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# REPORT TO THE CONGRESS

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## Opportunities For Increasing Effectiveness Of Overseas Trade Exhibitions B-735239

Department of Commerce  
Department of State

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

NOV. 4, 1971



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-135239

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on opportunities for increasing effectiveness of overseas trade exhibitions by the Department of State and the Department of Commerce.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; and the Secretary of Commerce.

A handwritten signature in cursive script, reading "James B. Atchefs".

Comptroller General  
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

The once-favorable U.S. balance of trade, which over the years has helped finance the Nation's international programs, dropped from a trade surplus of \$7 billion in 1964 to a trade deficit of \$936 million in the first 8 months of 1971. This decline is an important reason for record U.S. balance-of-payments deficits in recent years.

The Department of Commerce, for many years, has organized and administered a variety of trade promotion programs to expand U.S. exports. 74

The General Accounting Office (GAO) has focused on two of the principal Commerce trade promotion programs--trade center shows and trade and industrial exhibitions.

GAO reviewed these two types of trade promotion programs to learn whether they were effective in helping American companies increase their exports and whether the number of American companies involved in exporting was being increased as a result of the programs.

FINDINGS AND CONCLUSIONS

The Department of Commerce can increase the effectiveness of trade exhibitions as a tool to promote foreign trade. The program has been only marginally successful in meeting its goals of helping American companies with little or no export experience to get started in the field, helping American companies to enter new markets, and promoting new product lines. (See pp. 17 and 18.)

The market potential for U.S. products in developing countries has received little consideration in staging trade exhibitions. The U.S. share of this market, which was estimated at \$35.8 billion in 1969, declined from 24.8 percent in 1964 to 21.4 percent in 1969. (See p. 54.)

An important reason for the small number of exhibitions in less developed countries is the belief of Commerce officials that the Congress and the Office of Management and Budget expect the program to show an immediate payoff--as measured by the amount of export sales in the 12-month period following trade exhibitions compared with the cost of the exhibitions.

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Concentrating exhibitions in developed countries affords a greater likelihood of showing returns on the promotional dollar than exists in less developed countries. (See p. 15.)

In fiscal years 1969 and 1970, Commerce spent about \$15 million--78 percent--of its promotional costs of \$19.2 million for trade exhibitions in developed countries. It estimated that first-year export sales from exhibitions approximated \$277 million. (See pp. 12 and 15.)

GAO believes that these benefits were greatly overstated. It is unrealistic to attribute that volume of sales to the trade exhibitions because the majority of participants in the shows already exported their products to those markets. (See p. 17.)

The exhibitions are not being used effectively to attract new companies to the export field or to emphasize new product lines. The exhibitions are used primarily by American companies that already are engaged in international trade. About 95 percent of the 4,957 participants in exhibitions during 1969 and 1970 previously were exporting to foreign markets and 70 percent already were exporting the products exhibited to the countries in which the exhibitions were held. (See p. 17.)

Based on interviews with 34 American companies which had participated in trade exhibitions, the consensus was that Commerce could be of greater assistance if promotional programs were offered in less developed countries. Such countries are considered growing markets but have few promotional activities presently available to American businessmen. The exporters believe that the number of Commerce-sponsored trade exhibitions in developed countries could be reduced without hurting their overseas sales, since other means of displaying their products are available. (See pp. 16 and 20 to 22.)

Short-range cost-to-benefit ratios are not the best indicators of the success of trade exhibition programs. Markets where American companies have few promotional facilities and relatively less export experience are largely ignored, and the majority of companies which should be the principal targets for expanding exports are not drawn into the programs. The programs should consider other measures of accomplishment, such as

- the number of new-to-export companies attracted to the programs,
- the number of new product lines exhibited,
- the extent to which promotional efforts are keyed to competitive U.S. products in countries where the U.S. share of the market is relatively low, and
- the extent to which promotional efforts are keyed to countries where there are few facilities for exhibiting U.S. products. (See pp. 27 and 28.)

Stemming from these conclusions is the question of whether it is useful to concentrate trade promotion efforts on a few fixed-facility trade centers in developed countries. The fact that the centers are there and must be used means that Commerce is under pressure to induce companies to use the facilities, without regard to whether these companies are experienced or inexperienced in the export field. (See p. 28.)

#### Participation fees

Commerce charges exhibitors at trade exhibitions nominal participation fees. These fees are not intended to recover the costs of staging exhibitions. In fiscal years 1969 and 1970, participation fees collected amounted to \$2.6 million, which was only 13.6 percent of the \$19.2 million cost of the trade exhibitions. (See p. 32.)

Commerce makes no distinction between exhibitors which participate for the first time and those which have participated repeatedly. Since one of the purposes of the programs is to introduce American companies to international trade, it might be desirable to charge new exporters less than experienced exporters. A sliding scale of fees would encourage new exporters to exhibit their products. In addition, repeat exhibitors, since they claim significant sales as a result of the exhibitions, presumably would be willing to pay more of the cost. (See pp. 34 and 35.)

#### RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Commerce should consider:

- Allocating a greater portion of Commerce's resources for overseas promotional activities to developing countries and limiting promotional efforts to developed countries mainly to introducing new products or new-to-export companies. (See p. 29.)
- Initiating a continuing program to contact American companies, State governments, and other internationally oriented organizations to determine what types of promotional services are needed and to provide those services not presently offered under existing programs. (See p. 29.)
- Developing a more effective domestic program to inform American companies of the benefits of foreign trade and to stimulate these companies to use trade exhibitions to expand their export businesses. (See p. 29.)
- Evaluating the desirability of maintaining permanent, fixed-facility trade centers in view of the need for alternative promotional devices in developing countries. (See p. 29.)
- Adopting more useful measures of the benefits of trade promotion programs, recognizing that these programs cannot always produce immediate results. (See p. 29.)

--Establishing a flexible fee structure using minimal fees to attract new companies and charging higher fees to repeat exhibitors and established international trading companies. (See p. 35.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Commerce concurred, in general, with our recommendations and advised us that corrective actions had been initiated or were planned. (See pp. 29, 30, and 35 and app. V.)

The Department of State also agreed with GAO's recommendations for increased promotional activities in developing countries but felt that it was equally important to preserve the U.S. trade share in the industrial markets. (See p. 31.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report should be of timely interest to the Congress because of the recent erosion of the U.S. trade surplus and its effect on the U.S. balance of payments.

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## CHAPTER 1

### INTRODUCTION

Changes in the U.S. merchandise trade balance are considered significant because of their impact on the Nation's balance of payments. Total exports and imports of goods and services are the largest component in the balance of payments, and merchandise exports and imports account for the major portion of the goods and services component. The U.S. trade surplus in past years has helped the country finance its international programs. Since 1964, however, the once-favorable balance of trade dropped sharply--from a trade surplus of \$7 billion in 1964 to a trade deficit of \$936 million in the first 8 months of 1971. Balance-of-payment and balance-of-trade statistics for the period 1960 through 1970 are provided in appendix I.

As a result of Presidential directives and balance-of-payment messages concerned with the deterioration in the U.S. trade surplus, the Department of Commerce carries out a variety of export promotion programs. The objectives are to stimulate and assist American companies to expand their export activity and to develop foreign markets for long-term export sales. Emphasis is placed on helping American businessmen take advantage of foreign market opportunities.

The principal Commerce-sponsored promotional programs overseas are trade center shows and trade and industrial exhibitions. The Commercial Exhibits Division, Office of International Trade Promotion, Bureau of International Commerce, Department of Commerce, is responsible for establishing and operating the U.S. trade centers abroad. The Division coordinates exhibits of American companies at the centers and in commercial trade fair or solo exhibitions, arranges for participation by American companies, and provides market development support overseas for these activities. The underlying purpose of these promotional efforts is to increase exports by giving American businessmen a firsthand opportunity to investigate foreign markets, to establish contacts with foreign businessmen, and to display their products.

Commerce's efforts to promote U.S. business overseas were initiated in 1954 when a program to send trade missions abroad was provided for under the President's Emergency Fund for International Affairs. Funds were appropriated to the United States Information Agency which, in turn, allocated them to Commerce for the program's operation. Originally the basic aim of the program was to build up goodwill for the United States and to promote mutual international understanding. In 1960, however, the focus of the program shifted from the concept of building up goodwill to the selling of U.S. products.

In 1961, at the direction of the President, maximum emphasis was placed on enlarging U.S. foreign commerce for the purpose of maintaining an overall balance in our international payments. Commerce was charged with ensuring that a vigorous effort would be made to expand trade, travel, and investment and to "provide energetic leadership to American industry in a drive to develop export markets." The President called upon the Departments of State and Commerce to proceed jointly to increase commercial representation and facilities abroad. This directive signaled the start of a substantial expansion of Commerce's overseas trade promotion program. Further impetus to the promotion program was provided when President Johnson, in his January 1, 1968, balance of payments message, stated that a substantially larger export expansion program was needed and asked the Congress "to support an intensified 5-year, \$200 million Commerce Department program to promote the sale of American goods overseas."

Commerce does not have an overseas commercial service of its own and therefore relies on the Foreign Service of the Department of State for the implementation and support of its overseas programs. As of July 1970 Commerce funded 11 overseas positions for Americans and 63 for locals. These positions were in the eight U.S. trade centers. In July 1970 the Foreign Service had 149 commercial officers supported by 375 locals in 83 countries throughout the world. The Foreign Service commercial specialists, located in U.S. Embassies and consulates, provide the following support to the export expansion program.

1. Supply economic and commercial information.

2. Negotiate policies contributing to a more liberalized flow of U.S. products to foreign markets.
3. Provide assistance to U.S. trade missions, individual traders, and groups of American businessmen.
4. Direct and support trade promotion activities at U.S. trade centers and commercial exhibits.

Domestically the export expansion programs are supported by 42 Commerce field offices located in 34 States and Puerto Rico. This field-office system makes available the entire range of Commerce's resources and services to anyone needing information or assistance on business matters. Its range of export promotion functions includes disseminating foreign trade data, conducting export seminars and workshops, and providing personalized assistance to active and potential exporters through an industry contact program. The 78 international trade specialists in the field offices are the primary sales arms for Commerce's domestic stimulation programs, being the points of direct contact with the business community. Aiding Commerce's field offices in their export expansion efforts are 42 Regional Export Expansion Councils, one in each field office area. These councils are composed of about 1,600 businessmen, bankers, and members of service organizations, who provide their services and expertise to the National Export Expansion Program.

#### OPERATION OF U.S. TRADE CENTERS

Trade centers are permanent overseas commercial showrooms established at central locations within major marketing areas where the potential for sale of U.S. industrial products is considered to be high and continuous. They are considered extensions of the Commercial Affairs Sections of U.S. Embassies but are sponsored by Commerce. As permanent installations for displaying and demonstrating U.S. products on a year-round basis, they provide one means of introducing both new and established exporters to foreign markets, achieving immediate sales of exhibited products, and lining up local agents and distributors for future export sales. Commerce currently operates eight trade centers, as shown in the table below. A ninth center is scheduled to open in Mexico City, Mexico, in October 1971.

<u>Location</u>	<u>Date opened</u>
London, England	June 1961
Bangkok, Thailand	May 1962
Frankfurt, Germany	Nov. 1962
Tokyo, Japan	Apr. 1963
Milan, Italy	Jan. 1964
Stockholm, Sweden	Mar. 1965
Paris, France	Nov. 1969
Sydney, Australia	June 1970

Historically Commerce has staged from six to nine official 1-week exhibitions annually at each trade center. During the remaining available time for display, U.S. companies or their agents are invited to use the facilities for individual "between show" exhibitions.

The main requirement for exhibiting material in either an official or an individual exhibition is that such material be labeled and marketed under the name of an American company and, if assembled outside the United States, must contain U.S. components valued at more than 50 percent of the value of the finished product. In addition, each company is required to pay a minimal fee to participate in an official exhibition. No charge is made for a company's use of trade-center facilities for between-show or window-display events.



