

GAO

Report to the Chairman, Subcommittee
on Commerce, Consumer, and Monetary
Affairs, Committee on Government
Operations, House of Representatives

August 1994

INTERNATIONAL TRADE

Coordination of U.S. Export Promotion Activities in Pacific Rim Countries





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

General Government Division

B-257998

August 29, 1994

The Honorable John M. Spratt, Jr.
Chairman, Subcommittee on Commerce, Consumer,
and Monetary Affairs
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In the past few years, Congress has been concerned about the lack of coordination among federal agencies that conduct export promotion activities. As you requested, we identified (1) the nature of export promotion programs conducted in selected Pacific Rim countries¹ by U.S. agencies—primarily the Departments of Commerce, Agriculture, and State and the U.S. Agency for International Development (AID); and (2) the extent to which these programs are coordinated among U.S. agencies within each market. In addition, we have provided some information on the role that single, consolidated country commercial plans could play as part of an overall, governmentwide strategic plan to promote exports. Our review included U.S. embassies and consulates in China, Hong Kong, Indonesia, Malaysia, Singapore, and Thailand; and the American Institute in Taiwan.²

Results in Brief

In the countries we visited, we found a range of export promotion services available to U.S. businesses. Both the U.S. Department of Commerce's U.S. & Foreign Commercial Service (US&FCS) and the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) were providing services such as giving information on local market conditions, supplying assistance in establishing business contacts within the country, and offering opportunities to participate in trade shows. The Department of State and the American Institute in Taiwan were providing trade policy assistance to help promote exports, and they occasionally intervened with foreign government officials on behalf of U.S. businesses. AID promoted exports through regional projects and bilateral development projects.

¹In this report we refer to Hong Kong and Taiwan as among the Pacific Rim "countries" we visited, but we recognize that Hong Kong is a colony of Great Britain and Taiwan is not formally recognized as a country by most nations.

²On January 1, 1979, the United States changed its diplomatic recognition of China from Taipei, Taiwan, to Beijing, China. Since then, U.S. commercial and cultural interaction with the people of Taiwan has been facilitated through the American Institute in Taiwan, a nongovernmental entity. The American Institute has been included in the portions of this report dealing with the Department of State's embassies and consulates because its functions are similar.

Other U.S. agencies were occasionally involved in export promotion activities.

Generally, export promotion activities in the countries we visited were coordinated. Commercial activities became a priority for embassies and consulates in December 1991, when the State Department instructed all overseas offices to be more commercially oriented and supportive of U.S. businesses. Also, as the central point of control for U.S. activities in each embassy or consulate, the ambassadors or consuls general had directed the formation of coordinating groups and/or had held regularly scheduled meetings to coordinate commercial activities. Nevertheless, in some of these countries we identified a few coordination problems. Finally, in contrast to the United States, where the Trade Promotion Coordinating Committee (TPCC)³ determined that 19 U.S. agencies are involved in export promotion, there were 4 U.S. agencies that had staff permanently located in most of the countries we visited.

To assist TPCC in developing governmentwide priorities and allocating money and staff, as required by the Export Enhancement Act of 1992, single, consolidated country commercial plans recently required by the Departments of State, Commerce, and Agriculture could be used.

Background

The U.S. government devotes significant resources to export promotion activities. In fiscal year 1993, the U.S. government spent about \$3 billion on export-related expenditures. These expenditures included, for example, providing creditworthy emerging markets with otherwise unavailable credit to purchase U.S. goods, matching foreign export subsidies, and making other trade-related outlays.

The Pacific Rim countries selected for this review represent some of the most promising markets in the world for U.S. exports. However, with the exception of Hong Kong, the United States currently imports more from these countries than the United States exports to them. Table 1 compares U.S. exports and imports for fiscal year 1993 for the countries selected for this review.

³TPCC is an interagency committee authorized under the Export Enhancement Act of 1992 (P.L. 102-429, Oct. 21, 1992). It consists of 19 executive branch agencies and is chaired by the Secretary of Commerce. Members include the U.S. Departments of Agriculture, Commerce, Defense, Energy, the Interior, Labor, State, Transportation, and the Treasury; the U.S. Agency for International Development; the U.S. Export-Import Bank; the Overseas Private Investment Corporation; the U.S. Small Business Administration; the U.S. Trade and Development Agency; 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.

