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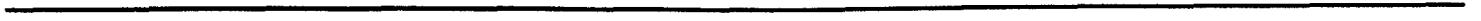
EXPORT PROMOTION

Initial Assessment of
Governmentwide Strategic
Plan

Statement of Allan I. Mendelowitz, Managing Director
International Trade, Finance, and Competitiveness
General Government Division



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EXPORT PROMOTION:
INITIAL ASSESSMENT OF
GOVERNMENTWIDE STRATEGIC PLAN

SUMMARY OF STATEMENT BY ALLAN I. MENDELOWITZ, DIRECTOR
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The report released today on the Trade Promotion Coordinating Committee's (TPCC) effort to develop a governmentwide strategic plan for federal trade promotion programs was mandated by the Export Enhancement Act of 1992. The act requires the plan, among other things, to establish priorities for federal trade promotion, include a strategy for bringing federal trade promotion activities into line with the new priorities and for improving their coordination, and propose a unified budget for federal trade promotion programs. This is a formidable task.

We view the strategic plan issued today as a status report on progress to date. The plan includes specific actions to improve the existing trade promotion system in areas where TPCC was able to reach consensus. These initiatives, such as establishing a network of "one-stop shop" trade promotion centers, may, in combination, significantly contribute to improving the current system. However, TPCC was unable to reach consensus on the much more difficult issues of setting priorities and creating a unified budget proposal for federal trade promotion programs. Nevertheless, the plan does make a firm commitment to establish governmentwide priorities and a unified budget proposal within the context of the President's fiscal year 1995 budget. We are also encouraged by the plan's commitment to a more systematic use of measures to evaluate the usefulness of trade promotion programs, and by its proposal to strengthen coordination between trade promotion and trade policy agencies.

To be successful, the TPCC effort, from here on, will require continued, sustained, high-level administration involvement and support. We would expect the administration to use a well-reasoned analytical methodology for establishing federal trade promotion priorities, and, upon developing them, assess the usefulness of all federal trade promotion activities in light of those priorities. The unified budget should reflect the newly established federal trade promotion priorities and facilitate the process of reallocating funds within and among agencies.



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify before this Subcommittee on the report on the federal strategic planning effort to promote exports released today by the Trade Promotion Coordinating Committee (TPCC). Due to the obvious time constraints, my comments today are based on a limited review of this new report; however, they draw on GAO's many years of experience reviewing federal trade promotion activities.

THE NEED TO STRENGTHEN THE
FEDERAL EXPORT PROMOTION SYSTEM

During 1991-92, our reviews of federal trade promotion programs reported¹ on a governmentwide effort that is fragmented among 10 agencies, with no overarching strategy or explicit set of priorities, and lacking the organizational ability to provide the needed services. The lack of a governmentwide strategy for promoting exports 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 received about 75 percent of the federal export promotion budget. Moreover, the lack of a governmentwide strategy has led to fragmentation in the delivery of federal export promotion services.

THE EXPORT ENHANCEMENT ACT OF 1992

The Export Enhancement Act of 1992 requires 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. Requiring that the plan be presented in a report to Congress creates a vehicle for interagency decisionmaking that could lead to fundamental change. It aims to set into motion a process, including an annual reporting requirement, through which the administration, working with Congress, can establish priorities for guiding export promotion efforts, reshape their programs to reflect those priorities, and marshal federal resources to fund them.

The legislation is specific as to the contents of the plan. It requires TPCC to establish in the strategic plan priorities for federal trade promotion and explain the rationale for these priorities. The act also requires TPCC to include in the plan a

¹ See Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992); Export Promotion: Federal Approach Is Fragmented (GAO/T-GGD-93-68, Aug. 10, 1992); Export Promotion: Problems in the Small Business Administration's Programs (GAO/GGD-92-77, Sept. 2, 1992); and Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993).

strategy for bringing federal trade promotion activities into line with the new priorities and for improving their coordination. TPCC is also required to propose in the plan a means for eliminating overlap among federal trade promotion activities and increasing cooperation between state and federal trade promotion efforts. Lastly, the act requires that TPCC include in the strategic plan a proposal to the President for an annual unified budget for federal trade promotion activities. This budget is to (1) reflect the new priorities and improved interagency coordination and (2) eliminate funding for areas of overlap and duplication among federal agencies.

