

GAO

Testimony

Before the Committee on Small Business
House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Wednesday, April 26, 2006

EXPORT PROMOTION

Trade Promotion Coordinating Committee's Role Remains Limited

Statement of Loren Yager, Director
International Affairs and Trade





Highlights of [GAO-06-660T](#), a report to the House Committee on Small Business

Why GAO Did This Study

In 1992, Congress established the Trade Promotion Coordinating Committee (TPCC) to provide a unifying interagency framework to coordinate U.S. export promotion activities and to develop a governmentwide strategic plan. TPCC member agencies' activities include providing training, market information, advocacy, trade finance and other services to U.S. companies, especially small- and medium-sized businesses. These U.S. government agencies together have \$1.5 billion in budget authority for export promotion programs and activities for fiscal year 2006. Each year, the TPCC submits to Congress a mandated national export strategy, reporting member agencies' activities and trade promotion budget authority and establishing broad priorities. The TPCC secretariat, which has no budget of its own, is housed in the Commerce Department, which chairs the committee.

In this testimony, which updates findings from a 2002 report, GAO (1) reports on trends in TPCC member agencies' budget authority; (2) assesses TPCC's coordination of trade promotion and its national export strategies; and (3) discusses small- and medium-sized businesses' participation in trade promotion activities.

www.gao.gov/cgi-bin/getrpt?GAO-06-660T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager, (202) 512-4347, yagerl@gao.gov.

EXPORT PROMOTION

Trade Promotion Coordinating Committee's Role Remains Limited

What GAO Found

TPCC's national export strategies for fiscal years 2002-2006 show that agencies' trade promotion-related budget authority dropped by about one third. This resulted mainly from budget changes at the Department of Agriculture and Ex-Im Bank, which account for more than half of U.S. trade promotion budget authority. At the same time, budget authority for two other key agencies, the Departments of Commerce and State, remained relatively steady. However, the effect of these trends on the agencies' trade promotion activities is unclear. For example, the decline in Ex-Im Bank's budget authority did not reduce its ability to provide export financing.

TPCC member agencies have taken several steps, such as participating in interagency training and outreach to exporters, to improve coordination of trade promotion efforts. However, coordination challenges persist, for example, among the Departments of Commerce, State, and Agriculture regarding the allocation of overseas staff for trade promotion activities. In addition, as GAO found in 2002, the annual national export strategies have several limitations that affect the TPCC's ability to coordinate trade promotion activities. For example, the strategies do not identify or measure agencies' progress toward mutual goals or review their budget allocations. In addition, they focus on different topics each year without evaluating progress in addressing previous years' topics. GAO has made similar comments in several prior reviews of the TPCC.

A lack of systematic information makes it difficult to assess progress or trends in small and medium-sized businesses' participation in trade promotion activities across agencies. TPCC agencies track small-business participation in a variety of ways. The national export strategies provide only anecdotal information on these businesses' participation in trade promotion activities.

TPCC Program Budget Authority FY 2006 (Enacted)

| Department or Agency | Budget Authority (millions) |
|-----------------------------------|-----------------------------|
| Agriculture | \$769 |
| Commerce | 335 |
| Ex-Im Bank | 123 |
| State | 177 |
| U.S. Trade and Development Agency | 50 |
| U.S. Trade Representative | 44 |
| Energy | 9 |
| Small Business Administration | 6 |
| Treasury | 3 |
| Labor | 0 |

Source: TPCC, for publication in the 2006 national export strategy.