Table 1: U.S. Trade With Selected Pacific Rim Countries for Fiscal Year 1993

Dollars in millions			
Country ^a	U.S. exports	U.S. imports	U.S. trade balance
Taiwan	\$16,250	\$25,105	\$ -8,855
Singapore	11,676	12,796	-1,120
Hong Kong	9,873	9,558	+315
People's Republic of China	8,767	31,535	-22,768
Malaysia	6,064	10,568	-4,504
Thailand	3,768	8,542	-4,774
Indonesia	2,770	5,439	-2,669

^aThe countries are listed in rank order based on the total value of U.S. exports to those countries in 1993.

Source: U.S. Department of Commerce, International Trade Administration, Office of Trade and Economic Analysis.

During 1991-1992, our reviews of federal trade promotion programs reported that the U.S. government's export promotion efforts were fragmented.⁴ The Export Enhancement Act of 1992 sought to remedy this fragmentation and confusion by requiring TPCC to develop a governmentwide strategic plan. The plan was, among other things, expected to set priorities for federal trade promotion activities, improve coordination among federal agencies and bring them into line with the new priorities, and eliminate overlap and duplication among agencies. The goal was to improve the delivery of U.S. government export promotion services. One of the primary methods for achieving these improvements was to determine the resources needed for these activities on a governmentwide basis and to prepare a unified budget for these activities.

On September 30, 1993, TPCC issued its first report, Toward a National Export Promotion Strategy. The report identified a number of problems and proposed measures to improve the effectiveness and efficiency of U.S. government export promotion programs. However, as we have previously reported, the plan did not provide an overall governmentwide strategy for allocating resources such as money and staff or a unified budget for export promotion activities based on that strategy.⁵

⁴See Related GAO Products.

⁵Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993).

Scope and Methodology

To identify the nature of export promotion services offered in the selected Pacific Rim countries and the extent to which export promotion programs were coordinated among U.S. agencies within each country, we did the following:

- In the United States, to identify principal export promotion services offered, we interviewed program and country desk officials and reviewed documents at the headquarters levels of the Departments of Agriculture, Commerce, and State; AID; and TPCC. We also interviewed officials at the Departments of Energy, Transportation, and the Treasury; and the U.S. Small Business Administration to learn the nature of their export activities. We obtained available documentation on the export promotion activities of these agencies overseas.
- To assess the nature of program coordination among U.S. agencies overseas, we visited seven U.S. embassies or consulates in Pacific Rim locations including Beijing, China; Guangzhou, China; Hong Kong; Jakarta, Indonesia; Kuala Lumpur, Malaysia; Singapore; and Bangkok, Thailand; and the American Institute in Taiwan. We used structured interviews to obtain information from officials of the State Department, the American Institute in Taiwan, US&FCS, FAS, AID, and the Federal Aviation Administration in Singapore regarding the coordination of export services. We also obtained documentation, where available, showing the export promotion services provided to U.S. businesses by these agencies and the methods used to coordinate the activities among agencies. We also interviewed officials of (1) 53 U.S. businesses located in the countries, including 5 U.S. consulting firms providing exporting assistance; (2) 5 state export promotion offices; (3) 7 agricultural cooperators;⁶ and (4) the American Chambers of Commerce or their counterparts. The U.S. businesses were selected on a judgmental basis to provide a cross section of new-to-market and old-to-market businesses and small, medium, and large businesses. The results of these interviews are not projectable to all U.S. businesses located in these countries.

We also obtained information from TPCC publications, our recent testimony on TPCC's strategic planning efforts, and State Department cables for background on export promotion efforts.

We did our review from May 1993 through May 1994 in accordance with generally accepted government auditing standards.

⁶Cooperators are nonprofit commodity groups that represent U.S. producers, farmers, and farm-related interests or trade associations conducting market development activities in foreign countries. They are funded in part by FAS.

We obtained oral agency comments from the Departments of Agriculture, Commerce, and State, and from the Agency for International Development. These comments are discussed at the end of this report.

U.S. Agencies Offer a Range of Export Promotion Services Overseas

In the countries we visited, US&FCS, FAS, the State Department, AID, and other U.S. government agencies were providing a range of export promotion services.

