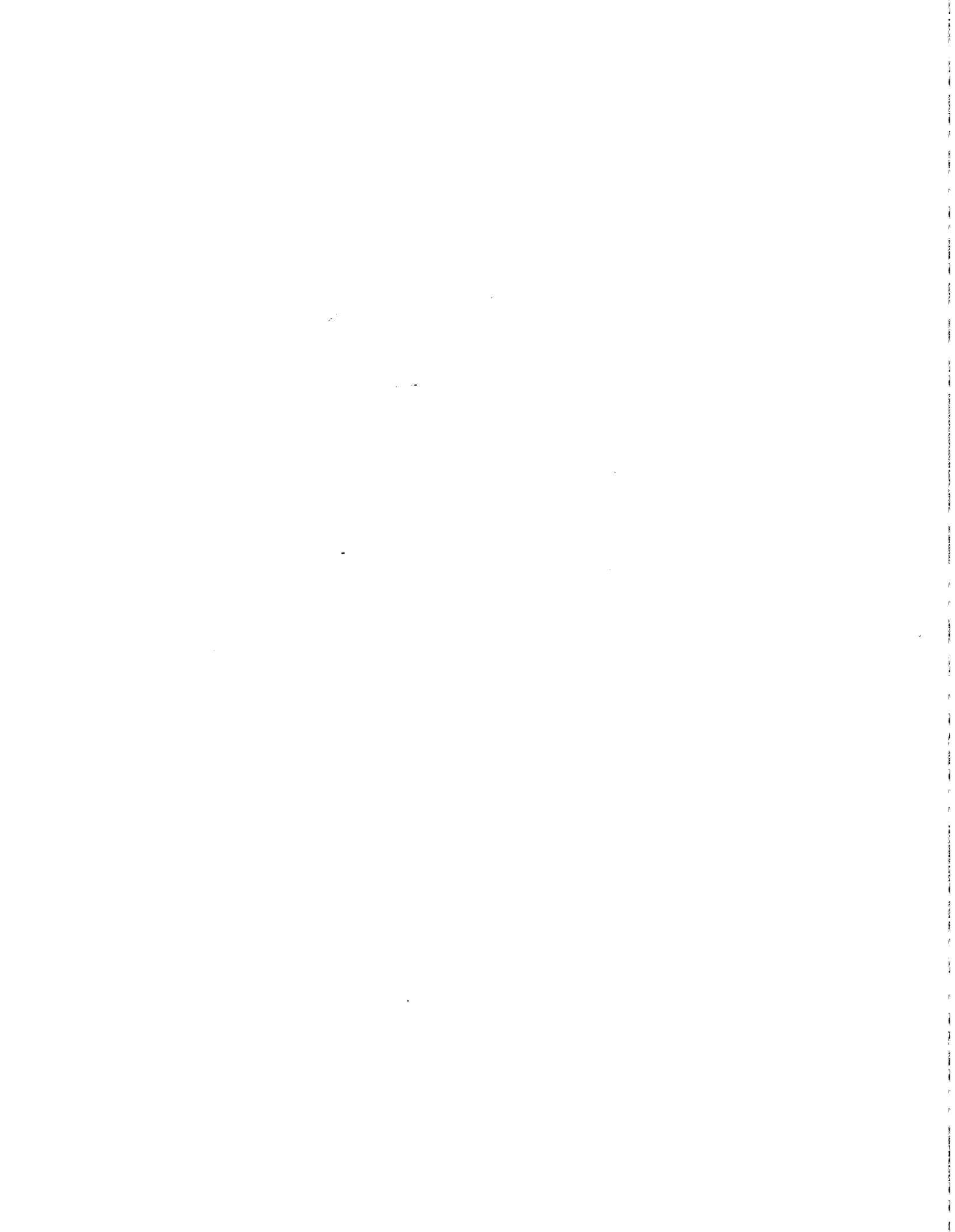
EXPORT PROMOTION STRATEGIC PLAN:  
WILL IT BE A VEHICLE FOR CHANGE?

SUMMARY OF STATEMENT BY ALLAN I. MENDELOWITZ  
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Title II of the Export Enhancement Act of 1992 instructs the interagency Trade Promotion Coordinating Committee (TPCC) to issue by September 30, 1993, and annually thereafter, a report containing "a governmentwide strategic plan for Federal trade promotion efforts" and describing its implementation. This requirement reflected congressional concern that federal export promotion programs reflect no national priorities and are fragmented, poorly designed, and inefficiently implemented. The legislation aims to set into motion a process, including an annual reporting requirement, through which the administration, working with Congress, can strengthen federal export promotion efforts.

The strategic plan--when it is delivered to Congress--will likely be subject to close scrutiny. Any assessment of the strategic plan should be based on explicit criteria. Among these criteria are whether the plan (1) was developed with high-level involvement, (2) proposes priorities that have a well-reasoned and strong analytical grounding, (3) was developed in a collaborative and cooperative way by all the federal agencies that are involved in assisting exporters, (4) thoroughly covers federal export promotion efforts and issues, and (5) serves as a change agent.