## TRADE AND INDUSTRIAL EXHIBITIONS

Trade and industrial exhibitions are sponsored by Commerce outside of the trade centers to give American companies an opportunity to show their products in selected market areas. Commerce either rents space in an established trade fair or stages the entire exhibition and invites American companies to participate.

These exhibitions were initiated in 1963 when a number of different product lines were shown at exhibitions in the Netherlands, France, and Spain. The number of exhibitions has grown from these initial three in fiscal year 1963 to 22 in fiscal year 1970. Recent exhibitions have featured a single-product line or two or three closely related lines and are aimed primarily at trade audiences.

Comprehensive market research is conducted to determine the best potential opportunities for sales of U.S. industrial products. Scheduled international and national trade fairs are then evaluated to match the product opportunities identified with scheduled events.

Where suitable trade fairs do not exist in target markets, Commerce stages solo exhibitions. Market promotion and customer identification techniques are used in an effort to try to ensure that the best foreign business prospects come to the exhibitions to buy, to meet with U.S. representatives, and to conduct negotiations for the establishment of agencies. The customer identification and market promotion work, including personal calls on prospective customers, is conducted in advance of the fairs by market development officers of Commerce.

## CHAPTER 2

### FACTORS INDICATING NEED TO

#### REDIRECT EFFORTS TO INCREASE EXPORTS

Commerce's exhibitions are concentrated in developed countries, primarily in Western Europe and Japan, where the potential sales benefits are considered the greatest. Commerce officials feel that Congress and the Office of Management and Budget consider sales results within the 12-month period immediately following the exhibitions to be the best indicators as to the success of the program.

The growing markets of developing countries have not been emphasized by Commerce. Although the longer term potential of markets in developing countries seemed to justify increasing the number of exhibitions in those markets, the immediate sales potential did not support the staging of exhibitions there under Commerce's ground rules in effect at the time of our review.

We found that the estimated sales benefit reported by exhibitors as a result of their participating in Commerce's exhibitions programs was considerably overstated. Since the majority of participants already were engaged in exporting their products to the market, it was unrealistic to attribute exhibition sales and follow-on sales to any one show or event.

Although the initial purpose of putting on commercial exhibitions was to increase exports by attracting new American companies into the field, we found that the preponderance of companies participating already were engaged in international trade.

Discussions with American companies which have participated in these exhibitions and a review of available studies on Commerce's exhibitions programs indicate a need to redirect the principal thrust of the exhibitions programs. The views of American businessmen and other authorities are that Commerce's assistance is desired in developing areas of the world where promotional alternatives are few and that

greater participation by new-to-export companies needs to be achieved.

These and other matters which point up a need to re-evaluate the exhibitions programs as presently carried out are discussed in more detail in the sections that follow.

PREPONDERANCE OF EXHIBITIONS  
HELD IN DEVELOPED COUNTRIES

Commerce's promotion objectives are to achieve immediate export increases and to encourage American companies to commit a greater portion of their resources to export market development. Emphasis is placed on "hard sell" promotion events in developed countries, since Commerce believes that market conditions in these countries are more conducive to immediate, substantial returns from exports than are market conditions in developing countries. For the purpose of this report, developed countries include the United States, Canada, all Western European countries, Republic of South Africa, Japan, Australia, and New Zealand. Developing countries include all other countries and territories of the free world.

Commerce officials advised us that the potential for immediate results had been an overriding consideration in deciding where an exhibition would be held and the product theme. They assumed, from questions raised at appropriation hearings, that the Congress expected immediate results--export sales made during and within a 12-month period after a Commerce-sponsored exhibition. In line with this emphasis, most of Commerce's overseas promotion funds are allocated to trade centers and trade and industrial exhibitions in developed countries.

Commerce allocates 90 percent of its overseas promotion funds to sponsor trade centers and trade and industrial exhibitions in foreign markets. More than three out of every four dollars spent on the exhibitions programs goes for activities in developed countries, as shown in the table below.

<u>Overseas programs</u>	<u>Total program costs</u>		<u>Costs in developed countries</u>		<u>Percent</u>	
	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>
	—————(000 omitted)—————					
Trade centers	\$3,473	\$ 5,136	\$3,058	\$4,663	88	91
Trade and industrial exhibitions	<u>5,009</u>	<u>5,566</u>	<u>3,539</u>	<u>3,805</u>	71	68
Total	<u>\$8,482</u>	<u>\$10,702</u>	<u>\$6,597</u>	<u>\$8,468</u>	78	79

Also reflective of the continued low priority placed on providing promotion services in developing countries was the fact that only 20 percent, or 27, of the 137 exhibitions sponsored by Commerce during fiscal years 1969 and 1970 were held in developing countries. In addition, the exposure to developing-country markets was further limited by the fact that 13 of these 27 exhibitions were in Thailand. A listing of the exhibitions, by location, and related product themes is included as appendix II.

A significant contributing factor to the preponderance of exhibitions held in developed countries is the fixed location of Commerce's trade centers. Once established, trade centers become permanent show places for U.S. activities, and the need to use the centers dictates where many exhibitions are held. Historically Commerce has staged from six to nine official exhibitions annually at each center. Since seven of the eight centers are located in developed countries, 87 percent, or 83, of the 95 trade center exhibitions staged during fiscal years 1969 to 1970 were in developed countries. Only the Bangkok Trade Center, recently designated as a regional development center for Southeast Asia, is located in a developing country. This center was the site for 12 exhibitions.

The trade and industrial exhibitions program accounted for the remaining exhibitions held during fiscal years 1969 and 1970. This program is more flexible than the trade center program, in that exhibitions can be held anywhere in the world. In conducting this program, Commerce either rents

space in scheduled international and national trade fairs or, if no suitable fairs exist, rents space on a temporary basis and stages solo exhibitions. Even under this program, however, 64 percent, or 27, of the 42 trade and industrial exhibitions were staged in developed countries.

## U.S. SHARE OF MARKETS IN DEVELOPING COUNTRIES

Commerce's exhibitions have not emphasized the sizable and growing market potential of developing countries. In the 6-year period from 1964 to 1969, the composite market in developing countries for manufactured goods grew from \$22.8 billion to almost \$35.8 billion--a growth of about \$13 billion, or about 57 percent. (App. IV shows the trade potential of developing countries.)

The U.S. share of these markets decreased over the 6-year period. Although U.S. exports increased in absolute terms from \$5.6 billion in 1964 to \$7.6 billion in 1969, the U.S. market share decreased from 24.8 percent in 1964 to 21.4 percent in 1969. During this same 6-year period, the market share of other developed countries increased in both absolute and relative terms. The same is true of the market share of the developing countries, although the Communist countries' share decreased.

We noted that, even though the U.S. share declined while other developed countries' shares increased, Commerce sponsored few exhibitions in developing countries in fiscal years 1969 and 1970. During this 2-year period, Commerce sponsored only 27 exhibitions in nine developing countries; about half of these were in Thailand because of the trade center there. For reasons discussed in previous sections, important markets, such as Argentina, Venezuela, India, Taiwan, and Hong Kong, received no exposure to United States products through Commerce-sponsored exhibitions and Brazil, Mexico, and Middle Eastern countries received minimal exposure.

We realize that there are many reasons why one country buys from another. These reasons range from economic unions based on former colonial relationships to a lack of familiarity with available products on the market. Promotion is not necessarily the answer to changing existing patterns of trade, but it is one of the ingredients of change.

American businessmen told us that Commerce-sponsored exhibitions would assist them in penetrating developing countries' markets. Commerce's promotion in these countries could lay the groundwork for the United States to participate in their expected growth and, at the same time, to assist them in supplying their development needs.

A recent publication indicates that Commerce is aware of this market, as Commerce is quoted as stating that it provides the greatest thrust to the growth of demand in the world and that "Developing nations \*\*\* provide added opportunities for significant U.S. sales gains."

Commerce officials agreed with us that more exhibitions should be held in developing countries and stated that steps were being taken to increase the scope of their activities. They emphasized, however, that staging these exhibitions would be a much more formidable task in developing countries than in developed countries because of differing local business practices and limited general knowledge of these areas.

#### VALIDITY OF REPORTED SALES BENEFITS QUESTIONED

The principal justification for scheduling the majority of commercial exhibitions in developed countries is the favorable reported sales benefit-to-cost ratio. With respect to accomplishments based on their developed-country, short-term-benefit-oriented programs, Commerce reported to a subcommittee of the House Committee on Appropriations in May 1969 that, during fiscal years 1964-67, Commerce spent \$19.9 million promoting exports by means of overseas trade fairs, trade centers, and America Week promotions. Confirmed first-year export sales resulting from these promotions amounted to \$300.5 million--more than 15 times the Commerce budget cost. On a balance-of-payments basis, results were even more favorable. Since less than 50 percent of the appropriated funds for these three programs was expended overseas, the direct impact on the balance of payments within 1 year of the export promotion events was more than \$30 in export sales for each Commerce dollar spent overseas.

To evaluate the reasonableness of the sales figures claimed, we requested Commerce to provide us with a list of companies that had reported the \$300 million of sales. The list presented at the hearings included about 3,000 American companies, of which just 100 accounted for about \$150 million, or 50 percent, of the reported sales. Commerce provided us with a list of these top 100 companies and stated that the list represented the latest available compilation of confirmed sales resulting from its promotion activities. It advised us that, even though the sales had been made as a

result of exhibitions held during fiscal years 1964 and 1967, the list was representative of those companies presently reporting a substantial portion of the sales made at recent Commerce-sponsored exhibitions. Commerce estimated that first-year sales from exhibitions held in fiscal years 1969 and 1970 approximated \$277 million.

We contacted 17 of the companies on the list. Since most of them were large, well-established companies, we contacted also 17 other companies, a majority of which were small, to get a more balanced sample. Thus we contacted a total of 34 companies, located in various geographical areas, to obtain their views on how the exhibitions had benefited them and to seek suggestions on how these promotions might be made more effective. These 34 companies cannot be considered statistically a representative sample of all the companies that have participated in Commerce exhibitions. Nevertheless their comments indicated that the reported sales are of questionable validity in deciding the direction of the Commerce-sponsored exhibitions program.

The impressive sales benefits-to-cost ratio reported by participants did not hold up under close scrutiny. Most of the companies we interviewed told us that reported sales benefits included:

1. Sales which would have been made without the companies' participating in Commerce exhibitions.
2. Products that had been in advanced stages of negotiations before being displayed in exhibitions.
3. Deliveries made from the companies' foreign subsidiaries.
4. Transfers to foreign agents.
5. Sales which could not be attributed to any specific activity or event.

Commerce officials agreed that immediate export sales were not a reliable measurement of the effectiveness of the program. In February 1971 a consulting firm was commissioned to develop suitable standards of measurement.



MOST PARTICIPATING COMPANIES  
ALREADY INVOLVED IN EXPORTING

During appropriation hearings when the exhibition programs were initiated, Commerce stated that the vast majority of American companies were not engaged in foreign trade and needed to be stimulated to export. The purpose of Commerce's programs, therefore, was to introduce American companies to international trade. Once the companies were introduced to these markets, it was expected that they eventually would be able to do business overseas without the assistance of Commerce's exhibitions. The exhibition programs were not intended to aid companies already operating overseas because it was expected that they knew their way around.

Commerce's records show, however, that its exhibitions are used principally by American companies already engaged in international trade. During fiscal years 1969 and 1970, Commerce staged 137 exhibitions. On the average, 36 companies were represented at each exhibition for a total of 4,957 exhibitors. Of these exhibitors, 95 percent were already exporting to foreign markets and 70 percent were already exporting the products displayed to the country where the exhibition was held. The preponderance of experienced exporters participating was further indicated by the fact that about 56 percent, or 77, of the 137 exhibitions staged by Commerce had no more than one new-to-export company represented at the exhibitions. Statistics on participation in Commerce's exhibitions are provided below.

