

July 1995

**International Trade,  
Finance, and  
Competitiveness Issue  
Area**

**Active Assignments**

---

# Foreword

---

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's International Trade, Finance, and Competitiveness issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact Allan Mendelowitz, Director, on (202) 512-5889; or Jayetta Hecker, Associate Director, on (202) 512-8984.

---

# Contents

---

	<b>Page</b>
<b>INTERNATIONAL ACCORDS</b>	
• ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI) DEBT FORGIVENESS PROGRAM.	1
<i>New</i> • REVIEW OF THE COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS (CITA).	1
<b>GOVT ORGANIZATIONS &amp; PROGRAMS</b>	
• REVIEW OF THE FOREIGN AGRICULTURAL SERVICE'S (FAS) USE OF RESOURCES.	1
• REVIEW OF USG EFFORTS TO HELP AMERICAN FIRMS COMPETE FOR PROJECTS FINANCED BY MULTILATERAL DEVELOPMENT BANKS.	2
• REVIEW OF PROGRESS MADE IN MEETING THE LEGAL REQUIREMENT TO DEVELOP GOVERNMENTWIDE PRIORITIES AND A UNIFIED BUDGET FOR EXPORT PROMOTION PROGRAMS.	2
• HRA 1: REVIEW OF COMPETITOR NATIONAL EXPORT FINANCING SYSTEMS.	2
• REVIEW OF P.L. 480 TITLE I PROGRAM EFFECTIVENESS.	3
• REVIEW OF LEGISLATIVE OPTIONS FOR SELECT TITLE XV PROGRAMS FOR THE 1995 FARM BILL.	3
• REVIEW OF TPCC EFFORTS TO CREATE A NATIONWIDE NETWORK OF EXPORT ASSISTANCE.	3
• REVIEW OF DEPARTMENT OF COMMERCE'S REPORT ON FOREIGN DIRECT INVESTMENT IN THE UNITED STATES.	4
<i>New</i> • STATE TRADING ENTERPRISES (STES).	4
<i>New</i> • OVERSEAS COUNTERFEITING OF U.S. CURRENCY: NATURE, EXTENT, AND STATUS OF U.S. DETERRENCE EFFORTS.	4
<i>New</i> • RATIONALES FOR AND AGAINST GOVERNMENT EXPORT PROMOTION PROGRAMS AND EXPENDITURES.	5
<i>New</i> • SURVEY OF OPIC/EXIM PROJECT FINANCE PROGRAMS.	5
<i>New</i> • UNTIED AID PRACTICES.	5
<i>New</i> • COMPETITOR COUNTRIES' FOREIGN MARKET DEVELOPMENT PROGRAMS.	6
<i>New</i> • GAO RESPONSES TO QUESTIONS ON EXPORT PROGRAMS FOR THE 1995 FARM BILL.	6
<b>COMPETITIVENESS</b>	
• SURVEY OF THE U.S. DELIVERY SYSTEM FOR EXPORT FINANCING TO SMALL AND MEDIUM-SIZED COMPANIES.	6
• REVIEW OF COMPETITIVENESS INDICATORS.	7
• INVESTOR STRATEGIES: THE POTENTIAL EFFECTS ON U.S. BUSINESS INVESTMENT.	7
• THE CONTRIBUTION OF INFRASTRUCTURE TO U.S. COMPETITIVENESS AND PRODUCTIVITY.	7
<i>New</i> • SURVEY OF MANUFACTURERS RECEIVING MANUFACTURING EXTENSION PROGRAM SERVICES.	8
<b>OTHER ISSUE AREA WORK - ITFC</b>	
• REVIEW OF THE CAUSES OF THE MEXICAN PESO CRISIS, AND REACTIONS OF THE UNITED STATES GOVERNMENT TO THIS CRISIS.	8
<i>New</i> • REVIEW OF PROPOSAL TO TRANSFER US&FCS FROM THE COMMERCE TO THE STATE DEPARTMENT.	8
<i>New</i> • REVIEW OF U.S. EFFORTS TO CONTROL MONEY LAUNDERING OVERSEAS.	9

---

---

## ***International Trade, Finance, & Competitiveness***

---

### **INTERNATIONAL ACCORDS**

**TITLE: ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI) DEBT FORGIVENESS PROGRAM (280105)**

**BACKGROUND :** The Administration's 1990 Enterprise for the Americas Initiative (EAI) proposed the US negotiate free trade agreements, investment liberalization, & debt forgiveness of US bilateral loans with all western hemisphere countries. Other acts require paying the loan forgiveness subsidy out of current appropriations & prohibit spending in excess of appropriated amounts.