Commerce's US&FCS Works With U.S. Businesses to Facilitate Export Promotion

As part of the Department of Commerce's International Trade Administration, US&FCS is the primary U.S. export promotion agency for nonagricultural products. US&FCS provides a range of export promotion services for U.S. businesses and works with other U.S. government agencies and foreign organizations to help U.S. businesses compete more effectively overseas.

In the countries we visited, US&FCS offices geared their services primarily toward U.S. businesses that were new to the local markets. These services included providing market information, business counseling, and opportunities for the businesses to participate in trade promotion activities such as trade shows. US&FCS commercial libraries maintained local market data and other materials for U.S. businesses to use, as well as reference materials for local businesses wanting to contact U.S. suppliers. US&FCS commercial officers counseled U.S. businesses on how to do business in the host country and arranged for contacts with potential agents and/or distributors. Additionally, some US&FCS offices sponsored and participated in seminars that provided information on export controls, export financing, and US&FCS services.

US&FCS charges various fees for its services. Some fees are fixed worldwide, while others vary by country. Some export promotion services, such as business counseling and access to reference materials in the commercial library, are free.

As the result of a US&FCS management review in fiscal year 1991, US&FCS started placing less emphasis on arranging overseas trade shows. US&FCS shifted its emphasis to providing product-specific market information and setting up trade events that would showcase small and medium-sized new-to-market and new-to-export firms. US&FCS is expanding programs

designed to produce high-quality sales leads and market information, such as analyses on specific industries and "Matchmaker" trade missions.

More recently, the Department of Commerce has again shifted its emphasis to target 10 "big emerging markets." It has determined that its target selections represent large markets, big populations, and pent-up demand for many export products. The Department of Commerce also estimated that these markets may offer about 44 percent of the total new trade opportunities around the world for the next 20 years. The Department of Commerce plans to concentrate its commercial efforts on some of the Pacific Rim countries we visited—Indonesia, China, Hong Kong, and Taiwan—as well as Argentina, Brazil, India, Mexico, Poland, South Africa, South Korea, and Turkey.

Agriculture Offers Export Promotion Services Through Two Organizations

The Department of Agriculture's FAS conducts export promotion for U.S. agricultural products through FAS attaché posts and Agricultural Trade Offices (ATO). FAS attachés generally focus their efforts on gathering agricultural intelligence, performing analyses of the agricultural sectors of the host country, and providing trade policy support. ATOS usually work on developing, expanding, and maintaining international markets for U.S. agricultural commodities.

FAS' export promotion activities included organizing restaurant and retail promotions, setting up food shows and exhibits, providing agricultural information and marketing services, and doing market research studies. These activities were generally conducted in cooperation with agricultural cooperators and/or Market Promotion Program participants, and local supermarkets or restaurants. Together with US&FCS, ATOS were also involved in trade shows jointly promoting agricultural food products and food equipment. FAS staff also participated in activities to formulate trade policy and in briefing U.S. trade delegation representatives.

Unlike US&FCS trade promotion functions, which are done on a cost-reimbursable basis, the Department of Agriculture subsidizes the costs of participation in these activities for U.S. agricultural producers. The Department of Agriculture provides funding for a share of the costs through its Foreign Market Development⁷ and Market Promotion Programs to individual businesses and to agricultural cooperators to perform export promotion activities overseas. FAS administers these two

⁷The Foreign Market Development Program was designed to assist the promotion of U.S. exports of bulk agricultural commodities. It was established by the Agriculture Trade Development and Assistance Act of 1954 (P.L. 480). Total worldwide funding for fiscal year 1993 was \$30 million.

programs. For the countries we visited, the fiscal year 1993 agricultural export promotion funds totaled over \$32 million and ranged from a total of \$1.7 million in Thailand to \$11.2 million in Taiwan. (See table 2.)

Table 2: Market Promotion Program and Foreign Market Development Funding in Selected Markets for Fiscal Year 1993

Dollars in millions

Market	Market Promotion Program	Foreign Market Development Program	Total
Taiwan	\$8.86	\$2.32	\$11.17
Hong Kong	6.96	0.89	7.85
Singapore	3.71	0.41	4.12
China	1.06	1.74	2.80
Indonesia	1.72	0.86	2.57
Malaysia	1.38	0.62	2.00
Thailand	1.13	0.57	1.70

Note: Totals may not add due to rounding.

