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National Security and
International Affairs Division

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March 26, 1996

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

Dear Mr. Chairman:

At your request, we examined progress made by the Trade Promotion Coordinating Committee (TPCC)¹ towards establishing a governmentwide strategy for promoting U.S. exports. This TPCC effort was mandated by title II of the Export Enhancement Act of 1992 (P.L. 102-429, Oct. 21, 1992).² We focused on TPCC efforts to fulfill the legislative requirements that the strategy (1) establish governmentwide priorities for federal export promotion activities and (2) propose an annual unified federal export promotion budget that reflects those priorities. This letter provides a status report on TPCC efforts to meet these requirements.

¹TPCC is an interagency organization created to strengthen federal export promotion efforts. The Secretary of Commerce chairs TPCC, and its membership includes the heads of the Agency for International Development; the Departments of Agriculture, Defense, Energy, the Interior, Labor, State, Transportation, and the Treasury; the Council of Economic Advisers; the Environmental Protection Agency; the U.S. Export-Import Bank; the Office of Management and Budget; the Office of the U.S. Trade Representative; the Overseas Private Investment Corporation; the Small Business Administration; the U.S. Information Agency; and the U.S. Trade and Development Agency.

²Several of our reports and testimonies contributed to deliberations leading to passage and implementation of the 1992 Export Enhancement Act, including Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993); Export Promotion: Federal Approach Is Fragmented (GAO/T-GGD-92-68, Aug. 10, 1992); and Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

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RESULTS IN BRIEF

TPCC continues to identify governmentwide export promotion priorities in terms of export markets, programs, and policies, though member agencies have exercised flexibility in focusing their efforts. TPCC has consolidated the export promotion budgets of its member agencies into a series of TPCC-wide presentations that foster better understanding of historical and prospective expenditures. However, while TPCC has made efforts to develop interagency performance measures, it has yet to create measures that are sufficiently refined to influence budget reallocation decisions, which we view as an essential part of the unified budget process.

TPCC EFFORTS TO ESTABLISH EXPORT PROMOTION PRIORITIES

TPCC first released a preliminary national export strategy on September 30, 1993. Since then, it has used two presidential budget submissions (Feb. 1994 and 1995) and annual strategy updates (Oct. 1994 and 1995) to expand and refine the original strategy and measure TPCC progress towards attaining legislative objectives.

TPCC's export strategy identifies a series of governmentwide priorities in terms of foreign markets, export programs, and, most recently, export policies.

1. TPCC agencies have adopted the Department of Commerce's "Big Emerging Markets"³ (BEM) as priority markets for U.S. goods and services. TPCC agencies, however, have exercised flexibility in focusing resources on non-BEM countries. For instance, the U.S. Department of Agriculture in October 1995 issued a "Long Term Agricultural Trade Strategy" that identified Japan, which is not a BEM country, as the highest priority market for U.S. agricultural exports and BEM countries as second- and third-tier priority markets.
2. TPCC programmatic priorities are to provide U.S. government advocacy on behalf of U.S. exporters, to give export assistance to small- and medium-sized businesses, and to deter foreign government use of tied aid.⁴ Accordingly, TPCC agencies have done the following.
 - **Advocacy.** They have established an advocacy center that seeks to coordinate federal intervention on behalf of U.S. firms. This advocacy may

³These markets include the Chinese economic area (including Taiwan and Hong Kong); South Korea; India; the Association of South East Asian Nations (ASEAN) (Indonesia, Malaysia, Brunei, Vietnam, Thailand, Singapore, and the Philippines); South Africa; Brazil; Argentina; Mexico; Poland; and Turkey.

⁴"Tied aid" refers to foreign assistance that is linked to the purchase of exports from the country extending the assistance.

include commercial, financial, and technical support, as well as endorsements by senior-level U.S. government officials.

- **Assistance to small business.** TPCC has established a nationwide network of 15 "one-stop shop" U.S. Export Assistance Centers. These centers combine service delivery efforts of the Department of Commerce, the U.S. Export-Import Bank, and the Small Business Administration. It has also sought to harmonize the export working capital loan guarantee programs of the Export-Import Bank and the Small Business Administration.
 - **Countering tied aid.** TPCC has supported use of the Tied Aid Capital Projects Fund (or tied aid "war chest") in the Export-Import Bank to counter foreign government use of tied aid that is deemed to be damaging to U.S. interests. In support of U.S. exporters, the Export-Import Bank has made it clear that the U.S. government is willing to use this fund to match a foreign government's offer of tied aid and has done so.⁵
3. TPCC plans to discuss certain questionable foreign trade practices, such as bribery and unfair government intervention, as export policy priorities in the upcoming 1996 strategy update. These practices are detailed in a classified report, whose existence the Secretary of Commerce made public on October 12, 1995, in partially closed testimony before the Senate Committee on Banking, Housing, and Urban Affairs; and the Subcommittee on International Economic Policy and Trade, House Committee on International Relations.