**KEY QUESTIONS :** (1) Did the Administration undervalue the subsidy cost associated with the modification of bilateral AID debt to six Latin American countries and thus circumvent the limit of its budget authority for EAI debt forgiveness in FY 1993? (2) If there were irregularities, why did they occur?

**TITLE: REVIEW OF THE COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS (CITA) (280128)**

**BACKGROUND :** The interagency Committee for the Implementation of Textile Agreements (CITA) was created to monitor and implement bilateral agreements on textiles and apparel under the Multifiber Arrangement (MFA). With the passage of the Uruguay Round Textiles Agreement that provided for the phaseout of MFA, CITA's role also includes integrating textiles/apparel into normal trading rules.

**KEY QUESTIONS :** Identify: (1) CITA's functions, resources, and costs; (2) its decision-making process for imposing import restraints; (3) changes pursuant to the Uruguay Round, e.g. implementing the three stages of product integration and standards for applying safeguards; and (4) opportunities for improving the government's administration of the textile program.

### **GOVT ORGANIZATIONS & PROGRAMS**

**TITLE: REVIEW OF THE FOREIGN AGRICULTURAL SERVICE'S (FAS) USE OF RESOURCES (280049)**

**BACKGROUND :** USDA's FAS reports overseas developments that affect U.S. agricultural trade, helps to remove trade barriers, and promotes exports of U.S. agricultural products. FAS has about 900 employees and administers loan guarantee and market development programs costing about \$10 billion annually.

**KEY QUESTIONS :** (1) Are FAS activities governed by an overall management strategy? (2) Does the use of FAS resources mirror U.S. trade interests in commodity reporting? (3) Does the use of FAS trade policy resources mirror U.S. trade interests? (4) Does FAS manage its foreign service effectively?

---

## *International Trade, Finance, & Competitiveness*

---

### **GOVT ORGANIZATIONS & PROGRAMS**

**TITLE: REVIEW OF USG EFFORTS TO HELP AMERICAN FIRMS COMPETE FOR PROJECTS FINANCED BY MULTILATERAL DEVELOPMENT BANKS (280078)**

**BACKGROUND :** Each year, MDB lend over \$30 billion to developing countries to support major capital projects. The U.S. government is the largest contributor to 4 of the 5 MDBs. The Trade & Competitiveness Act of 1988 requires Commerce to assign staff to U.S. Executive Directors (ED) within each MDB to help promote exports.

**KEY QUESTIONS :** (1) What obstacles face U.S. firms competing for MDB-financed projects, what services does U.S. offer them, and how do the services offered by the EDs compare to those offered by other EDs? (2) How are U.S. firms doing at winning contracts relative to other nations? (3) What does Treasury do to protect U.S. procurement interests at MDBs?

**TITLE: REVIEW OF PROGRESS MADE IN MEETING THE LEGAL REQUIREMENT TO DEVELOP GOVERNMENTWIDE PRIORITIES AND A UNIFIED BUDGET FOR EXPORT PROMOTION PROGRAMS (280089)**

**BACKGROUND :** As required by law, the administration issued a national export strategy last fall. But neither the strategy nor the FY 95 budget request established governmentwide priorities or a unified budget request for export promotion programs, as the law required. Due to high congressional interest in seeing this mandate fulfilled, we will review the administration's progress to date.

**KEY QUESTIONS :** What progress has the interagency Trade Promotion Coordinating Committee (TPCC) made in meeting the legal requirement to develop (1) governmentwide export promotion priorities, (2) a strategy for bringing spending on export promotion programs in line with the new priorities, and (3) a unified export promotion budget that reflects those priorities?

**TITLE: HRA 1: REVIEW OF COMPETITOR NATIONAL EXPORT FINANCING SYSTEMS (280096)**

**BACKGROUND :** A 1992 Commerce report concluded that a strong export financing system is essential for promoting U.S. export growth in key overseas markets, and said little information is available on competitor export financing systems.

**KEY QUESTIONS :** (1) How are European Union (EU) export credit agencies structured and funded? (2) What products are offered and how are they priced? (3) How do EU export credit agencies measure the impact of their programs? (4) What multilateral efforts are being made to harmonize EU export credit practices?