THE CHALLENGE OF A GOVERNMENTWIDE PLAN

Making genuine progress in this effort is a formidable task. Developing a successful plan requires that a committee comprised of officials from different federal agencies, each with different missions and constituencies, work together to determine a common set of priorities for trade promotion. Basically, TPCC must address the most contentious and difficult of interagency issues: the possible reallocation of agency staff and funding resources, the shifting of programmatic responsibilities among different agencies, and the potential redistribution of the benefits of the federal government's export promotion efforts among different constituencies. The incentives inherent in such an effort naturally push committee members to take the path of least resistance and develop a plan that upsets as few constituencies as possible. Therefore, the assessment of any progress made in the effort thus far must be considered against the daunting nature of the task.

Moreover, TPCC faced an additional complicating factor. No matter how talented and dedicated, working groups of career staff cannot resolve thorny interagency policy and resource issues. Substantive progress in the TPCC effort required the participation and concurrence of agency officials at the highest levels. However, this task was conducted during a presidential transition, and many of the officials whose input was required were not appointed until late in the process. Indeed, some important positions are still unfilled. While the effort received the active involvement of high-level agency officials, the absence of presidential appointees in key positions must have made the task much more difficult.

OVERALL ASSESSMENT OF TPCC'S PLAN

We have previously testified that the ultimate test of the strategic plan's value is whether it serves as an agent for change; that 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."² The best indication of whether the strategic plan meets this requirement, however, lies not in its content but in the plan's tangible results; that is, whether this plan, as it evolves, permits agency leadership to transform the haphazardly organized and fragmented federal trade promotion activities into a coherent system.

The strategic plan issued today is a status report on progress to date. The plan makes a commitment to undertake a number of specific improvements in individual agency programs as well as genuinely new interagency efforts. On other more fundamental tasks, including setting governmentwide priorities and creating a governmentwide export promotion budget, the plan makes a firm commitment to complete these tasks within the context of the fiscal year 1995 budget.

It is clear from the plan that the TPCC leadership addressed matters on which interagency consensus could more easily be achieved, and deferred addressing more contentious issues. In this way, TPCC has ensured that some substantive progress has been made, even though no consensus has been reached on resolving the most difficult problems.

Among matters on which the TPCC could reach consensus, the strategic plan commits the administration to making numerous incremental changes which, in combination, may significantly contribute to improving federal trade promotion efforts. Among these are centralizing management of federally sponsored trade events, improving cooperation with state government trade promotion efforts, and consolidating in one organization responsibility for most federal feasibility study grants for major capital projects. However, some, but not all of the changes discussed in the plan, such as providing additional training for trade promotion staff in the field, appear to require additional spending; and the plan is silent on the sources for these funds.

The strategic plan also commits the administration to making several more far-reaching changes--under tight time frames--that, in our view, could significantly reduce program overlap and improve interagency coordination. For example, as we proposed in

² See Export Promotion Strategic Plan: Will It Be A Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993).

October 1992,³ the strategic plan commits federal trade promotion agencies to establish "one-stop shop" trade promotion centers for providing services to U.S. businesses. In an effort to determine the best ways to create these centers, the plan provides for the establishment and subsequent evaluation of different types of one-stop shops.

Furthermore, the plan establishes a 1 year period in which to resolve problems with the Small Business Administration's (SBA) export revolving line of credit program.⁴ If SBA cannot effectively manage this program within that period, the plan proposes to consolidate in the Export-Import Bank of the United States (Eximbank) all export finance assistance for working capital purposes.

The plan also proposes to strengthen coordination between trade promotion and trade policy agencies, with the objective of targeting some trade promotion efforts to take advantage of opportunities presented by successful trade policy initiatives. We believe that such coordination should be a two-way street. It should not only ensure that trade promotion agencies seek to capitalize on markets opened through trade policy initiatives, but also that trade policy initiatives seek to open markets that hold the greatest potential for sales by U.S. exporters.

We are also encouraged by the plan's commitment to a more systematic use of performance measures to evaluate the usefulness of trade promotion programs. We caution, however, that great care should be taken in establishing what method is to be used to assess performance. If the wrong measures of success are used, TPCC cannot make good decisions about what to change. This is a problem that I have referred to in the past as "managing to the imperfect indicator."

Evaluation of export promotion programs is very difficult. There is always the temptation to focus on what can be easily measured, or to justify programs in terms of alleged exports generated and jobs created. It is very difficult methodologically to establish a one-to-one relationship between trade promotion programs and

³ See One-stop Shops (GAO/GGD-93-1R, Oct. 6, 1992).