The TPCC strategic planning process will not end when the first plan is completed and budget priorities are established. Annual revisions to the plan will need to be prepared, and TPCC's mission to rationalize and improve federal export promotion efforts will continue.



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify before this Subcommittee on the important role being played by the interagency Trade Promotion Coordinating Committee (TPCC) in prioritizing and rationalizing federal export promotion efforts. My remarks are based largely on GAO reports and testimonies concerning federal export promotion programs issued during the past 2 years.

Specifically, I will discuss the issues that led to passage of Title II of the Export Enhancement Act of 1992, which established TPCC in statute and required it to prepare an overall strategic plan for federal trade promotion efforts; suggest criteria you may wish to consider when assessing the strategic plan; and share with you our thoughts on ways TPCC may seek to improve federal export promotion efforts once it has completed the first strategic plan and sets out to establish an agenda for further work.

#### BACKGROUND: THE EXPORT ENHANCEMENT ACT OF 1992

Title II of the Export Enhancement Act of 1992 instructs TPCC to issue by September 30, 1993, and annually thereafter, a report containing "a governmentwide strategic plan for Federal trade promotion efforts" and describing its implementation. This plan is not intended as an end in itself but, rather, as the beginning of a process through which federal agencies can strengthen the design and implementation of export promotion efforts by (1) establishing governmentwide priorities and (2) creating a unified federal export promotion budget that reflects those priorities.

#### Requirements for Strategic Plan and Other Export-Related Provisions

The legislation establishes requirements for developing the strategic plan that guide TPCC efforts to reshape federal export promotion activities. These statutory guidelines instruct TPCC first to establish a set of priorities for federal export promotion efforts, and to develop a plan to both bring current export activities into line with the newly developed priorities and improve coordination of these activities. The act also requires that the strategic plan propose to the President an annual unified federal trade promotion budget, propose ways to eliminate areas of overlap and duplication, and develop cooperation between federal and state export promotion efforts.

Among its other provisions, the legislation also designates the Department of Commerce's field offices as "one-stop shops." These offices should have the capability to provide exporters with information on all federal export promotion and finance activities and to assist exporters in identifying and contacting federal export programs that would be of greatest assistance.

## Federal Export Promotion System Is Fragmented and Inefficient

These requirements reflected congressional concern that, as we reported, federal export promotion programs reflect no national priorities, and are fragmented, poorly designed, and inefficiently implemented. During 1991-92, our reviews of federal export promotion programs reported on a governmentwide effort that is fragmented among 10 agencies, with no governmentwide strategy or explicit set of priorities, and lacking the organizational ability to provide the needed services.

The lack of a governmentwide export promotion strategy resulted in what appeared to be funding anomalies for different agencies' programs. For example, in fiscal year 1991, although agricultural products represented only about 10 percent of U.S. exports, the U.S. Department of Agriculture (USDA) received about 75 percent of the federal export promotion budget. Indeed, one USDA program--the Market Promotion Program--received \$200 million for fiscal year 1991, which was more than was spent by Commerce on all its export promotion programs and more than twice the amount spent by Commerce's U.S. and Foreign Commercial Service (US&FCS).

Moreover, the lack of a governmentwide strategy has led to fragmentation in the delivery of federal export promotion services. In order to deliver export promotion assistance effectively, an agency needs sufficient resources, an adequate field structure, and staff expertise. However, no federal agency involved in export promotion assistance has all of these attributes. The U.S. Export-Import Bank (Eximbank) has available funding and expertise in export financing but a very limited field structure to deliver its programs. Commerce, in contrast, has trained staff in a large network of field offices, but no direct access to federal export financing and limited resources to support export promotion efforts. The Small Business Administration (SBA) has available both export financing and an extensive field structure, but inadequate staff expertise to provide much assistance in export financing. Under this fragmented system, companies can become confused about what services are available and discouraged when faced with having to contact multiple bureaucracies to get the assistance they need.

In response to these types of problems, Congress approved Title II of the Export Enhancement Act of 1992.

### POSSIBLE CRITERIA FOR ASSESSING THE STRATEGIC PLAN

This legislation aims to set into motion a process, including an annual reporting requirement, through which the administration, working with Congress, can strengthen federal export promotion

efforts. If well developed and supported, the September 30, 1993, strategic plan should be the centerpiece of a systematic approach through which federal agencies, working together, establish priorities for export promotion efforts in the President's budget and reshape export promotion programs to reflect those priorities.

The strategic plan--when it is delivered to Congress--likely will be subject to close scrutiny. There are several basic criteria that Congress could use in its scrutiny. Among these criteria are whether the plan (1) was developed with high-level involvement, (2) proposes priorities that have a well-reasoned and strong analytical grounding, (3) was developed in a collaborative and cooperative way by all the federal agencies that are involved in assisting exporters, (4) thoroughly covers federal export promotion efforts and issues, and (5) serves as a change agent.

#### High-Level Involvement and Support

To make this process a success, TPCC will need sustained high-level administration involvement and support. The active participation of the leadership of Commerce, USDA, and Eximbank (the three agencies that receive the bulk of federal export promotion funds), and of the Agency for International Development and SBA (agencies that, in addition to Commerce, have extensive field operations) is essential.

