

GAO

Briefing Report to the Honorable
Les AuCoin, House of Representatives

February 1989

EXPORT PROMOTION

U.S. Government Promotional Activities in Japan



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

National Security and
International Affairs Division

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February 21, 1989

The Honorable Les AuCoin
House of Representatives

Dear Mr. AuCoin:

This report responds to your request of July 17, 1988, that we examine certain allegations your office received concerning the level and quality of U.S. government export promotion assistance in Japan. Members of a recent delegation of U.S. business and trade association officials complained about the quality of printed materials and the level of staff support and hospitality available from the U.S. and Foreign Commercial Service (US&FCS) in Japan. As agreed with your staff, we are providing information on budget and staffing levels for U.S. government export promotion activities in Japan, views of U.S. businesses on the quality of assistance they received, and Japanese export promotion efforts in the United States.

Based on our discussions with U.S. trade associations and businesses with financial interests in Japan, the incident which led to the constituent complaint and your subsequent request for a review by our office appears to have been an isolated event—the result of an overworked staff and of expectations by some U.S. visitors for a greater level of hospitality than the post is able to provide. Most of the officials we talked with were satisfied and complimentary about the assistance they received from the US&FCS in Japan.

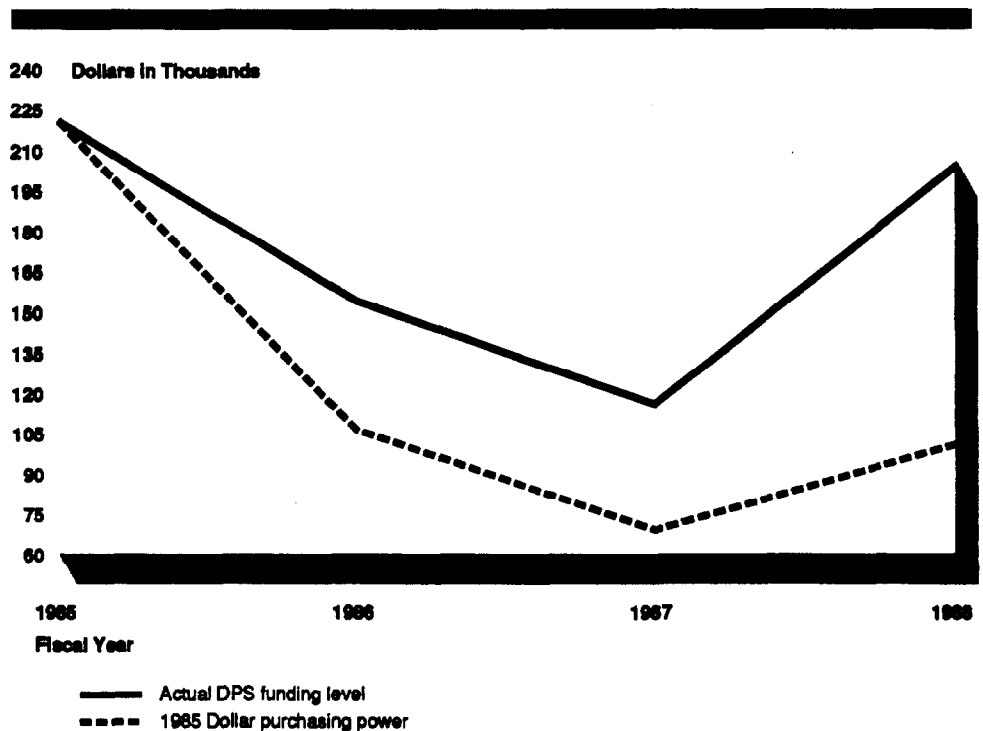
However, budget limitations and the decrease in the dollar's purchasing power in Japan have constrained the post's export promotion activities. For example, because of budget limitations, staff in some instances paid their own expenses in connection with official U.S. government business or had to take other unusual measures.