TPCC EFFORTS TO ESTABLISH A UNIFIED BUDGET PROPOSAL

The 1992 Export Enhancement Act required that TPCC develop a unified budget that supports the strategic plan and eliminates funding for identified areas of overlap and duplication. TPCC developed for the 1994 and 1995 updates to the national export strategy, and the President's fiscal years 1995 and 1996⁶ budget proposals, presentations that display each member agency's historical and prospective expenditures on export promotion on tables showing spending from different perspectives. These displays help to foster understanding of federal

⁵See our March 1995 testimony, International Trade: U.S. Efforts to Counter Competitors' Tied Aid Practices (GAO/T-GGD-95-128, Mar. 28, 1995). We also have work ongoing regarding TPCC efforts to harmonize the export working capital guarantee programs of the Export-Import Bank and the Small Business Administration, create a network of U.S. Export Assistance Centers, and counter foreign government use of tied aid.

⁶See the Analytical Perspectives volume of the President's fiscal year 1996 budget proposal to Congress.

expenditures in this area but, as we have testified, we do not view such presentations as the end of the process. We stated that

"The current range of [federal export] programs and allocation of government resources grew without any overarching strategy or set of objectives. . . . It appears to us that one obvious measure of the success of the unified budget process would be the extent to which the unified budget changes the distribution of resources to the various priorities, programs, and agencies."⁷

According to TPCC agency officials, development of interagency performance measures will facilitate interagency and interprogram comparisons of the value added by export services. These comparisons could then be used to influence the allocation of export promotion resources. TPCC is currently developing methods for formulating such measures, but TPCC agency officials acknowledged that they do not yet have these methods refined to the point where they can influence reallocation deliberations. TPCC continues to work on this.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, the TPCC Secretariat (which is housed in the Department of Commerce) and the Office of Management and Budget stated their belief that the executive branch had made great progress towards unified budgeting and is meeting the requirements of the 1992 Export Enhancement Act. They commented that the Office of Management and Budget had held cross-cutting budget and performance-measure reviews that considered TPCC as a group, as well as reviews that considered the programs within their funding agencies. They stated that this approach enabled budgeting comparisons to be made both across and within agencies, and is appropriate given the nature of the executive and congressional budget process. In addition, they added that the TPCC process has led to improved coordination across agencies and, in turn, more effective use of resources devoted to TPCC functions.

We agree that TPCC has made progress towards development of a unified budget. We have also indicated that TPCC is continuing to work towards developing interagency performance measures that are sufficiently refined to influence the cross-cutting budget reviews and facilitate redistribution of funds among agencies and programs, where appropriate. We believe that, without such measures, it would be difficult to demonstrate whether export promotion resources can be more effectively used or have been more effectively used due to creation of TPCC.

⁷See Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993). See also Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993) and Export Promotion Strategic Plan: Will It Be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993).

SCOPE AND METHODOLOGY

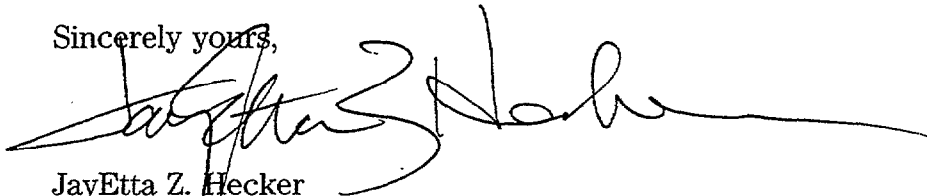
In preparing this letter, we interviewed officials of TPCC agencies. We also reviewed numerous TPCC-related documents and correspondence, including TPCC's September 1993 report to the Congress, Toward a National Export Strategy; October 1994 report, National Export Strategy; and October 1995 report, National Export Strategy: Meeting Foreign Competition. We also reviewed the President's fiscal years 1995 and 1996 budget requests issued in February 1994 and 1995.

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We are sending copies of this letter to the Ranking Minority Member of the House Budget Committee; the Director, Office of Management and Budget; and the Secretary of Commerce, as the Chairman of TPCC. We will make copies available to other interested parties upon request.

If you have any questions concerning this letter, please call me at (202) 512-8984. The information in this letter was developed by John Hutton, Joseph Natalicchio, and Dirk Schumacher.

Sincerely yours,



JayEtta Z. Hecker
Associate Director, International
Relations and Trade Issues

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