---

## *International Trade, Finance, & Competitiveness*

---

### **GOVT ORGANIZATIONS & PROGRAMS**

**TITLE: REVIEW OF P.L. 480 TITLE I PROGRAM EFFECTIVENESS (280108)**

**BACKGROUND :** The FACT act of 1990 required GAO to select five countries that receive title I food aid and evaluate its impact on agricultural development and U.S. trade in-country. The act also required GAO to assess program management. In FY 93, USDA administered about \$350 million of concessional agricultural sales under title I.

**KEY QUESTIONS :** (1) What is the impact of title I aid on economic development within recipient countries? (2) What is the impact of title I aid on U.S. agricultural market development within recipient countries? (3) What impact did 1990 legislative changes have on country selection and program management in-country?

**TITLE: REVIEW OF LEGISLATIVE OPTIONS FOR SELECT TITLE XV PROGRAMS FOR THE 1995 FARM BILL (280111)**

**BACKGROUND :** Congress has begun debate on the 1995 Farm Bill. Proposals to modify export title XV programs, established under the 1990 Farm Bill, will be on the table due to (1) major changes which have occurred in international agricultural trade in recent years and (2) current US budgetary constraints.

**KEY QUESTIONS :** (1) What changes have occurred in the world trading environment that may affect title XV programs in the 1995 Farm Bill? (2) How do the generic program areas covered by these export programs operate? (3) What are the proposals developed by major ag players to improve these programs? (4) How do these proposals address criteria critical to improving specific export programs?

**TITLE: REVIEW OF TPCC EFFORTS TO CREATE A NATIONWIDE NETWORK OF EXPORT ASSISTANCE (280112)**

**BACKGROUND :** In response to the Export Enhancement Act of 1992, interagency Trade Promotion Coordinating Comm. (TPCC), among other things, set out to create a nationwide network of "one-stop shop" export assistance centers (EACs). In Jan. 1994, the TPCC established four pilot centers and, in Aug. 1994, announced its intent to establish an additional 10 centers during 1995.

**KEY QUESTIONS :** What lessons can be learned from the four pilot EACs that are applicable to the operations of the subsequent 10 EACs? Among other things, we expect to identify lessons learned regarding (a) establishment of the EACs, (b) intra-EAC coordination among participating agencies, & (c) EAC efforts to provide services of value to exporters.

---

## *International Trade, Finance, & Competitiveness*

---

### **GOVT ORGANIZATIONS & PROGRAMS**

**TITLE: REVIEW OF DEPARTMENT OF COMMERCE'S REPORT ON FOREIGN DIRECT INVESTMENT IN THE UNITED STATES (280116)**

**BACKGROUND :** The Foreign Direct Investment (FDI) and International Financial Data Improvements Act of 1990 requires the Commerce Department to prepare an annual report on foreign direct investment in the United States. It also requires GAO to analyze this report. GAO issued its first review, with recommendations, in NSIAD-92-107.

**KEY QUESTIONS :** (1) To what extent do 1993 & 1995 Commerce reports meet the requirements of the Act? (2) How do fed. agencies collect & utilize FDI data? (Give special attention to the survey methods & data-sharing efforts of Bureau of Economic Analysis, Census, & BLS). (3) How do Commerce's annual FDI in the US reports contribute to the overall US Govt. policy-making process?

**TITLE: STATE TRADING ENTERPRISES (STES) (280129)**

**BACKGROUND :** International trade agreements of the Uruguay Round of General Agreement on Tariffs and Trade (GATT) affect the U.S. agriculture trading system. Congress is concerned about the role of foreign State Trading Enterprises (STEs) and effects on the U.S. agriculture industry.

**KEY QUESTIONS :** Issues for this job to include: 1) Identification of STEs, reporting requirements, and activities; 2) U.S. monitoring of STEs; 3) Access to U.S. markets by STEs and U.S. subsidiaries; 4) STE related U.S. regulations; and, 5) Identification of available trade sanctions.

**TITLE: OVERSEAS COUNTERFEITING OF U.S. CURRENCY: NATURE, EXTENT, AND STATUS OF U.S. DETERRENCE EFFORTS (280132)**

---

## *International Trade, Finance, & Competitiveness*

---

### GOVT ORGANIZATIONS & PROGRAMS

**TITLE: RATIONALES FOR AND AGAINST GOVERNMENT EXPORT PROMOTION PROGRAMS AND EXPENDITURES (280134)**

**BACKGROUND :** GAO has issued numerous products in the past 3 years on the organization and effectiveness of export promotion programs. The requester is familiar with much of this work and asked us to testify at a hearing, which was to be an airing of the arguments for and against federal involvement in the export area.