In addition, the post has experienced vacancies in a number of key positions at a time of heightened interest in U.S.-Japan trade. This has prompted concern among industry representatives about the lack of coverage in key sectors, such as electronics and pharmaceuticals. According to the senior US&FCS officer in Japan, if current vacancies are filled the post will be able to provide basic services. Senior commercial officers also identified a number of additional positions they would like to have which are not currently authorized. In addition, they noted if recent U.S.-Japan trade negotiations result in greater market access for

Budget Loses Purchasing Power

Although the fiscal year 1988 DPS budget increased by 76 percent from fiscal year 1987, the decrease in the dollar's purchasing power in Japan offset this increase. As shown in figure I.1, when adjustments are made for the dollar-yen exchange rate and the inflation rate in Japan, the fiscal year 1988 budget increase does not bring FCS/Japan's purchasing power back to the reduced fiscal year 1986 level. Using 1985 dollars as a base, the actual purchasing power of the fiscal year 1986 budget of \$153,142 was about \$106,000, the 1987 budget of \$115,900 was about \$69,000, and the 1988 budget of \$204,339 was about \$101,000.

Figure I.1: Purchasing Power of DPS Budget



According to a number of U.S. government officials involved in international trade, budget limitations and the decline in purchasing power has restricted the post's operations and export promotion activities, as discussed in the sections below.

Travel

Because of a lack of travel funds, FCS personnel have occasionally paid for their own travel for government-related activities and stayed with friends while on official duty. For example, according to a number of

The medical/pharmaceutical position has been vacant since August 1988. A person has been named to fill the position but is awaiting a security clearance and is scheduled to arrive in the spring of 1989. A representative from the medical/pharmaceutical industry said that a prolonged vacancy could harm market progress made by the Pharmaceutical Manufacturers Association.

The high-technology position was vacant for 1 year when the incumbent was promoted to a new job. Members of the U.S. electronics industry expressed particular concern about the length of this vacancy.

The client service position has been vacant since August 1988 and is not expected to be filled until the fall of 1989. The responsibilities of this position include providing support for visiting U.S. trade missions.

The consumer goods position was also vacant from June through November 1988. These vacancies have occurred due to a combination of funding shortages and the lengthy process of hiring qualified candidates for overseas positions, including language training and security clearances. Table I.2 shows current staffing and vacancies.

Table I.2: Current US&FCS/Japan Staffing and Vacancy Levels

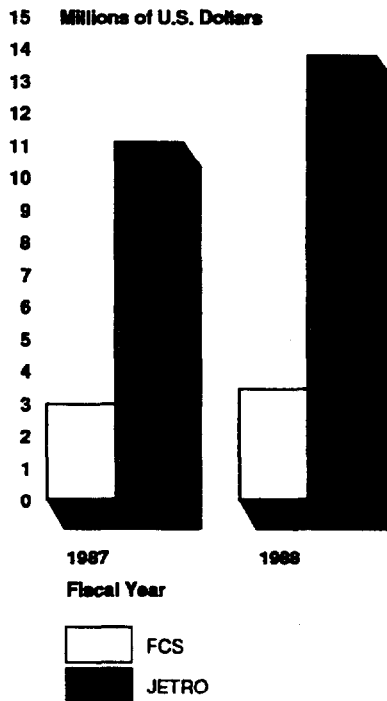
Position	Total Authorized	Current Staffing	Vacancies
Officer	10	7	3
Foreign national	27	23	4
Clerical	4	4	0
Total	41	34	7

Future Staffing Needs

Filling current vacancies will alleviate some of the post's workload problems. However, according to the senior commercial officer in Japan and an official in the Office of the U.S. Trade Representative, if the recently completed MOSS negotiations and other U.S. efforts to open up the Japanese market are successful and increase the demand for US&FCS assistance, additional staff may be needed. Trade associations and businesses and government officials we contacted stressed that elimination of formal barriers is only the first step toward increasing exports to Japan and that US&FCS assistance is needed to help U.S. firms understand the complex Japanese distribution system and market structure. Additional staffing would require the Department of State's approval but, according to the US&FCS personnel director, the former U.S. ambassador to Japan was reluctant to allow increases in staffing levels.

coming from the government. JETRO's 1988 funding was substantially greater than the amount the US&FCS spent promoting U.S. exports to Japan. As shown in figure I.2, JETRO spent \$11,070,033 in 1987 on export promotion in the United States and \$13,746,239 in 1988.¹

Figure I.2: US&FCS/Japan and JETRO Budgets for 1987 and 1988^a



^aUS&FCS funding levels by fiscal year; JETRO funding levels by calendar year.

JETRO employs about 146 people in 9 offices throughout the United States. Table I.3 shows its detailed staffing and budget for fiscal years 1987 and 1988.

¹JETRO's activities in the United States are mainly focused on manufactures, with some limited promotion of agricultural products. Three of JETRO's nine offices have agriculture divisions.

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