Note: TPCC's other members are the Council of Economic Advisors; the Departments of Defense, Interior, and Transportation; the Environmental Protection Agency; the National Security Council/National Economic Council; OMB; the U.S. Agency for International Development; and the Overseas Private Investment Corporation.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to report on our work on the Trade Promotion Coordinating Committee (TPCC). Established by Congress in 1992, the TPCC's mission is to provide a unifying framework to coordinate U.S. agencies' export promotion activities and to develop a governmentwide strategic plan to carry out those activities.¹ TPCC member agencies' activities include providing training, market information, advocacy, trade finance and other services to U.S. companies, especially small- and medium-sized businesses, seeking to export their products. In fiscal year 2006, almost a dozen TPCC member agencies have a combined \$1.5 billion in budget authority for export promotion programs and activities; for fiscal year 2007, these agencies have requested \$1.3 billion in export-related budget authority. The TPCC secretariat has no budget of its own. The secretariat, which is housed in the International Trade Administration at the Department of Commerce, a key export promotion agency, is currently moving from the office of the Under Secretary for International Trade to the office of the Assistant Secretary for Trade Promotion/Director General for the U.S. and Foreign Commercial Service.

GAO has reviewed the TPCC several times since its inception. In a 2002 review,² GAO found that it had made modest but inconsistent progress in coordinating trade promotion activities and that its mandated yearly reports to Congress,³ known as national export strategies, do not identify and measure progress toward agency goals in relation to broad federal priorities. GAO also reviewed agencies' efforts to involve small and medium-sized businesses in their export promotion programs.

Today, as requested, I will (1) report on trends in the budget authorities of TPCC member agencies since 2002 and (2) update some of our 2002 and earlier findings regarding the TPCC's trade promotion coordination and national export strategies. In addition, responding to the interest you expressed, I will discuss TPCC agencies' progress in involving small- and medium-sized businesses in trade promotion activities.

¹ Section 201 of the Export Enhancement Act of 1992 (P.L. 102-429), 15 U.S.C. 4727(a)(1) and (2).

² GAO, *Export Promotion: Mixed Progress in Achieving a Governmentwide Strategy*, [GAO-02-850](#) (Washington, D.C.: September 4, 2002).

³ 15 U.S.C. 4727(f).

My remarks are based on GAO's review of TPCC and member agency documents, including agency strategic plans and budgets and the four most recent national export strategies. We also interviewed officials from the agencies that have consistently represented the largest share of the TPCC's program budget authority or been involved in recent efforts to enhance export-related services for small- and medium-sized businesses—the Departments of Agriculture, Commerce, and State; the Export-Import Bank of the United States (Ex-Im Bank); the Overseas Private Investment Corporation (OPIC); and the Small Business Administration (SBA). In addition, we spoke with officials at the Office of Management and Budget (OMB). Although we noted some limitations in the national export strategies' budget data, we found the data sufficiently reliable for our purposes. We conducted our work from February through April 2006 in accordance with generally accepted government auditing standards.

Summary

As reported in the national export strategies, TPCC agency resources have declined or remained unchanged since 2002, but the implications of these trends for U.S. trade promotion activities are not clear. Overall, TPCC agencies' trade promotion budget authority for fiscal years 2002-2007 dropped by more than one-third, primarily as a result of budget decreases at two of four agencies that account for most of U.S. trade promotion budget authority: funding for three Department of Agriculture program areas dropped in fiscal years 2005-2007, and Ex-Im Bank lowered its projected costs for providing financing and its appropriations requests. At the same time, budget authority for the other two key agencies, the Departments of Commerce and State, remained relatively steady. The effect of these trends on the agencies' trade promotion activities is unclear. For example, the decline in Ex-Im Bank's budget authority did not reduce its ability to provide export financing. Further, according to Commerce officials, although the department's trade promotion authority has changed little, recent increases in the cost of security for overseas offices—included in the department's trade promotion budget authority—diminish the resources available for trade promotion activities.