Source: FAS country attaché reports.

Department of State Activities Also Facilitate the Export Promotion Process

In the countries we visited, the Department of State was providing U.S. businesses export promotion assistance in several areas.

- The ambassadors and consuls general were called upon to intervene with the respective country's government in areas of disputes and contract competition. They also helped provide greater visibility for U.S. businesses and assisted in establishing relationships between the host governments and U.S. businesses.
- The embassy and consulate economic sections were generally providing assistance for issues related to import/export policies. For example, they dealt with areas affecting U.S. market access such as quotas, tariffs, and inspection policies. They also assisted US&FCS and FAS when trade policy issues arose that affected those agencies' promotional efforts.

Additionally, we found that in some countries, individuals with expertise in technical or scientific areas were also assisting the export promotion process.

- In Singapore, the Federal Aviation Administration representative was helping US&FCS staff promote U.S. air traffic control systems and aviation and avionics items and equipment.

- In Indonesia, one of the economic officers was helping US&FCS staff to promote exports of U.S. products related to the energy sector.
- In Beijing, the science and technology officer was assisting US&FCS staff in promoting telecommunications and environmental technology.
- In Guangzhou, an economic officer was assisting US&FCS staff with financial markets issues.

In several countries, the defense or security attachés were assisting U.S. businesses to compete for government contracts for military weapons systems and components.

AID Assists Export Promotion Through Regional and Bilateral Projects

AID's principal concern is to foster sustainable economic growth, and AID officials noted that success in achieving growth indirectly promotes U.S. exports through increasing demand for U.S. products. In addition, AID's direct export promotion activities were primarily concentrated in three regional projects that promoted U.S. environmental technology, equipment, and experience. AID also worked on bilateral development projects that indirectly promoted U.S. exports. AID was involved in some export promotion activities in all of the countries we visited except China.⁸

The three regional projects that promoted the export of U.S. environmental technology and equipment were the following:

- The Private Investment and Trade Opportunities Project. This project was established in 1990 to provide a mechanism for promoting expanded private sector trade and investment between the Association of South East Asian Nations (ASEAN)⁹ and the United States. Export promotion activities were conducted under a trade and investment promotion component that targeted four sectors—energy, environmental protection, food processing and packaging, and health care equipment and services. The total estimated AID funding for the project was \$13 million over a 5-year period.
- The Environmental Improvement Project. The project was initiated in 1992 to promote private sector initiatives to deal with urban and industrial pollution and to strengthen local, national, and regional capabilities in environmental management. Project activities included sponsoring trade missions, cofunding feasibility studies and technology demonstrations,

⁸AID was prohibited from conducting programs in China after the Tiananmen Square demonstration in June 1989.

⁹Formed in 1967, ASEAN includes the countries of Indonesia, Malaysia, the Philippines, Singapore, Thailand and, since 1984, Brunei Darussalam.

and assisting ASEAN and U.S. companies in obtaining financing for projects. The total estimated AID funding for the project was \$17.5 million over a 6-year period.

- The U.S.-Asia Environmental Partnership. This project was established in 1992 to promote environmental improvements in Asia. Its aim was to coordinate the participation of 25 U.S. government departments and agencies and numerous businesses and nongovernmental organizations in solving Asian environmental problems through U.S. technology. In March 1993, AID provided \$3.1 million to the Department of Commerce to promote U.S. environmental and energy technology in Asian markets by establishing project offices in Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Thailand, and Taiwan. AID plans to fund the total project at \$100 million over a 5-year period.

AID missions in Indonesia and Thailand were also involved in bilateral projects to solve development problems, such as pollution and health care, through the use of U.S. expertise and technology. Although the emphasis for these projects was on solving development problems, it is expected that U.S. technology will be used in the projects, and U.S. equipment exports should result as a byproduct.