<u>Exhibition programs</u>	<u>Exhibitions</u>	<u>Exhibitions with no more than one new-to-export company represented</u>	<u>Total number of exhibitors</u>	<u>Old-to-market exhibitors</u>	<u>New-to-market exhibitors</u>	<u>New-to-export exhibitors</u>
Trade centers:						
Fiscal year 1970	<u>49</u>	<u>24</u>	<u>1,533</u>	<u>1,019</u>	<u>403</u>	<u>111</u>
" " 1969	<u>46</u>	<u>26</u>	<u>1,487</u>	<u>1,075</u>	<u>331</u>	<u>81</u>
Total	<u>95</u>	<u>50</u>	<u>3,020</u>	<u>2,094</u>	<u>734</u>	<u>192</u>
Trade and industrial exhibitions:						
Fiscal year 1970	<u>22</u>	<u>15</u>	<u>963</u>	<u>681</u>	<u>254</u>	<u>28</u>
" " 1969	<u>20</u>	<u>12</u>	<u>974</u>	<u>691</u>	<u>257</u>	<u>26</u>
Total	<u>42</u>	<u>27</u>	<u>1,937</u>	<u>1,372</u>	<u>511</u>	<u>54</u>
Total	<u>137</u>	<u>77</u>	<u>4,957</u>	<u>3,466</u>	<u>1,245</u>	<u>246</u>

The fact that there were 4,957 exhibitors did not mean, however, that 4,957 different companies participated in Commerce's exhibitions. Some American companies participated in several Commerce exhibitions during fiscal years 1969 and 1970. To get some idea of the extent of this repeated participation, we selected 20 companies that were active in Commerce's exhibitions and noted the number of times that each had repeated. This cursory review revealed that the 20 companies accounted for 289 of the 4,957 exhibitors.

Further, we found that some of the companies counted as exhibitors actually had not been present at the exhibitions. Instead, these companies' products had been exhibited by either combination export managers or companies acting as export managers. These managers act as a combined export department for several independent, noncompetitive manufacturers in related industries that do not want to maintain their own export departments. The managers usually have sales representatives in foreign markets. During fiscal years 1969 and 1970, about 640 American companies were represented at various Commerce-sponsored exhibitions by 78 different export managers or companies acting as such. Statistics on the number of exhibitors included the total number of companies rather than just the number of export managers that participated.

We did not attempt to prepare a list of the independent companies that actually had participated in Commerce's exhibitions. On the basis of the factors discussed above, however, we believe that the number of companies involved would be considerably less than the cumulative number of exhibitors.

Commerce officials responsible for the exhibition programs told us that, even though there were an estimated 300,000 manufacturing establishments in the United States, they had experienced considerable difficulty in recruiting companies to participate in the exhibitions. The officials attributed this difficulty, at least in part, to a pervasive lack of export awareness and of knowledge of Commerce's programs on the part of most American companies. They stated that, once a company participated in an

exhibition, it usually was willing to participate in future exhibitions.

Commerce officials advised us that the criteria for showing short-term benefits had resulted in forgoing the advantages of mounting exhibitions in many countries where future increases in U.S. exports could be expected but immediate sales results could not be guaranteed. Consequently the original purpose of attracting new companies into exporting had not been emphasized in favor of attracting experienced companies with products likely to sell well in developed markets.

COMPANIES' VIEWS OF COMMERCE'S  
EXHIBITION PROGRAMS

Our examination indicated that Commerce's exhibitions could assist in increasing exports by providing the vehicle by which American companies (1) enter international trade and (2) expand their exporting programs to developing countries, such as those in Latin America, Africa, Southeast Asia, and the Middle East. Government action in these developing countries can increase exports because (1) without Commerce-sponsored exhibitions, many American companies will not attempt exporting and (2) there are few organizations capable of assisting American companies in promoting their products in the developing countries of the world.

Most of the established exporting firms that we contacted told us that they were participating in Commerce's exhibitions and that these exhibitions were of value to them, especially when trying to introduce new products. They stated, however, that the number of exhibitions in developed countries could be reduced without any significant adverse effect on their overseas business. The companies said that, although Commerce's exhibitions provided them with low-cost promotion vehicles, there were many alternatives available to them in developed countries for promoting their products. For example, in 1970, 1,700 privately sponsored trade fairs were held in 58 countries, mostly in developed countries. Although not all of the 1,700 fairs were considered prestigious events, about 800 might have been equivalent in stature to Commerce exhibitions.

A majority of the companies that we interviewed said that they wished that more exhibitions were sponsored by Commerce in developing countries of the world. They felt the need was the greatest in such countries as those in Latin America, Africa, Southeast Asia, and the Middle East where the growth trend is up and where there are few promotional activities presently available to them.

Typical comments made by these companies concerning the value of Commerce's exhibitions to them were as follows:

--Commerce's shows were an inexpensive, easy way to expose the company's products. It was hard for the

company not to participate in those shows because of their low price and the services that Commerce offered with them, such as building a booth and sending out invitations to potentially interested customers. The company would prefer, however, to see Commerce put on more shows in the less developed countries because, in countries like Germany, Japan, and the United Kingdom, there would be many alternatives available to promote products. The company said that it would welcome Commerce's exhibitions in such developing countries as Taiwan, Hong Kong, Korea, and those of Latin America.

--Commerce's exhibitions were helpful because of their low cost, but there were many alternatives available to promote the company's products; in fact, Europe and Japan were overloaded with trade fairs.

--Alternatives to Commerce's exhibitions, although existing in the developed countries of Europe and in Japan, did not exist in developing countries. This was due to a lack of organizations that could sponsor fairs and less sophisticated media.

--Commerce's exhibitions did help the company when it was first entering international trade. The company said that currently, however, those exhibitions played a small role in its overall promotion activities and therefore elimination of them would have little or no effect on it. The company said also that it participated in many local and international technical fairs which cost much more than did Commerce's fairs. It would like to use Commerce's exhibition programs to introduce new products or to get into new markets because of their inexpensiveness, but seldom was there the right kind of Commerce fair available at the right time.

A more complete presentation of the comments made by the companies we contacted is provided as appendix III.

The comments of the companies we interviewed indicate that, to varying degrees, Commerce's exhibitions do benefit the companies that participate in them. These comments

indicate also, however, that providing experienced exporters with a low-cost means for exhibiting their products in developed countries does not necessarily result in an expansion of U.S. exports.

The value of Commerce's exhibitions to experienced exporters was put into perspective by a survey of businesses commissioned by Commerce. In September 1968 a private corporation began a survey of American companies, to determine their views regarding what steps the U.S. Government could take to boost exports. A sample 158 companies were interviewed for purposes of the survey. The sample included 120 large and 38 small companies, the demarcation line's being sales of \$150 million. Of the 158 companies that provided statistical data, 149 reported export sales of \$8.1 billion, or one third of the total U.S. exports of manufactured goods in 1967. The companies expected their exports to rise to \$11.3 billion by 1973, an increase of about 39 percent.

In order of frequency mentioned, the primary measures the Government could take to boost exports were (1) create tax incentives, (2) improve export insurance and credit, (3) negotiate removal of nontariff barriers, (4) negotiate further tariff cuts, (5) reduce U.S. inflation, (6) help reduce transportation costs, (7) eliminate the Foreign Direct Investment Program, and (8) improve Government export promotion. The fact that export promotion ranked eighth in the responses tends to confirm that companies already engaged in international trade, particularly large companies, do not need the assistance of direct Government export promotion to substantially increase their exports. This was further evidenced by the fact that only 45 of 158 companies considered improved Government export promotion important.

It should be noted, however, that a significantly higher percentage of small companies considered direct promotion more important than did large companies. Further, it was evident from our review that Commerce-sponsored exhibitions did influence companies to enter into exporting or to try new market areas. This fact was brought out in another survey made by Commerce in 1969. This survey showed that 80 percent of the new-to-export companies and 50 percent of the new-to-market companies that participated in Commerce's exhibitions were successful in either initiating or

expanding their export programs. It showed also that, of the successful companies, 25 percent of the new-to-export companies and 16 percent of the new-to-market companies would not attempt to enter exporting or new markets without the stimulus of Commerce's exhibition programs. In addition, another 20 percent of the new-to-export companies and 13 percent of the new-to-market companies would not have made the attempt until later.

COMPARISON OF COMMERCE'S PROGRAMS  
WITH THOSE OF MAJOR FOREIGN COUNTRIES

Recognizing that other trading nations have enhanced their position in world markets by aggressive promotional efforts, Commerce undertook a study directed toward comparing major facets of its programs with those of Canada, France, Germany, Italy, Japan, and the United Kingdom.

The study, released in July 1970, disclosed that the United States, compared with those countries, placed less emphasis on (1) stimulating domestic companies to export, (2) providing promotional activities in developing countries, and (3) working closely with companies in planning to increase their export activity. Some of the major conclusions reached in the study were:

- Competitor nations devoted a higher portion of their total export promotion efforts to the domestic stimulation of increased export activity than did the United States. This was particularly significant in view of the fact that the United States had a more serious lack of business community export awareness than did any of the other countries.
- Some other nations emphasized their images in less developed countries, apparently laying bases for commercial presences as economic development occurred in those countries.
- The United States did not plan export programs or policies in concert with American industries nor exhibit business-Government export expansion collaboration to the degree encountered in virtually all the competitor nations.
- The United States lagged far behind all other countries in its use of, and cooperation with, the private sector in export expansion activities.

Although the comparative study did not demonstrate that the United States necessarily could, or should, pattern its approach after the other major trading nations, it did point out that the above areas should be considered in



formulating a more effective solution to the problem of promoting exports.

VIEWS OF NATIONAL EXPORT EXPANSION COUNCIL

The National Export Expansion Council comprises eminent industrial leaders and serves in an advisory capacity to Commerce in matters dealing with export expansion. In March 1967 a council committee, studying the area of export promotion, stated that:

"New markets and opportunities are in prospect with population growth, the emergence of the newly developing countries, and the abundance of new technology. It behooves us, therefore, to make an unrelenting effort to improve our present performance if we are going to achieve the high volume of exports that we require."

In April 1967 another council committee, studying ways in which U.S. aid programs in less developed countries could make a greater contribution to U.S. export development objectives, stated that:

"The major special U.S. Department of Commerce trade promotion programs are largely concentrated in industrialized countries. Thus, in the past three years, only 9 out of 54 Trade Fair participations were in LDCs [less developed countries]. Only one out of six permanent Trade Centers maintained by Commerce is in an LDC (Thailand). This emphasis is quite understandable in terms of maximizing immediate sales results, but may be questionable in the sense that special government support in market development is relatively more needed in LDCs than in industrialized countries."

These statements indicated that industrial leaders comprising these committees recognized that the developing countries offered a source for future growth and development of U.S. exports.

Commerce has been informed of the need to place increased emphasis on promotional services in developing countries, but it continues to use most of its promotional funds spent overseas in trying to obtain immediate impact on export sales. This was brought out by Commerce officials in another study, issued in September 1967, which stated that:

"Since immediate results continue to be a prime objective of the National Export Expansion Program the study group concludes that developed markets must receive the great preponderance of promotional funds and efforts. \*\*\* exhibitions in less developed countries produce substantially less immediate results than those in developed countries. Yet these limited immediate results must be balanced against the longer-term potential offered by some of the developing countries, in which the establishment of a foothold today may lead to an important market in the future."

With a major portion of its money going for programs in developed countries, Commerce is unable to make more funds available for other recognized needs. In fact, Commerce continues to increase the amount of funds it spends to provide promotion services in developed countries.