The TPCC has made some progress in improving coordination, but its national export strategies continue to provide limited information on agencies' goals and progress, relative to broad national priorities, to guide future efforts. TPCC member agencies have taken several steps to improve interagency coordination in response to results of market research that the TPCC secretariat commissioned. Since 2002, the TPCC initiated several efforts such as interagency training, joint outreach to better serve small businesses, and improved support for trade promotion activities at U.S.

embassies overseas. According to agency officials, however, some interagency coordination challenges persist, particularly among the Departments of Commerce, State, and Agriculture regarding the allocation of overseas staff for trade promotion activities and agreement on agency roles and responsibilities in helping U.S. exporters. In addition, as we found in 2002, the TPCC's annual strategies provide limited information regarding U.S. export promotion goals or progress toward achieving those goals, thereby constraining the TPCC's ability to carry out its mandate of coordinating federal trade promotion activities. For example, the strategies do not identify, or measure progress toward, member agency goals in relation to the strategies' broad federal trade promotion priorities, and the agencies have not articulated measurable goals in support of these priorities. Moreover, the annual strategies do not review agencies' allocation of resources in relation to the broad priorities, and the TPCC has little influence over agencies' allocation of resources to support their goals or its priorities.

A lack of systematic information makes it difficult to assess progress or trends in small and medium-sized businesses' participation in trade promotion activities across agencies. TPCC agencies track small business participation in a variety of ways. For example, according to Commerce officials at the U.S. and Foreign Commercial Service, the agency tracks the number of small and medium-sized business export sales transactions per year and is updating its tracking system to allow it to observe transactions by client as the transactions develop over time and involve other TPCC agencies. In contrast, a Department of Agriculture program tracks other indicators, such as the number of small businesses making a first export sale. We also note that the national export strategies provide only anecdotal information on these businesses' participation in trade promotion activities. Further, TPCC officials said that they do not compile information on small- and medium-sized businesses' participation in agency programs and activities.

Background

As we discussed in our 2002 report, TPCC member agencies perform functions that include identifying export opportunities, providing financing and insurance, and working to create open markets for U.S. exports and investments. Chaired by the Secretary of Commerce, the TPCC currently has a staff of three Commerce trade professionals who work with other member agency officials on trade promotion initiatives and prepare the national export strategy. The TPCC generally meets once or twice a year at the head-of-agency level and quarterly or monthly at the

deputy level (e.g., assistant secretary or under secretary); TPCC member agency staff discuss issues frequently but meet on an ad hoc basis.

The TPCC's national export strategies include a table showing member agencies' budget authority for trade promotion activities. Since 2000, this table has included all or part of the budgets of 11 of the TPCC's member agencies—the Departments of Agriculture, Commerce, Energy, Labor,⁴ State, and the Treasury; Ex-Im Bank; OPIC;⁵ SBA; the U.S. Trade and Development Agency; and the U.S. Trade Representative.⁶ Although the TPCC, together with the agencies, determines which agencies' budgets are included in this table, the agencies themselves decide which of their programs or activities constitute trade promotion. However, the tables present only the total trade promotion budget authority for each agency without detailing the programs and activities. The Department of Agriculture counts nine programs as trade promotion, along with salaries and expenses for its Foreign Agricultural Service.⁷ The Commerce Department counts three units within its International Trade Administration—Trade Promotion and U.S. and Foreign Commercial Service, Manufacturing and Services, and Market Access and Compliance—and a grant for promoting foreign tourism within the United States. The State Department considers a portion of its budget to be related to trade promotion. This portion includes part of State's budgets for its regional bureaus, some of which have overseas staff in locations with no Foreign Commercial Service officers. It also includes State's

⁴The table to be published in the 2006 national export strategy shows zero trade promotion program budget authority for the Department of Labor for fiscal year 2005 (actual), fiscal year 2006 (enacted), and fiscal year 2007 (requested).

⁵OPIC is authorized to spend funds from the fees it collects and the income it earns from Treasury securities and generally does not receive a direct appropriation. OPIC's budget authority figure, which is negative, is not included in the total.

⁶The 2005 national export strategy lists eight additional member agencies: the Council of Economic Advisors; the Departments of Defense, Interior, and Transportation; the Environmental Protection Agency; the National Security Council/National Economic Council; OMB; and the U.S. Agency for International Development.