**KEY QUESTIONS :** (1) What rationales are put forth to argue the legitimacy of a federal role in export promotion activities? (2) How do different types of export promotion efforts relate to those arguments? (3) What opportunities are there for a more effective allocation of export promotion resources, improvements in program management and operations, and cost savings?

**TITLE: SURVEY OF OPIC/EXIM PROJECT FINANCE PROGRAMS (280135)**

**BACKGROUND :** The World Bk says developing nations need \$200b per yr over 10 yrs to upgrade infrastructure. Rather than sovereign-guaranteed loans, many projects will be funded using "project finance" arrangements. The Overseas Priv Invest Corp (OPIC) & ExIm Bk are rapidly expanding their project fin progs, raising the question of the need for 2 progs.

**KEY QUESTIONS :** (1) What are the similarities & differences in OPIC & ExIm programs? (2) What is the extent of OPIC/ExIm co-financing, & what controls exist to limit total U.S. exposure? (3) How does the U.S. project financing program compare with that of our major competitors? (4) Are the methodologies used by OPIC & ExIm to measure benefits to the U.S. economy valid?

**TITLE: UNTIED AID PRACTICES (280136)**

**BACKGROUND :** A 1992 Organization for Economic Cooperation and Development (OECD) agreement governing tied aid contains provisions addressing untied aid. As reported by OECD, while countries' use of tied aid has decreased during the last few years, untied aid has increased significantly. Concerns have been raised by U.S. government officials about whether aid reported as untied is tied.

**KEY QUESTIONS :** Identify: (1) any untied aid data problems, (2) scope of OECD agreement addressing untied aid, (3) status of U.S. efforts to monitor untied aid, (4) impact of a donor's sponsorship of preliminary studies on contract awards funded by untied aid, and (5) any contract problems in projects financed with Japanese untied aid.



---

## *International Trade, Finance, & Competitiveness*

---

### GOVT ORGANIZATIONS & PROGRAMS

**TITLE: COMPETITOR COUNTRIES' FOREIGN MARKET DEVELOPMENT PROGRAMS (280141)**

**KEY QUESTIONS :** (1) Describe the organization, structure, and funding of competitor countries' foreign market development activities. (2) What are the implication of foreign competitors' programs for US market development activities? (3) Provide status report on state trading enterprises in the World Trading Organization.

**TITLE: GAO RESPONSES TO QUESTIONS ON EXPORT PROGRAMS FOR THE 1995 FARM BILL (280142)**

**KEY QUESTIONS :** Requester asked GAO to respond to 13 major agricultural trade questions related to congressional consideration of the 1995 Farm Bill Export Title. These issues included the effectiveness of the Market Promotion Program, the Export Enhancement Program, the Export Credit Guarantee Programs, and a number of other key agricultural trade activities.

### COMPETTIVENESS

**TITLE: SURVEY OF THE U.S. DELIVERY SYSTEM FOR EXPORT FINANCING TO SMALL AND MEDIUM-SIZED COMPANIES (280086)**

**BACKGROUND :** Expanding small to medium-sized business exports is one of our most potent trade opportunities; it represents an effective and efficient way to substantially increase the U.S. share of markets abroad while increasing employment at home. Concerns exist, however, that inadequate export finance hampers small & medium-sized companies from initiating/expanding exports.

**KEY QUESTIONS :** (1) What is the nature and extent of any domestic market failures in providing export financing? (2) What can be done to encourage the private sector to become more actively involved in providing export financing for these firms? (3) How can existing government programs, at all levels, for small/medium companies be enhanced & "models" be replicated?

---

## ***International Trade, Finance, & Competitiveness***

---

### **COMPETITIVENESS**

**TITLE: REVIEW OF COMPETITIVENESS INDICATORS (280117)**

**BACKGROUND :** Federal government and private sector studies of competitiveness have used differing definitions, as well as differing approaches to measuring competitiveness. GAO will examine the evolution of these assessments, highlighting points of agreement and disagreement, and analyze the strengths, limitations, and implications of the indicators and statistical measures used.

**KEY QUESTIONS :** (1) How have studies of U.S. competitiveness defined the issue? What indicators have these studies used to measure and explain competitiveness? How have they analyzed the linkages among the indicators and what was their evidence? (2) What are the strengths, limitations, and implications of these competitiveness indicators, both conceptually and statistically?