CONCLUSIONS, RECOMMENDATIONS,  
AND AGENCY COMMENTS

We conclude that a redirection of a greater part of Commerce's exhibitions programs from developed countries to developing countries needs to be considered. We believe that some amount of promotion in the developed countries is desirable and should be continued to introduce new companies into exporting, facilitate entry of new products into certain market areas, assist in retaining the U.S. share of established products and market areas, and maintain a U.S. presence in certain foreign business communities.

According to companies that we interviewed, the need for promotional devices appears to be most prevalent in the developing countries of the world. We recognize that, in the context of the national balance-of-payments situation, Commerce's contribution to exports through exhibitions represents only a small fraction of total export sales. Commerce's exhibitions, however, should provide a means for introducing companies to new export markets, which could lay the basis for more far-reaching and long-range benefits. Because of the need to show an immediate payoff, Commerce exhibitions have been concentrated in developed countries at the expense of developing countries' markets.

We concluded that short-range cost-to-benefit ratios were not the best indications of the success of the trade exhibitions programs. By focusing on these cost-to-benefit ratios, Commerce directs its programs primarily to those countries and those companies least in need of the effort. In so doing, markets where American companies have few promotional facilities and relatively less export experience are largely ignored, and a large number of companies which should be the principal targets for expanding exports are not drawn into the programs. We believe that the programs should be managed in a way that considers other measures of accomplishment and suggest the following measures as being especially worthy of consideration.

- The number of new-to-export companies attracted to the programs.
- The number of new product lines exhibited.

- The extent to which promotional efforts are keyed to competitive U.S. products in countries where the U.S. share of the market for the products is relatively low.
- The extent to which promotional efforts are keyed to countries where there are few facilities for exhibiting U.S. products.

Stemming from these conclusions is the question of whether it is useful to concentrate a high percentage of the trade promotion effort on a few fixed-facility trade centers in developed countries. The fact that the centers are there and should be used tends to influence Commerce to induce companies to use the facilities without sufficient consideration of whether these companies are experienced or inexperienced in the export field. The existence of these centers reduces the flexibility of promotional activities and forces marginally economic use of staff and facilities. Although our review was not sufficient in depth for us to recommend an appropriate course of action for these trade centers, there seemed to be sufficient evidence to indicate that the usefulness of any center more than several years old needed to be reevaluated in the light of the rapid changes in patterns of trade.

Promotional programs designed to maximize exports require close coordination with companies, trade organizations, State governments, and other groups to determine what is desired, what is available, and what types of assistance are most suitable to fill the remaining gaps. Our review indicated that this type of close coordination had been lacking. American companies that we interviewed felt that developing countries of the world offered good long-range potential for increasing exports and that this was where they needed Commerce's assistance. In view of the general unavailability of promotional activities in these countries, Commerce's assistance could be offered to help American companies get in on the ground floor.

The inability to attract more than minimal participation by new-to-export companies presents a real challenge. Although we have no ready answer to remedy the situation, it seems that a more vigorous program is needed to educate

American companies as to the benefits of foreign trade and to inform them of the assistance available to introduce them to export markets.

#### RECOMMENDATIONS

We recommend that the Secretary of Commerce consider:

- Allocating a greater portion of Commerce's resources for overseas promotional activities to developing countries and limiting promotional efforts to developed countries mainly to introducing new products or to introducing new-to-export companies.
- Initiating a continuing program to contact American companies, State governments, and other internationally oriented organizations to determine what types of promotional services are needed, and to provide those services not presently offered under existing programs.
- Developing a more effective domestic program to inform American companies of the benefits of foreign trade and to stimulate these companies to use trade exhibitions to expand their export businesses.
- Evaluating the desirability of maintaining permanent, fixed-facility trade centers, in view of the need for alternative promotional devices in developing countries.
- Adopting more useful measures of the benefits of trade promotion programs, recognizing that these programs cannot always produce immediate results.

#### AGENCY COMMENTS

In response to a draft of this report, Commerce advised us that it was:

- Striving to achieve a better balance between developed and developing countries, by stabilizing promotion activities in developed areas either at or near the current level while increasing activities in

developing areas. Available facts indicate that an increase in promotion resources to less developed markets is needed, but these facts do not support a conclusion that a majority of the promotion efforts should be transferred to such markets as proposed in the draft report. Commerce is trying to develop a sound basis for making the determination as to the optimum proportion of export promotion resources to be devoted to the less developed markets. (We agree with the agency on this point and have changed our recommendation accordingly.)

- Providing individual counseling to, and two-way communication with, new-to-export and new-to-market companies before their participation in Commerce-sponsored exhibitions, increasing communication with State departments of commerce and other organizations interested in international trade, and studying additional efforts that can be initiated in the near future.
- Launching an aggressive export stimulation-domestic awareness program, including a contract with an advertising agency for the execution of an appropriate all-media program.
- Using existing trade centers as primary means for introducing new companies to exporting. Commerce was considering having fewer organized exhibitions, to provide more time and resources for individual new-to-export company endeavors. This policy adjustment would also permit a greater allocation of resources to developing countries. Through the new export awareness activities, Commerce expects to achieve higher new-to-market and new-to-export company participation in the trade centers. Commerce was also considering alternatives for setting more specific new-to-export and new-to-market company targets for these operations.
- Studying alternative means for measuring the effectiveness of the trade promotion programs.

In response to our solicitation of comments, the Department of State advised us that although the suggestions in our draft report were addressed to the Secretary of Commerce, the Department of State offered the following comments in view of its close relationship with the Department of Commerce.

"We are in agreement with the recommendations for increased promotional activities in the developing countries. However, we also feel that it is equally important to preserve the U.S. trade share in the industrialized markets. On balance, we feel that the report prepared by your office is a commendable analysis of our overseas exhibition program and provides valuable guidance for future planning."

CHAPTER 3

FEEES CHARGED TO COMPANIES

PARTICIPATING IN COMMERCE'S EXHIBITIONS

We found that Commerce had no specific criteria for establishing exhibition fees. Although participation fees are charged to all exhibitors, the fees charged are nominal, are not intended to recover the costs of staging exhibitions, and do not distinguish between multinational and small companies. Also no differentiation is made between exhibitors participating for the first time and those exhibiting repeatedly.

In general, fees are set by Commerce officials at a level that, in their opinion, will not discourage participation by small- and medium-size companies. During fiscal years 1969 and 1970, Commerce collected about \$2.6 million of the \$19.2 million expended in support of these programs. A breakdown of the costs and fees is provided in the table below.

<u>Exhibition programs</u>	<u>Total costs</u>		<u>Exhibitors' contributions</u>		<u>Percent reimbursed by exhibitors</u>	
	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>
	—————(000 omitted)—————					
Trade centers	\$3,473	\$ 5,136	\$ 439	\$ 482	12.6	9.4
Trade and industrial exhibitions	<u>5,009</u>	<u>5,566</u>	<u>766</u>	<u>916</u>	15.3	16.5
Total	<u>\$8,482</u>	<u>\$10,702</u>	<u>\$1,205</u>	<u>\$1,398</u>	14.2	13.1
Total for 1969 and 1970	<u>\$19,184</u>		<u>\$2,603</u>		13.6	

The same fee schedule is used for all companies within a trade center, but the schedule differs for each center.



A company is required to pay a flat fee of \$150 to participate in exhibitions at the Bangkok Trade Center, \$250 at the Sydney Trade Center, and \$450 at each of the remaining six centers in Western Europe and Japan. No fee is charged for the use of a trade center for between-show or window-display events. The fee charged for participation in trade and industrial exhibitions varies from \$3.50 to \$7.50 a square foot, depending on such factors as the location and type of exhibition involved.

For the participation fee, a company receives space, booth construction, market promotion, and various other support activities, such as receptionists. Commerce also pays the cost of shipping the products back to the United States if they are not sold. In addition to the fee, each company is required to bear the cost of shipping its products to the exhibition site and the cost of travel and salary for at least one sales representative to man the company's booth.

In September 1968 Commerce officials made a study to identify a systematic basis for setting participation fees. This study noted that, historically, the rationale for participation fees had been (1) the desire of the Congress that industry bear a share of program costs, (2) the belief that reasonable fees could be charged without hurting the program, and (3) the desire to ensure a serious business interest on the part of U.S. participants. The study noted also that:

"Any useful study on the subject must take into consideration the effect fee levels may have on the accomplishment of program objectives. To do otherwise is to forget that while these programs offer a service to business they also serve as export promotion tools for government. It is necessary therefore, to strike a fair balance for both partners in cost sharing. Government can offer incentives and serve as a catalyst, but it is the firms that must make the investment and do the selling that will spell out success in the effort."

The officials conducting the study recommended, in general, that participation fees be established and administered to offset a standard percentage of program operating

costs and that the percentage achieved in each exhibition program in fiscal year 1967 be accepted as the target for program planning in fiscal year 1969. In 1967 companies reimbursed Commerce for 10.4 percent of the trade center costs and 12.5 percent of the trade and industrial exhibitions costs. The officials recommended also that the opportunity and the need to alter the standard rate be reviewed annually, with special regard to (1) past and anticipated changes in operating costs, (2) observed changes in participation, (3) changes in program precepts and objectives, and (4) need to prevent the cost of participation from significantly exceeding the cost of comparable participation in domestic trade shows. These specific recommendations were never adopted, however, because agreement could not be reached on an appropriate basis for establishing fees.

We agree with this study's premise that there was a need for developing a systematic basis for setting fees and that establishment of fees should be related to the underlying objective of increasing U.S. exports. As we understand it, the intent initially was for the Government to absorb the major share of exhibitions costs to introduce companies to exporting. Later these companies were expected to pay higher fees and, eventually, to not require any assistance. Fees charged exhibitors therefore are a form of subsidy to interest companies in exporting and should be evaluated in terms of the degree of inducement required to accomplish this purpose. New-to-export companies need greater inducement, because of the uncertainty of their doing business in a foreign land, and should be charged less than companies already involved in international trade.

Most of the companies participating in Commerce's exhibitions, however, are already engaged in international trade and are charged the same fee as companies just entering exporting.

#### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

Commerce makes no distribution between exhibitors which participate for the first time in its programs and those which have participated repeatedly. Since one of the

purposes of the programs is to introduce American companies to international trade, it might be desirable to charge new exporters less than experienced exporters. A sliding scale of fees would serve two purposes:

- Encourage new exporters to exhibit their products.
- Assess experienced exporters that benefit from the programs a greater portion of the costs. Since repeat exhibitors claim significant sales as a result of the exhibitions, they presumably would be willing to pay more of the costs.

#### RECCOMENDATION

We recommend that the Secretary of Commerce consider establishing a flexible fee structure using minimal fees to attract new companies and charging higher fees to repeat exhibitors and established international trading companies.

#### AGENCY COMMENTS

Commerce concurred with the intent of the suggestion in our draft report to provide special incentives to new-to-export and new-to-market companies. It advised us that:

"Differential exhibitor contribution rates have been previously considered by the Bureau, with the conclusion that differential rates pose serious operational and administrative difficulties. We now have under consideration a number of internal proposals which, hopefully, could surmount the difficulties previously encountered. We have under consideration, for example, a proposal to increase the share of costs borne by old-to-market firms by eliminating the government return freight obligation for these firms."

## CHAPTER 4

### SCOPE OF REVIEW

We reviewed Presidential directives, records of congressional hearings, and related documents that pertained to Commerce's exhibition programs. We examined pertinent records and documents at the Department of Commerce headquarters in Washington, D.C., and held discussions with Commerce officials responsible for administration of the programs.

We visited the sites of trade and industrial exhibitions in Paris, France; Copenhagen, Denmark; Milan, Italy; Mexico City, Mexico; and San Salvador, El Salvador. We also toured the Paris Trade Center and attended an exhibition held at the Milan Trade Center. We held discussions with officials from both the Department of State and the Department of Commerce involved in staging the exhibitions and with officials responsible for operation of the trade centers. We also interviewed representatives of American companies that were participating in the exhibitions.