Other U.S. Agencies Involved in Export Promotion Overseas

Other U.S. agencies also were involved occasionally in export promotion activities. However, they did not maintain a staff or offices in the countries we visited. Some of the activities included the following:

- The U.S. Trade and Development Agency was active in all of the countries we visited except China. The agency assists U.S. businesses by providing grants for feasibility studies for large capital-intensive projects, training, and orientation visits.
- The U.S. Export-Import Bank was involved in providing export financing in all of the countries we visited. These loans allowed governments and other organizations to purchase U.S. products with more competitive financing terms.
- The Department of Energy was involved in trade missions and conferences promoting the use of U.S. technology for electric power generation in several of the countries we visited. For example, in 1992 a trade mission promoting clean coal technology presented information on U.S. equipment and methods to nations that have severe pollution problems because they burn coal to generate electricity.

Export Promotion Managed Differently Overseas, Resulting in Better Coordination of Activities

Export promotion activities in the countries we visited were managed differently than they are in the United States, resulting in better coordination. Several primary factors contributed to this better coordination: (1) commercial activities were given a high priority in the embassies and consulates, (2) the Ambassador or the Consul General was the central point of control for export promotion activities and could direct the formation of coordinating groups and meetings, and (3) there were fewer U.S. agencies directly involved in export promotion activities. However, there were still some areas that did not have coordinated activities.

Commercial Activities Given a High Priority Overseas

Commercial activities have been given a high priority in embassy and consulate plans during the past 2 to 3 years, according to embassy and consulate officials we interviewed. Commercial activities were given more emphasis during the early days of the Bush administration and then were formally given priority in a December 1991 State Department cable. Also, a May 1993 State Department cable emphasized the Clinton administration's commitment to supporting U.S. business and economic interests overseas, and asked ambassadors to take personal charge of integrated programs to eliminate barriers to trade and investment and to support U.S. businesses actively.

The embassy and consulate officials we spoke to said they believed that with the end of the Cold War, the Bush administration realized a shift was needed in U.S. activities overseas to more accurately reflect the changing times. This change in emphasis was reflected in most of the current embassy and consulate plans for the countries we visited. In addition, some offices have begun to make organizational changes to reflect the new emphasis. For example, the consulate in Hong Kong recently changed the name of the Political and Economic Section to the Economic and Political Section to reflect the emphasis away from the political side to the commercial side. In one embassy, we found that fewer staff were being devoted to political activities, and more staff were being assigned to activities to enhance U.S. commercial interests.

U.S. Agencies Report to a Central Point of Control in Each Country

Generally, U.S. agencies in the countries we visited reported directly to the Ambassador or the Consul General. They also received direction and approval for their activities and reported the results of their activities to the embassy or consulate, as well as to their agency headquarters in Washington, D.C.

Most of the ambassadors and consuls general had established special meetings or reporting requirements that facilitated U.S. agencies' awareness of activities, problems, and coordination needs for commercial activities. Some ambassadors and consuls general had set up periodic meetings to coordinate the activities of all of the U.S. agencies and offices, including the commercial activities, while others had established special commercial groups and meetings. For example, in Malaysia the commercial activities were discussed as part of the embassy's weekly economic meeting. In Indonesia, the Ambassador had established periodic commercial meetings for all embassy groups involved in commercial activities.

U.S. agency officials we interviewed generally expressed the opinion that these meetings enabled all of those involved in commercial activities, such as export promotion of U.S. products and services, to coordinate their activities and to prevent confusion among the groups or overlap and duplication of effort. The Director of the American Institute in Taiwan told us that he planned to establish such meetings to resolve potential coordination problems among groups involved in commercial activities.

U.S. agencies that do not have a presence in a particular country, and visiting trade delegations, are required to coordinate their visits through the State Department and through the U.S. embassy or consulate, according to officials we contacted. This requirement generally ensures that the embassy or consulate and the other U.S. agencies coordinate planned visits; nevertheless, we were told by several officials that coordination does not occur in all cases.

Four U.S. Agencies Were Usually Directly Involved in Export Promotion

According to TPCC, 19 federal agencies administer more than 100 export promotion programs. However, in the countries we visited, the number of U.S. agencies involved in export promotion having permanent offices and/or staff overseas was usually limited to four—the State Department, US&FCS, FAS, and AID. Other U.S. agencies, such as the Department of Energy and the Environmental Protection Agency, had conducted export promotion activities in some of the countries, but they did not maintain an office or conduct export promotion activities on an ongoing basis.