⁷The Department of Agriculture counts the following nine programs as trade promotion: (1) Market Access Program; (2) Foreign Market Development (Cooperator) Program; (3) Export Enhancement Program and (4) Dairy Export Incentive Program; (5) Public Law 480 Title I credit and Food for Progress grants; (6) Commodity Credit Corporation export credit guarantee programs; (7) Emerging Markets Program; (8) Technical Assistance for Specialty Crops Program; and (9) Quality Samples Program. Of these nine programs, the last three were not included in previous national export strategy budget tables but will be included in the 2006 table.

budget for trade capacity building, advocacy, and promotion activities performed by, or funded through, department offices such as the Office of Commercial and Business Affairs. The national export strategies' trade promotion program budget authority tables also include the entire budgets of Ex-Im Bank, OPIC, the U.S. Trade and Development Agency, and the U.S. Trade Representative as well as very small amounts of the budgets of the Departments of Energy, Labor, and the Treasury and SBA.

To help agencies address barriers to working collaboratively, GAO has previously evaluated efforts such as export promotion that cut across more than one agency. In an October 2005 review of several joint agency efforts that was intended to help agencies address barriers to working collaboratively, we identified eight key practices that can help enhance and sustain interagency collaboration:⁸

- Define and articulate a common outcome—that is, a measurable goal.
- Establish mutually reinforcing or joint strategies.
- Identify and address needs by leveraging resources.
- Agree on roles and responsibilities.
- Establish compatible policies, procedures, and other means to operate across agency boundaries.
- Develop mechanisms to monitor, evaluate, and report on results.
- Reinforce agency accountability for collaborative efforts through agency plans and reports.
- Reinforce individual accountability for collaborative efforts through performance management systems.

GAO reported on the need for an export strategy before the creation of the TPCC: in 1992, we found significant problems associated with inefficiency, overlap, and duplication of U.S. trade promotion efforts.⁹ Since its

⁸GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (October 21, 2005).

⁹GAO, *Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness*, [GAO/NSIAD-92-49](#) (Washington, D.C.: January 10, 1992).

inception, we have reviewed the TPCC's progress in coordinating trade promotion several times. For example, in 1994, we recommended that the TPCC should establish priorities with a well-reasoned and strong analytical basis, and in 1996, we commented that the TPCC lacked measures of value added by export services and that this limited its ability to contribute to the budget process.¹⁰ We made similar comments in 1998 and 2002.¹¹ In our 2002 report, we recommended that the Chairman of the TPCC ensure that its national export strategies consistently identify specific goals established by the agencies within the strategies' broad priorities; identify allocation of agencies' resources in support of their specific goals; and analyze the progress made in addressing the recommendations in the TPCC's prior annual strategies.¹²

Total Reported TPCC Agency Budget Authority Has Declined but Implications are Unclear