More in-depth interviews were held with officials responsible for the international activities of 34 American companies located in the vicinities of New York, N.Y.; Washington, D.C.; Detroit, Michigan; Chicago, Illinois; Minneapolis, Minnesota; Los Angeles and San Francisco, California; Seattle, Washington; and Portland, Oregon. All of these companies had participated in Commerce's exhibitions.

**APPENDIXES**

U.S. BALANCE OF PAYMENT AND BALANCE OF TRADE  
STATISTICS FOR THE PERIOD 1960 THROUGH 1970

Calendar year	<u>Balance-of-trade</u>			<u>Balance-of-payments</u>	
	<u>Exports</u>	<u>Imports</u>	<u>Trade surplus</u>	<u>Liquidity balance (note 1)</u>	<u>Official settlement balance (note 2)</u>
(billions)					
1960	\$19.6	\$15.0	\$4.6	-\$3.9	\$-3.4
1961	20.2	14.8	5.4	-2.4	-1.3
1962	21.0	16.4	4.6	-2.2	-2.7
1963	22.4	17.2	5.2	-2.7	-2.0
1964	25.6	18.6	7.0	-2.8	-1.6
1965	26.5	21.3	5.2	-1.3	-1.3
1966	29.4	25.6	3.8	-1.4	.3
1967	31.0	26.9	4.1	-3.5	-3.4
1968	34.1	33.1	1.0	.2	1.6
1969	37.3	36.0	1.3	-7.0	2.7
1970	42.7	39.9	2.8	-4.7	-10.7

<sup>1</sup>The liquidity balance is intended to be a broad indicator of potential pressures on the dollar resulting from changes in our liquidity position, and is measured by changes in United States official reserve assets and in liquid liabilities to all foreigners.

<sup>2</sup>The official settlement balance is intended to be an indicator of immediate exchange market pressures on the dollar during the reporting period. It is measured by changes in United States official reserve assets and changes in both liquid and certain nonliquid liabilities, but only those to foreign official agencies.

# APPENDIX II

## SCHEDULE OF COMMERCE-SPONSORED EXHIBITIONS HELD DURING FISCAL YEARS 1969 AND 1970

<u>Year and date</u>	<u>Location</u>	<u>Product theme</u>
<b>DEVELOPED COUNTRIES--FISCAL YEAR 1970</b>		
1. June 17-24, 1970	Frankfurt, Germany	Instrumentation for Chemical Industry
2. June 8-12, 1970	do.	Marine and Shipbuilding Equipment
3. May 20-22, 1970	do.	Servo Systems and Components
4. April 24-May 3, 1970	Hannover, Germany	Aircraft Components and Ground Support Equipment
5. April 14-19, 1970	Frankfurt, Germany	Hi-Fi and Stereo Equipment
6. March 16-20, 1970	do.	Materials for Electronics Industry
7. February 16-20, 1970	do.	Nuclear Instrumentation and Equipment
8. December 1-5, 1969	do.	Geophysical Equipment
9. November 10-14, 1969	do.	Equipment for Plastics Industry
10. October 20-24, 1969	do.	Electrical Connectors and Electromechanical Components
11. October 13-25, 1969	Cologne, Germany	Industrial Process Control Equipment
12. September 22-26, 1969	Frankfurt, Germany	Computer Communication & Display Equipment
13. September 20-28, 1969	Essen, Germany	Welding Equipment
14. June 22-26, 1970	London, England	Packaging Equipment
15. June 8-12, 1970	do.	Vacuum and Cryogenics Equipment
16. May 11-15, 1970	do.	Electro-Optical Equipment
17. May 11-16, 1970	do.	Instruments, Electronics, and Automation Equipment
18. April 6-10, 1970	do.	Pulp and Paper Products Instrumentation and Controls
19. February 16-20, 1970	do.	Biochemical Test and Control Equipment
20. January 19-23, 1970	do.	Data Transmission
21. December 8-12, 1969	do.	Metallurgy
22. November 10-14, 1969	do.	Dynamics Testing Equipment
23. September 22-26, 1969	do.	Thermal Instruments
24. June 16-20, 1970	Milan, Italy	Transducers
25. May 19-23, 1970	do.	Chromatography and Spectroscopy Equipment
26. April 14-25, 1970	do.	Machinery & Equipment/Meat, Fish & Poultry Processing
27. March 1-8, 1970	do.	Industrial Air Quality Treatment Equipment
28. February 10-14, 1970	do.	Photography in Science and Industry
29. November 18-22, 1969	do.	Advanced Components and Microcircuits Equipment
30. October 21-25, 1969	do.	Advanced Training Aids
31. September 7-11, 1969	do.	Hi-Fi and Stereo Equipment
32. May 27-June 4, 1970	Paris, France	Measuring and Testing Equipment
33. May 11-15, 1970	do.	Advanced Medical Equipment
34. March 17-21, 1970	do.	Printing and Bookbinding Equipment
35. January 26-30, 1970	do.	Production Equipment for Electronics Industry
36. November 17-21, 1969	do.	Laser Equipment
37. March 2-7, 1970	Madrid, Spain	Refrigeration, Air Conditioning, Food Processing & Packaging Equipment
38. November 11-15, 1969	Amsterdam, Netherlands	Shipbuilding and Marine Equipment
39. October 6-11, 1969	Basel, Switzerland	Nuclear Instrumentation
40. June 10-16, 1970	Stockholm, Sweden	Advanced Reprographic Equipment
41. May 20-26, 1970	do.	Outdoor Life, U.S.A.
42. April 13-18, 1970	do.	Materials Handling Equipment
43. March 11-17, 1970	do.	Electronics Production and Test Equipment
44. February 18-24, 1970	do.	Scan-Build
45. November 26-December 2, 1969	do.	Advanced Medical Equipment
46. October 10-15, 1969	do.	Environmental Pollution Control
47. September 17-23, 1969	do.	Parts for Machinery and Vehicles
48. June 29-July 3, 1970	Sydney, Australia	Computer Graphic Equipment
49. June 29-July 4, 1970	Tokyo, Japan	Materials Testing Equipment
50. May 18-23, 1970	do.	Metal Surface Treatment Equipment
51. April 10-20, 1970	do.	Electronic Fair
52. February 23-28, 1970	do.	Industrial Assembly Systems and Equipment
53. January 26-31, 1970	do.	Vacuum and Cryogenics Equipment
54. November 17-22, 1969	do.	Advanced Aerospace Equipment
55. October 1-7, 1969	Osaka, Japan	Electronics Production Equipment
56. September 29-October 4, 1969	Tokyo, Japan	Automotive Diagnostic and Service Equipment
57. July 21-26, 1969	do.	Specialized Graphic Art Equipment
58. July 21-25, 1969	Osaka, Japan	Catering and Food Processing Equipment
<b>DEVELOPING COUNTRIES--FISCAL YEAR 1970</b>		
1. June 22-26, 1970	Bangkok, Thailand	Office Equipment
2. April 29-May 9, 1970	do.	Data Processing
3. January 19-24, 1970	do.	Water Supply and Sanitation
4. October 29-November 11, 1969	do.	5th Touring Exhibition
5. September 19-29, 1969	do.	Furniture Packaging Plant and Woodworking
6. May 25-June 9, 1970	Tel Aviv, Israel	Industrial and Commercial Equipment
7. October 5-10, 1969	do.	Medical and Hotel Equipment
8. May 16-21, 1970	Tehran, Iran	Industrial Machinery and Equipment
9. October 5-24, 1969	do.	Construction, Agriculture, and Material Handling Equipment
10. November 11-15, 1969	Ankara, Turkey	General Industrial Equipment
11. August 20-September 20, 1969	Izmir, Turkey	General Industrial Equipment

## APPENDIX II

<u>Year and date</u>	<u>Location</u>	<u>Product theme</u>
12. May 11-15, 1970	Mexico City, Mexico	Printing and Graphic Arts Equipment
13. September 18-26, 1969	do.	Advanced Machinery Tools
<u>DEVELOPED COUNTRIES--FISCAL YEAR 1969</u>		
1. June 6-10, 1969	Frankfurt, Germany	Advanced Medical Equipment
2. May 19-23, 1969	do.	Electronic Measuring Equipment
3. May 10-16, 1969	Dusseldorf, Germany	Packaging Machinery and Equipment
4. April 26-May 4, 1969	Hannover, Germany	Fluid Power and Transfer Equipment
5. March 17-21, 1969	Frankfurt, Germany	Metal Surface Treatment Equipment
6. February 13-27, 1969	do.	Graphic Arts
7. January 20-24, 1969	do.	Chromatography and Spectroscopy
8. December 2-6, 1968	do.	Laser Equipment
9. November 7-13, 1968	do.	Production Equipment for Electronics Industry
10. November 4-8, 1968	do.	Climate Control Equipment
11. October 14-19, 1968	do.	Metalworking Equipment
12. September 16-20, 1968	do.	Fluid Power Equipment
13. June 11-18, 1969	London, England	Marine Equipment
14. May 14-21, 1969	do.	Industrial Fasteners
15. April 14-18, 1969	do.	Fluidics and Switching Devices
16. February 17-21, 1969	Brighton, England	Oceanographic Equipment and Instruments
17. February 10-14, 1969	London, England	Transducers
18. January 13-17, 1969	do.	Computer Graphics
19. December 4-12, 1968	do.	Avionics Equipment
20. October 16-24, 1968	do.	Automotive Service Equipment
21. September 18-26, 1968	do.	Nuclear Instruments and Components
22. June 12-16, 1969	Milan, Italy	Security and Protection Equipment
23. May 22-26, 1969	do.	Vacuum and Cryogenics Equipment
24. April 14-25, 1969	do.	Material Handling Equipment
25. March 1-7, 1969	do.	Material Testing and Control Equipment
26. February 17-22, 1969	Rome, Italy	Desalination and Water Purification Equipment
27. February 5-11, 1969	Milan, Italy	Reprographic Equipment
28. November 20-26, 1968	do.	Industrial Process Control and Computers
29. October 5-13, 1968	do.	Plastics Production and Control Equipment
30. September 1-8, 1968	do.	Electronic Measurement Equipment
31. May 29-June 8, 1969	Paris, France	Avionics-Thematic and Instrumental
32. May 29-June 8, 1969	do.	Avionics-Components
33. March 22-30, 1969	Brussels, Belgium	Plastics Equipment
34. October 16-23, 1968	Amsterdam, Netherlands	Chemical and Petrochemical Equipment
35. September 19-28, 1968	Heisinki, Finland	International Trade Fair
36. June 11-17, 1969	Stockholm, Sweden	Data Processing Equipment
37. May 19-24, 1969	do.	Electro-Optical Photographic Equipment
38. April 16-22, 1969	do.	Electronics Components
39. March 20-26, 1969	do.	Pulp, Paper, and Converting Equipment
40. January 15-21, 1969	do.	Shipbuilding and Marine Equipment
41. December 4-10, 1968	do.	Metallurgy Engineering Equipment
42. November 6-12, 1968	do.	Industrial Fasteners
43. September 18-24, 1968	do.	Printing and Bookbinding Equipment
44. June 10-14, 1969	Tokyo, Japan	Auto Parts Equipment
45. May 12-17, 1969	do.	Analytical Laboratory Equipment
46. February 24-March 1, 1969	do.	Photographic Equipment
47. January 27-February 1, 1969	do.	Packaging Machinery and Equipment
48. December 9-14, 1968	do.	Advanced Medical Equipment
49. November 11-16, 1968	do.	Environmental Testing Equipment
50. October 7-12, 1968	do.	Plant Maintenance Equipment
51. September 17-23, 1968	do.	Electronics Show
52. July 22-27, 1968	do.	Document Processing and Reproduction Equipment
<u>DEVELOPING COUNTRIES--FISCAL YEAR 1969</u>		
1. June 23-27, 1969	Bangkok, Thailand	Data Processing
2. June 2-6, 1969	do.	Aluminum Technology and Production
3. May 1969	do.	Touring Exhibition
4. April 28-May 2, 1969	do.	Electrical Equipment
5. January 26-February 5, 1969	do.	Touring Exhibition
6. December 12-29, 1968	do.	Industrial and Agricultural Equipment
7. October 1-8, 1968	do.	Cargo and Material Handling Equipment
8. August 19-31, 1968	do.	Touring Exhibition
9. May 9-19, 1969	Yugoslavia	Farm and Food Processing Equipment
10. May 8-17, 1969	Seoul, South Korea	Miscellaneous Processing and Packaging Equipment
11. October 15-25, 1968	Sao Paulo, Brazil	Miscellaneous Processing and Packaging Equipment
12. August 20-September 20, 1968	Izmir, Turkey	Industrial Equipment
13. November 4-8, 1968	do.	Business Office Machines
14. November 9-30, 1968	San Salvador, El Salvador	Miscellaneous Processing and Packaging Equipment