Agency officials generally agreed that the smaller number of U.S. agencies represented overseas tended to simplify coordination of activities among the agencies. These offices were usually located within the embassy or consulate complexes or in close proximity. This location made it easier for

the ambassadors and consuls general to schedule meetings or obtain coordination between agencies as needed.

We also found a number of federally subsidized offices and projects that directly promoted the export of U.S. goods and services located outside an embassy's or consulate's organizational structures. For example, the Department of Agriculture provided funding for agricultural cooperators in most of the countries we visited. However, cooperators were not included directly in the embassy's or consulate's coordination meetings. FAS officials said they coordinated with the cooperators separately.

Coordination Was Lacking in Some Activities

Although export promotion activities generally appeared to be coordinated in the countries we visited, we identified several activities that lacked such coordination. AID's Private Investment and Trade Opportunities Project activities were not always coordinated. Additionally, we noted in Taiwan that agricultural products were being actively promoted by the American Institute's commercial section, resulting in the duplication of a report being developed by the American Institute's agricultural affairs section. Actions have been taken or are planned by AID or FAS that, if properly implemented, will attempt to correct these problems.

Some AID Project Activities Not Coordinated

AID's Private Investment and Trade Opportunities Project was not always coordinated, as illustrated by the following examples.

In an AID interim evaluation report on the project done for the 1990-92 period, several areas involving lack of coordination were noted.

- The coordination of project activities with AID Indonesia's bilateral program activities were minimal before the arrival of a new project representative in late 1992. The reasons given for the lack of coordination included turnover in AID mission personnel, gaps in assignments of personnel who were interested in coordinating the project's activities, and shortcomings of the previous representative in keeping the mission advised of project activities. The report recommended increased coordination and communication with related organizations such as US&FCS, the American Chamber of Commerce, and the AID Indonesia mission.
- The interim evaluation report stated that although there were a lot of problems when the project first started in Malaysia, coordination problems were improved after the project office was separated from a

host government office and became an independent entity. Still, the interim evaluation recommended that the Project Director develop a more effective line of communication with US&FCS and the U.S. embassy's economic section. It also stated that "[t]he ultimate goal for this is to achieve better coordination on activities that both organizations will be involved in so that duplication of effort for either side will be minimized."

In March 1993, the State Department's Office of the Inspector General reported that AID, through the regional ASEAN office in Bangkok, was involved in some commercial trade and investment promotion activities that duplicated functions traditionally performed by US&FCS and that the trade missions conducted by the Private Investment and Trade Opportunities Project duplicated a traditional role of US&FCS. The report noted particular concern about the potential duplication of functions between the two offices. The report also stated that although "AID has the money, while [US&] FCS currently lacks adequate funding, [this] is not necessarily a compelling reason for two U.S. Government entities to continue to engage in the same work" and that "[e]ven moderate duplication between AID/ASEAN and [US&] FCS bears examination."

The report further noted concern that the AID/ASEAN representative was responsible to neither the Ambassador nor the AID Country Director, but to the AID Assistant Administrator for Asia located in Washington, D.C. The report said that U.S. business leaders in Bangkok had been uneasy about engaging in trade promotion activities with AID instead of US&FCS.

Based on the Inspector General's report, AID determined in February 1994 that the Private Investment and Trade Opportunities Project would be closed by the end of fiscal year 1994. The problems involved in this project were attributed to "a conflict of agency roles and budgets with regard to trade and investment promotion activities."

Also in February 1994, AID's role under the Clinton administration was redefined so that it no longer included direct support of U.S. trade and investment promotion activities.

American Institute in Taiwan Duplicated Efforts

Although we found that in general, US&FCS was promoting nonagricultural exports and FAS was promoting agricultural exports, in Taiwan the American Institute's commercial section had actively promoted agricultural products. In one instance, this situation resulted in duplicate reporting efforts for one agricultural sector.

Although FAS or an ATO usually sponsors and organizes trade shows for agricultural products, the American Institute's commercial section, rather than its agricultural affairs section, organized the U.S. pavilion for the biannual Taipei International Food Industry Show in 1988, 1990, and 1992. According to the two section chiefs, the commercial section organized the food shows because (1) there was a shortage of personnel within the agricultural affairs section, (2) the commercial section had developed a relationship with the show's sponsoring organization, and (3) there was a preponderance of food-processing equipment in the shows rather than food products.