⁴ Through this program, SBA guarantees repayment of loans made by financial institutions to small businesses for export related purposes. These purposes include financing working capital needed to manufacture products for export, to purchase goods or services for export, to develop foreign markets, or to finance foreign accounts receivables.

specific exports. In this regard, one measure that should be used to assess the success of each program is scientifically valid surveys that accurately reflect client or customer satisfaction with the usefulness of the services provided.

THE CONTINUING EFFORT

Finally, the plan commits TPCC to completing the more difficult requirements of establishing priorities for federal trade promotion activities and developing a unified budget that, in the plan's words, will "allocate resources by agency, activity, and geographic focus." The plan states that a National Economic Council (NEC) interagency group, chaired by the Commerce Department, will establish the trade promotion priorities. And a TPCC working group will assist the Office of Management and Budget to translate these priorities into a unified budget.

To be successful, the TPCC effort, from here on, will require continued, sustained, high-level administration involvement and support. Only with such involvement can major change be effected. In particular, it is essential that the leadership of the five core agencies involved in trade promotion--the Departments of Agriculture and Commerce, Eximbank, the Agency for International Development, and SBA--actively support the development of the new priorities and budget. Together, these agencies represent well over 90 percent of federal outlays on trade promotion and fund virtually all federal field operations performing trade promotion activities.

The acid test of the value of the TPCC process will be the results of the priority setting and the creation of the unified budget. Both are scheduled to be completed within the context of the fiscal year 1995 budget. We would like to suggest several of the basic criteria Congress could use to evaluate TPCC's subsequent efforts, particularly with regard to setting priorities and developing a unified trade promotion budget.

Setting Priorities

We would expect NEC to use a well-reasoned analytical methodology for establishing federal trade promotion priorities. These priorities should form the foundation for the strategic plan and, accordingly, for the entire effort to reshape federal trade promotion activities. Only sound priorities can form a firm basis for establishing a new budget and ensuring the highest return on the trade promotion dollar for the U.S. taxpayer.

A rigorous methodology should carefully define federal "trade promotion" activities. It should identify the best industry and

market candidates for trade promotion assistance. In so doing, the federal government would not be "picking winners and losers," but prudently setting priorities in order to ensure the best use of trade promotion funds. A rigorous methodology should then (1) use customer views of their requirements to identify the types of assistance that firms in these industries need, but cannot obtain, from nonfederal sources; and (2) ascertain which of these unmet needs are appropriate for federal agencies to provide and would yield the greatest return to taxpayers.

Finally, upon developing these priorities, TPCC should assess the usefulness of all federal trade promotion activities in light of those priorities. This assessment should (1) clarify the roles and responsibilities of the various agencies that promote U.S. exports and (2) carefully inventory and assess each federal trade promotion activity to determine its comparative advantage in delivering needed export services to U.S. businesses identified as the best candidates for trade promotion assistance. This assessment should be exhaustive and, where appropriate, result in the integration or elimination of federal programs.

A Unified Budget

We view developing a unified trade promotion budget as one of TPCC's top priorities. The unified budget should reflect the newly established federal trade promotion priorities and facilitate the process of reallocating funds within and among agencies. The current range of programs and allocation of government resources grew up without any overarching strategy or set of objectives. Therefore, an inventory of programs and a resource allocation that reflect a deliberate analytically-based effort to make the most effective use of available public resources should represent substantial change from the past. It appears to us that one obvious measure of success of the unified budget process would be the extent to which the unified budget changes the distribution of resources to the various priorities, programs, and agencies.

The new resource allocation process should ensure that (1) federal trade promotion activities of great value to the business community receive continued or, if appropriate, expanded funding; (2) activities that no longer serve a purpose or duplicate other more effective activities are pared back or eliminated; and (3) activities that complement each other are better coordinated. The budget proposals should also reflect each agency's comparative advantage in delivering priority export services to the business community, and the more streamlined and better-coordinated program offerings that result from the process of reshaping federal trade promotion activities.

CONCLUSION

The Export Enhancement Act of 1992 established a process intended to improve the effectiveness and efficiency of federal activities to promote trade. The first report on this effort identifies some potentially significant changes that have resulted from TPCC deliberations to date. In addition, the report clearly commits the administration to completing the difficult tasks of setting governmentwide priorities and creating a unified budget for federal export promotion activities within the context of the fiscal year 1995 budget. If this continuing effort is successful, TPCC will make a significant contribution to improving the federal government's efforts to promote exports.

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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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