## APPENDIX III

### COMMENTS MADE BY EXPORTERS CONTACTED BY GAO

Our company goes into international and local country fairs at costs far in excess of Commerce's charges. We go into these exhibitions whether they are sponsored by Commerce or not. If Commerce no longer sponsored any exhibitions it would not greatly hurt our company's overseas activities. In fact, our company actively solicits the international sales of other companies' complementary products. We provide all the services required to sell these products in foreign markets. In a broad sense we offer many of the same services as Commerce plus, we can offer instant success. Our company, however, will continue to be interested in participating in South American, African, and Southeast Asian fairs sponsored by Commerce because we lack knowledge of these market areas for some new products. Commerce offers an economical means of getting into these markets. Even here, however, we will move into these new markets without Commerce as long as we have the needed information and experience to facilitate entry.

Where our company does not have any subsidiaries and only distributors, such as in developing countries, we will sometimes use Commerce's exhibitions. Normally, we prefer to use local country shows when they are available. Elimination of Commerce's fairs and other exhibitions would not hurt our company even in developing countries. If Commerce's exhibitions were discontinued we would continue to use alternatives such as local and international exhibitions and would put on our own exhibitions. In the absence of Commerce's exhibitions, our growth would continue at the same rate. The major role that Commerce plays in assisting our company is in its ability to deal with local Governments on such things as trade restrictions. Commerce has general knowledge about doing business in a foreign country which is helpful. We prefer to do our own market analysis and do not use Commerce's analyses. When moving into a new country we use our own staff from neighboring countries. We do use information from the embassies in the country, American as well as others.

Our company has participated in several of Commerce's exhibitions. We do not find much value in these exhibitions, but we participate to keep our name in the marketplace. The

big value our company sees in the exhibitions is the nominal cost. Participation in the exhibitions cannot hurt us, it might not help--but it cannot hurt. If prices were raised, say doubled, it is questionable whether we would continue to participate.

If Commerce was to discontinue its fairs our company would be hurt a little but not significantly. The fairs biggest benefit to our company is their cost. They are so relatively inexpensive that they are not even an economic consideration to our company. If they were discontinued we would rely more on local and international fairs. Government action, however, is certainly necessary as a prelude to East-West trade laying the groundwork for normal commercial transactions. Without official Government sponsorship an American exporter is hard pressed to consummate business in most of the Eastern European countries.

The benefits derived by our company from participating in Commerce's fairs and trade center shows vary between divisions. In general, if Commerce was to stop sponsoring trade centers and fairs we would not suffer greatly. It would cost us more to promote our goods but not to the extent that it would put us in a bind. We feel that Commerce's real benefit to exporters is its knowledge of the various countries. With this knowledge it can set-up contacts with potential customers and inform U.S. companies about local business conditions and rules. Commerce also offers our company one more means to introduce products in new markets. But we only use Commerce's programs for product introduction when these programs are available at the right time and place. We feel that timeliness is a very important factor in product introduction and, therefore, we do not plan our entry of a market around Commerce's exhibitions schedule.

If Commerce stopped sponsoring trade fairs and trade centers our company would not be affected. We participate in several international trade fairs and local exhibitions sponsored by trade associations catering specifically to our industry. It is felt, however, that if Commerce sponsored trade exhibitions in some of the developing and lesser developed countries we would be interested in participating. Generally, our ability to cover these quasi remote areas is

### APPENDIX III

not as strong as the developed sector's. For this reason, an assist from Commerce would be looked upon favorably.

If Commerce were to no longer sponsor fairs it would affect our company in terms of introducing new products and entering new markets. We feel the fairs are a good initial contact method. Without the fairs we would have to spend more to introduce new products. After establishing ourselves in a market, we are much more selective in our use of Commerce's exhibitions. We are very willing to enter developing markets even if immediate returns are not foreseen. We have done this in most countries in Africa, South America, and Southeast Asia already. We have a system whereby we establish subsidiaries in developed countries and work through distributors in developing countries. We would not want to see Commerce stop putting on trade fairs.

Our company took part in Commerce-sponsored exhibitions at Trade Centers in London and Paris during 1966 and 1967. Both exhibitions were considered failures by the company. This was due in part to what the company considered too much "flag waving." The exhibitions seemed to be more oriented toward selling the United States than products. Also, the exhibitions were not oriented to the needs of a company like ours. They were oriented toward the sales of the original equipment manufacturer's products, not to those companies who supply parts to those types of manufacturers. Due to this orientation, our company feels Commerce's exhibitions are of no use to us. Our sales representatives have taken part in fairs sponsored by organizations in foreign countries and international fairs but have avoided Commerce's exhibitions.

Our company feels that Commerce has been a big help in gaining exposure for our products, opening markets, and generally getting into foreign trade. We think the exhibitions and market research sponsored by Commerce has been very good. The exhibitions are economical, well planned, and offer good research information. We participate in nearly all Commerce exhibitions which are even remotely related to our product line. We feel that Commerce's exhibitions are beneficial in all types of markets. We have, however, reached a point in some markets where we are going into international fairs without using Commerce's assistance.

We feel that if Commerce provided an up-to-date list of all computer owners in each country, exhibitions in Europe and Japan could be eliminated without much effect on us. If this were combined with assistance in getting into local and international fairs we would not miss Commerce's exhibitions. Alternatives to Commerce's exhibitions, while existing in the developed countries of Europe and Japan, do not exist in the lesser developed countries. This is due to a lack of organizations that can sponsor fairs and less sophisticated media. We feel, therefore, that in some of the developing markets Commerce should remain active.

Our company does not currently use Commerce's trade centers or fairs in either Europe or Japan. Instead we use locally sponsored fairs and international trade fairs which are available in abundance. In fact, to have a permanent facility such as a trade center in a highly developed city like Tokyo seems a waste of money. There are always some type of trade fairs or shows going on in these cities and a trade center is not needed. However, our feeling about exhibitions in Latin America, Africa, Southeast Asia, and the Middle East is different. We have found that few exhibitions, directed toward our products, exist in these areas. As a result, we will go into any kind of fair that is even remotely related to our products. We feel that it is in areas like these that Commerce could help us by sponsoring fairs, especially fairs with relatively specific product themes.

The Department of Commerce's Commercial Exhibition Program plays a very minor role in our company's foreign promotion efforts. Divisions of our company do use Commerce's exhibitions but they are not a big item in their foreign operations. In our opinion, being in a fair as a U.S. company actually does more harm than good. We want to create an image of being a local company, not a U.S. company. In summary, Commerce's trade exhibitions do not increase our exports. Elimination of these exhibitions would have no effect on our company.

Commerce's exhibitions did help us when we were first entering international trade. Currently, however, these exhibitions play a small role in our overall promotion activities and, therefore, elimination of them would have

### APPENDIX III

little or no effect on our company. This is mainly because the potential customers for our products are not the ones attending Commerce's exhibitions. The most beneficial part of the promotion activities sponsored by Commerce is the market research done before the show, the results of which are provided to participants. We participate in many local and international technical fairs which cost much more than Commerce's fairs. These are very helpful to our company because they are organized and sponsored by people who use our products. We would like to use Commerce's exhibition programs to introduce new products or to get into new markets because of their inexpensiveness. But, seldom is there the right kind of Commerce fair available at the right time. We feel that if Commerce was to offer a fair, or other type of promotion, at the right time, right place, and aimed at the right market we would be willing to pay as much as we are now paying for the technical non-Commerce fairs. Our company goes into developing countries for long-range sales. Immediate returns are sought but long-range potential in these countries is the most important consideration.

Our company has found the use of Commerce's trade centers of little benefit and has not made it a practice to take part in the centers' exhibitions. Commerce's trade fairs, on the other hand, have assisted our company in opening new markets and introducing new products. We are embarking on a new, in country, manufacturing program in some of the developing countries of South America, Africa, Southeast Asia, and in India. Under this program about 40 percent of our products will be built in the country and the remainder will be exported from the U.S. in the form of parts. Commerce could help us introduce this plan if fairs were available in these countries. In general, our company feels a good commercial officer at an American Embassy can do more good for us than many of the fairs. He can make the difference of whether or not our company enters a market.

Our company is essentially an export merchant in that we buy goods from U.S. manufacturers and sell them to foreign customers. If Commerce's exhibitions were eliminated, we would not be losing anything because we do not feel they are productive for us. Shows put on by private interest groups such as an organization of purchasers of aviation

material are very productive. In the future, these shows and our own activities are the promotion vehicles we plan to use.

Commerce's exhibitions were helpful in introducing our company to international trade. Currently, however, if Commerce's fairs, trade centers, and other direct promotion activities were discontinued our company would not be hurt. We have many local country and international fairs available to us. We did participate in a fair in Turkey not too long ago because it enabled us to import goods into the country, for the Commerce show, that we were not otherwise able to get in due to local restrictions.

The only type of exhibitions of interest to our company are those with specific themes dealing with optics and optical-type equipment. In general, however, because of our company's fairly sophisticated marketing system, we do not consider fairs a major item in our market strategy. These include Commerce's fairs as well as those sponsored by other groups. There are so many fairs available in Europe our representatives can be very selective in their choice of which ones to use.

Our company participates in about five fairs each year outside the United States. We see all fairs, Commerce's and others, as a defense mechanism. We show in them only because our competition does, not because they generate sales. If Commerce stopped sponsoring fairs we would have plenty of others to get into if we wanted. A fair in Eastern Europe, however, would be a different story.

When our company was smaller and first getting into foreign markets Commerce's promotional activities were of greater relative importance in our company's international marketing efforts. Today, in areas where we have wholly-owned or controlled sales subsidiaries operating as local companies, such as in the major countries of Western Europe and in Canada, Japan and Australia, Commerce's exhibitions are usually not used. Locally sponsored, vertical fairs and expositions are preferred in such places on the basis that foreign purchasers are more apt to visit locally sponsored shows and that participation in these shows tend to provide us with more of a local than a U.S. image. Trade

### APPENDIX III

centers are only occasionally used, sometimes on a solo basis between regular trade center shows. In areas where we do not have sales subsidiaries we tend to use Commerce's exhibitions more frequently. This is especially true in areas where the company's sales organization is weakest, usually the lesser developed countries. Overall then, if trade fairs and trade centers were eliminated, we do not believe our company would be too adversely affected. We can afford to use the many alternatives available. These alternatives include dozens of other fairs, mostly in Japan and Europe, such as those at Hanover, Munich, London, etc. In the lesser developed countries where fewer specialized fairs are available, the company would rely more heavily on the use of personal contact and local media. Our company feels it is imperative to get into the developing and lesser developed countries now in order to get American goods known and used to whatever extent possible so that in the future these goods will become an integral part in developing industries. We are presently attempting to set-up some touring exhibitions in Latin America. These exhibitions will include programs to educate people in the use of our products. We are, however, running into problems with customs, locating the people who would be best to have attend training classes, and finding places to hold exhibitions and classes. We feel that Commerce could be of real assistance in solving some of these problems. In summary, we feel the Government should work with the smaller firms. In working with the larger firms, however, we feel the Government should largely take on the task of assisting these companies do what they want to do in promoting their products overseas and not, as is the case with the smaller firms, tell them what to do.