High-level involvement should contribute to a situation in which any agreement rendered by TPCC will reflect the concurrence and support of the political leadership for agencies involved. Only with this kind of leadership is it reasonable to expect significant improvement.

#### Analytical Grounding

It is important that the strategic plan utilize a well-reasoned analytical methodology for setting federal export promotion priorities. We believe that only priorities determined using a rigorous methodology can provide a sound basis for setting budget priorities to ensure the highest return on the export promotion dollar for the U.S. taxpayer. Such a methodology should be able to address such matters as

- identifying the best candidates for export promotion assistance--for example, U.S. companies in high-wage industries that produce competitive products;
- determining the types of export assistance that companies in these industries need and cannot obtain from the private sector;

- ascertaining which of the unmet needs of these companies is appropriate for the federal government to provide, and which would yield the greatest return to taxpayers;
- cooperating with state and local governments and private sector providers of export promotion services to maximize their effectiveness and minimize overlap with federal efforts; and
- minimizing market failures, foreign barriers, and federal policies that prevent competitive U.S. firms from exporting.

In identifying industries to receive assistance, the federal government is not "picking winners and losers" but, rather, setting priorities in order to ensure the best use of limited export promotion funds.

#### Cooperative Development

Creating the strategic plan, in and of itself, is only a first step towards improving federal export promotion efforts. Success also will require that federal agencies look beyond narrow concerns of protecting "turf" and use the plan as an analytical basis to cooperatively reshape federal export promotion efforts. We believe that a cooperative effort to develop the plan could form the basis for more cooperation and integration in program delivery. The experience gained in working together on the plan will, we hope, increase the willingness of agencies to collaborate more closely in implementing the plan and integrating programs. By "integration" we mean a process whereby federal agencies seek to enhance the impact and cost-effectiveness of export promotion efforts by more efficiently using existing resources.

#### Completeness

The strategic plan should contain evidence that the drafters assessed all types of federal export promotion efforts, including counseling, provision of market information, trade events, and export financing; and sought input from the full range of organizations and individuals knowledgeable about these efforts. We believe that a complete strategic plan should also address numerous issues that have been identified over the last few years. These issues include funding anomalies, duplication and overlap of programs within and among agencies, problems in export financing programs, and fragmentation of delivery of export promotion assistance in the field.



## The Strategic Plan as a Change Agent

Finally, the forthcoming strategic plan for export promotion, if sufficiently convincing, should result in real changes in the way the federal government carries out its export promotion efforts. The ultimate test of the value of the strategic plan is whether the bases for change that it proposes are sufficiently convincing to elicit support from all the agencies involved and the congressional committees that may be asked to change enabling legislation and alter appropriations.

## OPTIONS FOR THE FUTURE

The TPCC process will not end when the first plan is completed and budget priorities are established. Annual revisions to the plan need to be prepared, and the TPCC mission to rationalize and improve export promotion efforts will continue. We have suggested in the past that one way to improve federal export promotion services might be to integrate service delivery in the field.

It is a truism that companies seldom know nor care about distinctions between federal agencies; while the issue of "turf" is important to government agencies, it is of no relevance to the business world. Companies simply want government to make available in a "user friendly" manner the assistance they need and their taxes pay for. Yet, under the current fragmented system, companies seeking federal export financing and export promotion assistance often must contact several different agencies. This fragmentation can leave companies confused as to what services are available and discouraged about prospects for obtaining assistance.

To implement the act's requirement that export agencies create "one-stop shops," agencies could co-locate their field offices, thus creating a network of consolidated export promotion centers. In principle, these facilities would improve companies' access to government export promotion programs by reducing to one the number of places companies in a given region would have to contact to receive federal export assistance. We have suggested that TPCC could consider a pilot program to provide a complete package of export assistance in single locations by co-locating loan officers from SBA's district offices in US&FCS district offices. This pilot would test whether providing the full range of export promotion services in an integrated way--with minimal added financial cost--can increase the value to the business community of federal export promotion assistance.

One-stop shops might also provide a way to integrate federal export promotion programs with similar state and local government activities. One-stop shops could include staff from state economic development agencies or commerce departments, or other

organizations that assist exporters. Further, there could be many lessons learned that could be applied to more complex and problematic integration efforts, such as between federal export promotion efforts and trade policy decision-making.

CONCLUSION

We are cautiously encouraged by what we know of the TPCC's strategic planning process to date. Historically, reform in the executive branch has focused on changing the organizational structure of agencies. This strategy often has led to agencies gearing up to oppose the reorganization. The TPCC process has begun differently. Rather than impose change on the agencies from the outside, it is a collaborative effort on the part of multiple federal agencies themselves to develop a plan to use existing export promotion resources more effectively.

We believe that, with continued support from both the administration and Congress, TPCC can build on the momentum it has achieved and make federal efforts to assist exporters both more useful to companies and a better buy for the taxpayers.

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Mr. Chairman, this concludes my prepared statement. I will be happy to try to answer any questions you or other Members of the Subcommittee may have.

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