However, the commercial section also conducted market research and prepared reports on the seafood, processed foods, dairy products, and frozen foods industries in Taiwan as a follow-on to the shows. These reports were not adequately coordinated with the agricultural affairs section because the agricultural affairs section was not aware of which agricultural sectors were being analyzed until the commercial section's reports were ready for issuance. As a result, one of the commercial section reports duplicated an effort under way in the agricultural affairs section.

We discussed this matter with the American Institute Director and the two section chiefs. They said that the opening of the ATO in Taipei in late 1993 should help preclude the commercial section's further participation in functions usually undertaken by agricultural offices. They also said the staff and resources available within the new ATO should provide the agricultural export promotion area with the resources to perform needed agricultural export promotion activities in Taiwan.

Role of Country Plans in Governmentwide Strategic Export Promotion Planning

Title II of the Export Enhancement Act of 1992 called for TPCC to develop a strategic plan that (1) establishes priorities for all federal export promotion activities; (2) brings these activities into line with the priorities and improves their coordination; (3) identifies areas of overlap and duplication among federal export promotion activities and proposes means of eliminating them; and (4) proposes an annual unified federal trade promotion budget to support the plan, improve coordination, and eliminate funding for areas of overlap and duplication.

The rationale for requiring TPCC to coordinate such a strategic plan for the federal government as a whole also applies to the varied export promotion activities of U.S. agencies overseas. Heads of U.S. embassies and consulates overseas are facing the same task of bringing together all of the

export promotion activities of the various U.S. agencies within each country under a comprehensive, coordinated plan. However, at the time of our visits in the summer and fall of 1993, none of the embassies or consulates had developed a document that contained an overall strategic plan for carrying out export promotion activities even though they had made other changes to coordinate these activities.

Most embassy and consulate heads we talked to said that in order to have a truly effective export promotion program, each embassy or consulate needed to devise a strategic plan that identified export sectors, set priorities for all of the country's export promotion activities, and specified the staff and other resources needed to carry out the plan. The plan could serve as a vehicle for tailoring staffing requirements, including areas where special knowledge or expertise would be required, and for allocating money and staff to those areas of highest priority within each country.

TPCC recognized the need for single, consolidated country commercial plans in its September 1993 report. The Departments of State, Commerce, and Agriculture also determined the feasibility of such plans. In January 1994 it issued a cable directing U.S. embassies to prepare a single country-specific strategic commercial plan that would indicate all of the commercial activities and strategies planned for the country, including performance measures.

These plans could serve as building blocks for the strategic governmentwide plan under development by TPCC by helping focus government activities on specific markets, products, and services that represent the best potential for U.S. exports. But these plans will not constitute the overall integrated strategy called for by the Export Enhancement Act that would identify governmentwide resource priorities.

TPCC is expected to address the subject of a unified strategy in its update of the National Export Strategy by October 1, 1994.

Agency Comments

In July 1994, we discussed a draft of this report with representatives of AID (including the Acting Director of the Office of East Asia), State (including, indirectly, the Acting Coordinator for Business Affairs), Agriculture (including the Assistant Administrator for Commodity and Marketing Programs), and Commerce (including the Director, East Asia and Pacific, US&FCS). They generally agreed with the information presented in the

report, and they provided minor clarifications that we incorporated. Representatives of AID emphasized that AID's primary contribution to U.S. exports comes through the sustainable economic growth that AID programs seek to achieve in developing countries.

As agreed with you, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to interested Members of Congress; the Secretaries of Agriculture, Commerce, Energy, State, Transportation, and Treasury; the Director of AID; and appropriate congressional committees. We also plan to send copies to the U.S. businesses that participated in our review, and other interested parties. We will make copies available to others upon request.

Please contact me at (202) 512-4812 if you have any questions concerning this report. Other major contributors to this report are listed in the appendix.

Sincerely yours,



Allan I. Mendelowitz, Managing Director
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Related GAO Products

High-Value Product Exports: Good Potential Exists for More Trade With Taiwan, Malaysia, and Indonesia (GAO/GGD-94-52, Nov. 19, 1993).

Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993).

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993).

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

Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993).

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