Our company is a technically-oriented international sales organization representing about 40 U.S. manufacturers. We provide marketing know-how in 110 countries. Besides direct sales and marketing efforts, we promote products by using direct mail, advertising, and trade shows. Our trade show participation includes well-known technical and industrial shows abroad as well as shows at U.S. Trade Centers. We use Commerce's exhibitions only when they fit into our overall promotion plan for a country. If Commerce stopped sponsoring its shows and fairs we would use some of the many alternatives available to us, especially in Europe and

Japan. Europe has always been more fair oriented than any other part of the world. If Commerce stopped sponsoring its exhibitions in developed countries we would miss them mainly because of their low cost. In developing countries, where few specific fairs exist, Commerce can be of greater assistance with its exhibitions. General type fairs which exist in these countries are of little value in promoting goods. A company like ours must be a pioneer and move into new markets such as those in the developing countries. It is relatively easy to sell in a country like Germany, but it takes much more work to sell in the developing countries.

Our company made its initial entry into foreign markets through a Commerce trade center show in London last year. We are pleased with Commerce's efforts to get our company into foreign markets. As a result of the show our company was exposed to many technical people in the optical field and signed agreements with representatives in Germany, Belgium, and Italy. Without Commerce's prompting we probably would not have made this initial try at foreign markets because we felt we had all the business we could handle just in the U.S. From the standpoint of cost, the fee paid to Commerce was not the significant cost of participating in the trade center show. It cost us about \$6000, in total, to participate; of which transportation, freight, and per diem were the most significant costs.

We use all exhibitions, Commerce's as well as others, to locate new representatives and to bring existing representatives together to keep them advised of changes in products and promotion activities. The exhibitions also provide an opportunity to look at the market and become acquainted with old and new customers. We do not look upon exhibitions as a chance to make immediate sales, but rather as a chance for exposure. About one-half of all exhibitions we participate in are sponsored by Commerce. Our company also goes into several fairs which are sponsored by international trade organizations. We also use advertising and direct selling techniques to promote our products. If Commerce were to stop sponsoring trade center shows and fairs our sales would not be hurt. Commerce's exhibitions are helpful because of their low cost but there are many alternatives available to promote our products. In fact, Europe and Japan are overloaded with trade fairs now. Commerce's



## APPENDIX III

exhibitions can be helpful, however, in the developing countries where there are fewer promotion means available. In addition, these exhibitions can help in these countries by assisting in getting through customs and language barriers.

Our company uses Commerce's exhibitions to promote our electronic product lines. We also go into non-Commerce sponsored shows such as those in Hanover, Germany and England. Commerce's shows are an inexpensive, easy way to expose our company's products. It is hard not to participate in these shows because of their low price and the services Commerce offers with them such as building a booth and sending out invitations to potentially interested customers. We would prefer, however, to see Commerce put on more shows in the less developed countries because in countries like Germany, Japan, and the United Kingdom there are many alternatives available to promote products. We would welcome Commerce's exhibitions in such developing countries as Taiwan, Hong Kong, Korea, and those of Latin America.

Our company has been in business nearly two years and has taken part in two Commerce-sponsored exhibitions. We are mainly concerned with underdeveloped countries and we are presently active in Asia and the Arab World including Pakistan and North Africa. We plan to start promoting our goods in Latin America in June 1971. Commerce has been very helpful in entering foreign markets. The most important help has come from the attaches at U.S. Embassies. We would like to use trade missions to enter the Latin American area if they are available. We would also use trade shows in this area if they are specific in theme. We would, however, continue our operation in world markets without Commerce's exhibitions, but it would probably cost more.

The propulsion division of our company recently participated in an exhibition at the London Trade Center. We went into the show not to make sales but to find a licensee to manufacture our product in the United Kingdom. We would have entered the market without Commerce's assistance but not at that time. Commerce made entry of the market much easier and aided in the location of a licensee. We would like to see Commerce put on some exhibitions in Israel and

South America because we are interest in setting-up representatives for our mixers in these areas.

Our company has been in shows at all of Commerce's trade centers except Bangkok. We feel they are the best dollar value available to the exporter for promoting his goods in foreign markets. Commerce sets up the basics for showing a company's goods such as the booth and inviting interested potential customers. They also help get products through customs. Without the centers, exposure of our products between the big international fairs would be limited. By participating in trade center shows we keep our company's name in front of the public. We also use the shows to bring our dealers together and train them in the use of new products.

Our company has been in only two exhibitions sponsored by Commerce, one in Tokyo and one in Australia. It is hard to assess the value we received from being in these shows. Our company has on-going sales activities in these countries and to attribute sales to being in Commerce's exhibitions would be very difficult. We would continue our overseas activities without Commerce's exhibitions. There is a market for our products in the developing countries of the world but because of their protectionist policies doing business with them is very difficult. As a result, we would like to see Commerce's assistance in breaking down some of these import controls.

Our company, a manufacturer of repair equipment for the electronics industry, has been in three Commerce-sponsored shows. In January 1970 Commerce talked us into entering the Paris Electronic Production Equipment show. Since then we have been in shows in Toronto and Munich. If it had not been for Commerce, we probably would not have entered foreign markets on a personal basis. The participation fee Commerce charges for its exhibitions is very expensive. The big costs are transportation, per diem, and freight. At this time we see Commerce's exhibitions as a crutch. We would go into foreign markets without them but it would be much more difficult. In the future, we plan to use non-Commerce fairs. Our company is also interested in developing countries such as Taiwan, Korea, and Mexico. We would like to see some market research on these countries

and if it looked good have Commerce put on exhibitions in our company's product area.

Our company is an international sales and distribution organization which represents about 30 U.S. manufacturers. In the past two years Commerce's exhibitions have made up about one-half of all exhibitions we have participated in. We also use our own sales force, advertising in export publications and local media, and direct mailings to promote more sales for us than non-Commerce sponsored exhibitions. Commerce's participation fees are also about 40 percent less than those for other exhibitions. We would hate to see Commerce stop sponsoring its trade centers and fairs but if it did there are plenty of other exhibitions to go into. In fact, there are far too many shows going on in Europe now.

Our company has only participated in two Commerce-sponsored exhibitions, one in Paris and the other in Israel. We have, however, taken part in many non-Commerce shows. We do not particularly care for Commerce's fairs because they are too nationally oriented. We feel that U.S. companies should blend more into the local atmosphere rather than promoting their U.S. identity as Commerce's exhibitions do. Our company is intent on setting up a world image and therefore has not used Commerce's shows to any great extent. We went into the show at the Paris Trade Center to see if Commerce's shows would be of any benefit to us. In the process of signing up we found out that Commerce was having difficulty getting enough exhibitors into the show. To help Commerce out of this jam we sent letters to our own contacts and, as a result, were responsible for getting about 50 percent of the exhibitors to participate. Commerce has built a bad reputation for its exhibitions by promising companies big sales which were never realized. Commerce would have better luck if they sought the help of trade and manufacturing associations and industry publications in deciding where, when, and what type of exhibition to have. By doing this Commerce would have a better idea of what companies need in the way of promotion assistance.

Our company took part in about 50 exhibitions in 1970, 14 of which were sponsored by Commerce. Commerce's trade exhibition programs were initially not meant for experienced

exporters such as us. But, Commerce was having trouble getting the programs started and asked us to help out by participating in their exhibitions. Our company, in essence, backs into Commerce's exhibitions. We analyze a market and determine what we hope to accomplish there. We then develop a market approach to meet our goals, an approach which seldom includes Commerce's exhibitions. After this market approach is decided upon we might be approached by Commerce to go into an exhibition. Even though this exhibition is not part of our plan for that market we may agree to participate because Commerce has asked for our support and the participation fee is so low it is easy to rationalize taking part. Elimination of Commerce's exhibitions in developed countries would have a very small effect on our company. In developing countries, on the other hand, there exist few organizations capable of putting on trade exhibitions. In 1970 we had planned to enter 3 or 4 fairs which were never put on. There are fewer ways to reach industrial customers in the developing countries. It depends on the country, but we would definitely be interested in exhibitions in the Middle East and Southeast Asia, if they were specific rather than general in nature.

APPENDIX IV

SCHEDULE OF DEVELOPING COUNTRIES' IMPORTS OF MANUFACTURES,  
 SHOWING SHARE OF MARKET BY THE UNITED STATES AND  
 OTHER COUNTRIES FOR THE PERIOD 1964 THROUGH 1969

Year	Total imports of manufactures (note a)		United States share		Percent of other countries share		
	Value (millions)	Percent	Value (millions)	Percent	Developed	Developing	Communist
1964	\$22,820	64.6	\$5,650	24.8	59.7	7.6	7.9
1965	24,810	65.9	5,657	22.8	61.3	7.7	8.1
1966	26,893	65.8	6,223	23.1	61.2	7.8	7.9
1967	27,772	66.4	6,402	23.1	61.5	7.9	7.6
1968	31,563	68.1	7,253	23.0	61.9	7.8	7.2
1969	35,770	69.0	7,639	21.4	63.1	8.3	7.3

<sup>a</sup>Imports are as reported by exporting countries and are valued f.o.b. The term "manufactures" refers to chemicals, machinery, transport equipment, and other industrial goods except mineral fuel products, processed food, fats, oils, firearms of war, and ammunition.

Prepared by:  
 International Trade Analysis Division  
 Bureau of International Commerce  
 United States Department of Commerce  
 May 19, 1971

Source: U.N. Monthly Bulletin of Statistics,  
 March 1971 and 1970  
 Basic data of the Bureau of the Census



**THE ASSISTANT SECRETARY OF COMMERCE**  
Washington, D.C. 20230

JUL 27 1971

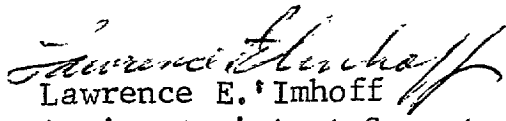
Mr. Oye V. Stovall  
Director  
International Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Stovall:

This is in reply to your letter of May 28, 1971, requesting comments on a draft report entitled "Opportunities For Increasing Effectiveness Of Overseas Trade Exhibitions."

We have reviewed the comments of the Bureau of International Commerce and believe that they are appropriately responsive to the matter discussed in the report.

Sincerely yours,

  
Lawrence E. Imhoff  
Acting Assistant Secretary  
for Administration

Attachment

APPENDIX V



**U.S. DEPARTMENT OF COMMERCE**  
**Bureau of International Commerce**  
Washington, D.C. 20230

JUL 6 1971

Mr. Oye V. Stovall  
Director  
International Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Stovall:

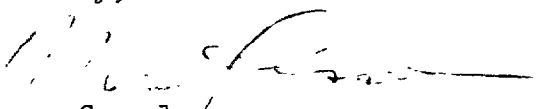
The Secretary has asked me to reply to your letter of May 28, 1971 enclosing three copies of a proposed GAO Report to the Congress reviewing overseas Trade Center shows and trade and industrial exhibitions administered by the Department of Commerce. You requested our comments.

The draft report has received our careful consideration. Our reaction generally is that the GAO review is a most penetrating and thoughtful analysis of our overseas exhibitions program. It examines a number of points which fully merit careful study by the Department with a view towards better meeting our national export expansion objectives. The thoroughness of the report will certainly result in improvement of the Department's administration of this effective program.