**TITLE: INVESTOR STRATEGIES: THE POTENTIAL EFFECTS ON U.S. BUSINESS INVESTMENT (280118)**

**BACKGROUND :** According to some observers the investment strategies of key investors have influenced corporate investment decisions, resulting in a decline in investment on the part of U.S. companies in areas such as R&D, plant and equipment, and human capital, compared to major competitors such as Japan and Germany. This lack of investment could result in a less competitive U.S. economy.

**KEY QUESTIONS :** (1) What is the empirical evidence that demonstrates how current investment strategies of key investors affect the level of investment by U.S. companies relative to foreign competitors? (2) How do government laws and regulations affect investors' strategies?

**TITLE: THE CONTRIBUTION OF INFRASTRUCTURE TO U.S. COMPETITIVENESS AND PRODUCTIVITY (280120)**

**BACKGROUND :** U.S. business productivity and competitiveness depend on infrastructure to move people and goods in an efficient and environmentally sound manner. Key problems that need to be addressed include configuring the National Highway System (at a cost of \$50 billion), alleviating congestion on urban roadways, and linking different transportation modes.

**KEY QUESTIONS :** 1) What are the central problems confronting the nation's transportation system that are linked to competitiveness? 2) What transportation programs address these concerns? 3) How have researchers attempted to measure the impact of infrastructure on productivity? 4) How is this information incorporated into the design of transportation programs?

---

## ***International Trade, Finance, & Competitiveness***

---

### **COMPETITIVENESS**

**TITLE: SURVEY OF MANUFACTURERS RECEIVING MANUFACTURING EXTENSION PROGRAM SERVICES (280133)**

**BACKGROUND :** Congress has renewed its request for our review of federal and state manufacturing extension programs (MEPs), which are purported to improve manufacturers' competitiveness. Little is known about (1) how MEP services affect manufacturers' performance, (2) MEP attributes that manufacturers believe are valuable, and (3) reasons for MEP non-use.

**KEY QUESTIONS :** (1) What effect have MEPs had on the business performance of manufacturers? (2) What attributes of MEPs do manufacturers believe are most valuable to them? (3) What are the reasons manufacturers make no or limited use of MEP services?

### **OTHER ISSUE AREA WORK - ITFC**

**TITLE: REVIEW OF THE CAUSES OF THE MEXICAN PESO CRISIS, AND REACTIONS OF THE UNITED STATES GOVERNMENT TO THIS CRISIS (280124)**

**BACKGROUND :** Mexico is facing a liquidity crisis due to a rapidly falling peso exchange rate and loss of foreign investor confidence, and the resulting loss of foreign currency reserves. The requestor asked GAO to supply information to help with oversight of Treasury's and the Federal Reserve's assistance package and their abilities to deal with future foreign financial crises.

**KEY QUESTIONS :** (1) What are the economic origins of the current Mexico financial crisis? (2) What are the terms and conditions of the federal governments response to Mexico's financial difficulties? (3) What is the legal basis for the President's use of the Exchange Stabilization Fund?

**TITLE: REVIEW OF PROPOSAL TO TRANSFER US&FCS FROM THE COMMERCE TO THE STATE DEPARTMENT (280130)**

**BACKGROUND :** The Chairman of the Senate Foreign Relations Committee recently issued a proposal that, among other things, would have eliminated the Commerce Department's United States & Foreign Commercial Service and transferred responsibility for overseas commercial work back to the State Department, which lost this responsibility to Commerce in 1980.

**KEY QUESTIONS :** This proposal raises a number of issues. Among them, concerns have been raised regarding State's ability to adequately manage U.S. commercial activities overseas. Will State officers place adequate priority on commercial activities? Also, will State's diplomatic responsibilities hold it back from monitoring foreign government compliance with trade agreements?

---

## ***International Trade, Finance, & Competitiveness***

---

### **OTHER ISSUE AREA WORK - ITFC**

**TITLE: REVIEW OF U.S. EFFORTS TO CONTROL MONEY LAUNDERING OVERSEAS (280131)**

**BACKGROUND :** GAO was asked to perform pre-survey work on the control of money laundering overseas. Our initial work was done in conjunction with another assignment. The focus of the pre-survey was on the role of U.S. and foreign financial institutions, regulators and law enforcement overseas, the Financial Action Task Force (FATF), and controls on wire transfers.

**KEY QUESTIONS :** GAO asked the following key questions. (1) How do U.S. approaches to controlling money laundering compare with those of Europe? (2) How does U.S. law enforcement coordinate its overseas anti-money laundering activities? (3) What international arrangements has the United States undertaken to combat money laundering abroad?