Our more specific comments are presented in attachments to this letter. We have organized them by using as headings the six recommendations presented in your report, beginning on page 7 thereof.

Members of the Bureau staff reported that it was a pleasure to work with the knowledgeable GAO staff members assigned to the project. We hope that their work, our comments, and the consideration which will surely be accorded to your report by this Department and the Congress will lead to an increasingly effective international trade promotion program.

Sincerely,

  
M. van Gessel  
Acting Director

Attachments

## REPORT RECOMMENDATION THAT THE SECRETARY CONSIDER:

- (1) "Shifting the majority of promotional activities from developed to developing countries, except to the extent that promotional efforts are needed to introduce new products or to serve the needs of new-to-export firms in developed countries."

The data and company opinions contained in the subject study tend to indicate that a business demand exists for greater export promotion effort in the LDC markets. The study's findings tend to support the Bureau's opinions in this regard and lend additional evidence to back the Bureau's expanded LDC promotion efforts. The findings do not, however, support a conclusion that a majority of the promotion effort should be transferred to the LDC's. The company opinions expressed, while valuable, say nothing about near and medium-term export increases vs. long-term export growth. It is entirely possible, if not probable, that most of the companies interviewed had longer-range objectives in mind.

The companies interviewed, moreover, do not constitute a valid statistical sample. While their statements are interesting and would support the formulation of a hypothesis to be tested, they do not in any sense constitute a valid enough base on which to make a firm conclusion. A final problem in this regard is in opinion intensity. Opinions may frequently be expressed without a firm intention of action. This is why the field of depth research or "motivation research" had to be developed in corporate and consumer marketing.

The Bureau's own study of competitor nation export promotion states the hypothesis that U.S. promotion efforts in the LDC's could be validly expanded. It also enables the postulation of an increase from 20% of total promotion effort (the present level) to one of possibly 30-33%. The Bureau's study does not, however, support any conclusion that as much as or more than 50% of the effort should be devoted to LDC markets. The Bureau's study, incidentally, found that our competitors all regard LDC markets as having a limited short term potential, but a large long-term potential. Accordingly, much of their promotion effort in these markets is designed at promoting a long-term "national image" expected to have a payoff in the future. The United Kingdom, which is most concerned about near-term results, has cut back its LDC efforts, and has transferred more of its promotion effort to the developed nations.

The Bureau's Exhibitions Program, as originally conceived, was to be essentially a service to the business community; particularly to firms not in exporting or not in certain markets. Over the span of time, our continuing balance of payments problems resulted in pressures from various Administrations and the Congress to achieve the highest possible near-term results measured in dollar sales and most favorable cost/benefit ratios. This situation led to the establishment of priorities for the Program with emphasis on short-term sales results rather than the number of new-to-market/new-to-export companies with a consequent concentration of our promotional activities in developed markets.



## APPENDIX V

### REPORT RECOMMENDATION THAT THE SECRETARY CONSIDER: (Continued)

Consistent with the strategy indicated above, it should be pointed out that U.S. companies new-to-export invariably wish to start export operations in highly developed markets where broad sales opportunities and effective distribution systems exist. This would indicate that the Department must maintain an adequate program in developed markets so that it may place the emphasis indicated in the report on bringing new U.S. companies into the export business, thus expanding the U.S. export base.

Consistent with the general thrust of the report, the Bureau is striving to achieve a better balance in the Bureau's export expansion programs as between developed and developing countries by stabilizing our activities in the developed areas at or near the current level while increasing our efforts in the developing areas. In doing so, it must be recognized that the resources and efforts applied to developing areas will not result in short-term dollar sales results or highly effective cost/benefit ratios, and that normally, developing markets can be best served by highly sophisticated American foreign traders who can make the necessary initial investment and wait a substantial period for that investment to bear fruit.

On the basis of the findings incorporated in these two studies--those of GAO and BIC--we feel a recommendation to increase the ratio of export promotion resources devoted to less-developed markets (currently standing at one-fifth) is completely warranted. We do not, however, find sufficient information in either study to support a firm recommendation to devote a majority of export promotion resources to less-developed markets. The available facts are sufficient to indicate that an increase in such promotion is needed--but are not sufficient to indicate how much of an increase. We are trying at the present time to develop a sound base for estimating the optimum proportion of export promotion resources to be devoted to the less-developed markets.

## Report Recommendation That The Secretary Consider:

## ITEM 2 -

- (2) "Initiating a continuing program to contact United States companies, State governments, and other internationally-oriented organizations to determine what specific types of promotional services are needed, comparing these to the services that now exist, and filling the gaps between the two."

The Bureau concurs fully with this recommendation, and over the last year or so has begun to develop programs in this direction. Among the first actions taken in this area was the Bureau's domestically-oriented export development activities program which was the initial step to work more closely with domestic industries and associations. The Bureau has also established an increasing number of government-industry cooperative efforts within the National Export Expansion Council framework to determine the most propitious export expansion actions for key industries.

Recently initiated actions in this area include a new effort through the field offices to provide individual counseling to--and two-way communication with--new-to-export and new-to-market companies prior to their participation in Commerce-sponsored exhibitions abroad. The Bureau has also begun to increase communication with state departments of commerce and with other organizations interested in international trade. Both these efforts, being new, will doubtless require refinement and evolution.

We recognize that the present efforts in themselves are not enough. The GAO study confirms our own internal analyses in indicating that further action is needed. Alternatives are under consideration, and we expect to initiate additional efforts in the near future. The information contained in the GAO study will prove to be of considerable value in assessing the alternatives.

## APPENDIX V

Report Recommendation That The Secretary Consider:

### ITEM 3

- (3) "Developing a more vigorous and effective domestic program to sell American firms on the benefits of foreign trade; to inform these companies of the export services available; to reduce the mystique of exporting; and to stimulate the companies to use the services to expand their business and United States exports."

The Bureau concurs fully in this recommendation. In addition to the activities mentioned in our comments for recommendation number 2 above, the Bureau has launched this fiscal year a very aggressive export stimulation/domestic awareness program. We currently have under contract a U.S. advertising agency for the execution of an appropriate all-media program.

Report Recommendation That The Secretary Consider:

ITEM 4

- (4) "Evaluating the desirability of maintaining permanent, fixed-facility trade centers in light of the need for alternative promotional devices in developing countries."

As indicated in our comment on recommendation number 1, the Bureau believes that it should achieve a more balanced promotional program as between developed and developing markets. In this respect we believe it essential to continue the existing trade centers now located in the developed markets for both short-term and long-term trade development reasons and as a primary means for introducing new firms to export.

In this regard, we are considering fewer organized exhibitions to provide more time and resources for individual new-to-export company endeavors. This policy adjustment would also tend to permit a greater allocation of resources to developing countries without sacrificing our most effective technique in developed markets. Through our new domestic export stimulation/awareness activities and other efforts, we confidently expect to achieve higher new-to-market and new-to-export participations in the trade centers. We are currently considering various alternatives for setting more specific new-to-export and new-to-market targets for these operations.

## APPENDIX V

### Report Recommendation That The Secretary Consider:

#### ITEM 5

- (5) "Adopting new and more useful measures of the benefits of trade promotion programs than the cost/benefit ratios now used. These measures should recognize that the groundwork that must be laid if the United States is to compete in promising markets cannot always produce immediate results."

The Bureau could not concur more fully with the need to develop more useful means of evaluating promotion programs. The great difficulty, of course, is that of separating normal export growth from promotion-induced growth. The Bureau is working on this problem, which is similar to the problem corporations face in trying to evaluate their advertising, but has not yet been able to develop an actionable and credible system.

It had been hoped that the study of competitor nation export promotion efforts would uncover innovative means of measurement. Regrettably, no such measures were found. Instead, it was found that other nations make little or no effort to evaluate their programs--some as a matter of policy, and others because of an inability to solve the measurement problems. The Bureau's study concluded that while the U.S. measurement effort still had to undergo evolution, the U.S. was by far the most conscious of the need for rational evaluation and had devoted the most effort in that direction.

One possibility being explored by the Bureau is that of employing multiple-year measurements. These would possibly have validity for new-to-export and new-to-market companies--but unfortunately would not solve the problem of separating normal from induced export growth. The Bureau would welcome any suggestions or innovations in this regard. This is not to imply that the problems involved in obtaining more useful measurements than those presently used is insoluble. It is not; and we are hopeful that meaningful progress can be made in the near future--especially with regard to the new-to-export and new-to-market firms.

Report Recommendation That The Secretary Consider:

ITEM 6

- (6) "Establishing a flexible fee structure giving recognition to using minimal fees as an inducement to attract new companies, and to charging higher fees to repeat exhibitors and established international trading firms."

We concur with the intent of this recommendation to provide special incentives to new-to-export and new-to-market firms. Differential exhibitor contribution rates have been previously considered by the Bureau, with the conclusion that differential rates pose serious operational and administrative difficulties. We now have under consideration a number of internal proposals which, hopefully, could surmount the difficulties previously encountered. We have under consideration, for example, a proposal to increase the share of costs borne by old-to-market firms by eliminating the government return freight obligation for these firms.

Further, we have been providing special incentives to the new-to-export and new-to-market firms by rendering more personal promotional assistance to these firms in the target overseas market.

Additionally, in establishing the contribution rates for trade center and trade fair participation, we are mindful of the need to keep these rates attractive to the small, medium-size and new-to-export firms.

APPENDIX VI



DEPARTMENT OF STATE

Washington, D.C. 20520

JUL 2 1971

Mr. Oye V. Stovall  
Director  
United States General  
Accounting Office  
Washington, D. C. 20548

Dear Mr. Stovall:

The Secretary has asked me to reply to your letter of May 28, 1971, by which you transmitted copies of the proposed report to the Congress on the review by the General Accounting Office of overseas trade center shows and trade exhibitions.

While the programs dealt with in the report are administered by the Department of Commerce, we in State work closely with Commerce personnel toward the formulation of the U.S. Government trade promotion programs. We agree with the recommendation for increased promotional activities in the developing countries. However, we also feel that it is equally important to preserve the U.S. trade share in the industrialized markets. On balance, we feel that the report prepared by your office is a commendable analysis of our overseas exhibition program and provides valuable guidance for future planning.

Sincerely yours,

A handwritten signature in cursive script that reads "Richard W. Murray".

Richard W. Murray  
Deputy Assistant Secretary  
for Budget and Finance

PRINCIPAL OFFICIALS OF  
DEPARTMENT OF COMMERCE  
AND DEPARTMENT OF STATE  
RESPONSIBLE FOR ADMINISTRATION OF  
ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
<u>DEPARTMENT OF COMMERCE</u>		
SECRETARY OF COMMERCE:		
Maurice H. Stans	Jan. 1969	Present
Cyrus R. Smith	Mar. 1968	Jan. 1969
UNDER SECRETARY OF COMMERCE:		
James T. Lynn	Apr. 1971	Present
Rocco C. Siciliano	Jan. 1969	Apr. 1971
Joseph W. Bartlett	Aug. 1968	Jan. 1969
Howard J. Samuels	Nov. 1967	July 1968
ASSISTANT SECRETARY FOR DOMESTIC AND INTERNATIONAL BUSINESS:		
Harold B. Scott (acting)	Aug. 1971	Present
William R. McLellan	July 1970	Aug. 1971
Kenneth N. Davis, Jr.	Mar. 1969	July 1970
Vacant	Jan. 1969	Mar. 1969
Lawrence C. McQuade	Aug. 1967	Jan. 1969
DEPUTY ASSISTANT SECRETARY AND DIRECTOR, BUREAU OF INTERNA- TIONAL COMMERCE:		
Harold B. Scott	May 1969	Present
Lawrence A. Fox	Sept. 1965	Apr. 1969
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE:		
William P. Rogers	Jan. 1969	Present
Dean Rusk	Jan. 1961	Jan. 1969



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