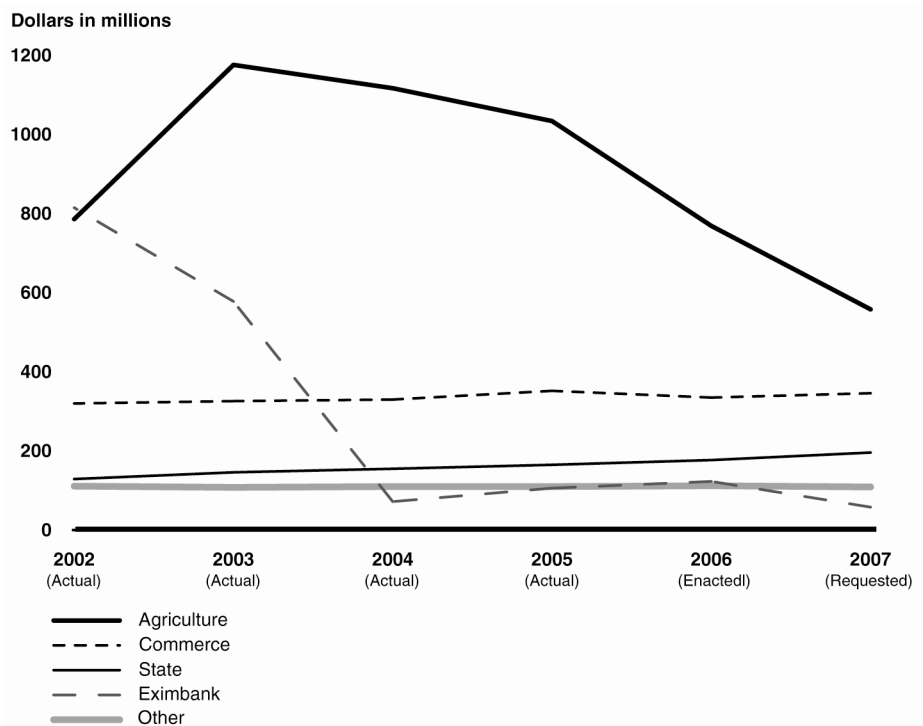
Since 2002, the budget authority for trade promotion reported in the national export strategies has fallen or remained relatively unchanged at TPCC member agencies, but the implication of these trends for agencies' trade promotion activities is not clear. The total reported budget authority for trade promotion fell by more than one-third between fiscal years 2002 and 2007, primarily owing to decreased authority for Agriculture and Ex-Im Bank. At the same time, the trade promotion budget authority for other key TPCC agencies remained relatively flat. (See fig. 1.)

¹⁰GAO, *Export Promotion: Governmentwide Plan Contributes to Improvements*, [T-GGD-94-35](#) (October 26, 1993); *National Export Strategy*, [GAO-NSIAD-96-132R](#) (Washington, D.C.: March 26, 1996).

¹¹GAO, *Export Promotion: Issues for Assessing the Governmentwide Strategy*, [T-NSIAD-98-105](#) (February 26, 1998); [GAO-02-850](#).

¹²The Chairman of the TPCC generally agreed with our recommendations at the time. However, TPCC and OMB officials have no record of the TPCC's having submitted to OMB a subsequent action plan in response to these recommendations, as required by OMB cir. A-50 and 31 U.S.C. 720.

Figure 1: TPCC Agency Budget Authority Related to Trade Promotion, Fiscal Years 2002–2007



Source: GAO analysis of information from the 2002-2005 and draft 2006 national export strategies.

Note: “Other” includes the Departments of Energy, Labor, and the Treasury; the Small Business Administration; the U.S. Trade and Development Agency; and the U.S. Trade Representative. OPIC is not included because its budget authority figure is negative: although OPIC is authorized to spend funds from the fees it collects and the income it earns from Treasury securities, it generally does not receive a direct appropriation.

The four agencies named in figure 1 account for more than 90 percent of TPCC member agencies’ combined budget authority related to trade promotion, which ranged from \$2.2 billion in fiscal year 2002 to \$1.5 billion in fiscal year 2006 (enacted) and \$1.3 (requested) in fiscal year 2007. The Agriculture Department has consistently held the largest share, more than 40 percent over the last 4 years. During this period, Agriculture’s share dropped from a high of 63 percent to 44 percent in fiscal year 2007 as funding was reduced or eliminated in three program areas: export credit guarantee programs, Public Law 480 Title I food assistance, and the

Market Access Program.¹³ The budget authorities related to trade promotion at the Departments of Commerce and State, while remaining relatively steady in dollar terms, rose from 15 to 27 percent and 6 to 15 percent of the total, respectively. Ex-Im Bank's share of the total dropped sharply, from 38 percent in fiscal year 2002 to 4 percent in fiscal year 2004, and has remained at less than 10 percent since then.

It is difficult to determine the effect of these budgetary trends on the availability of trade promotion resources. For example:

- Although Commerce's trade promotion budget authority has not changed significantly, its trade promotion activities may nonetheless be affected by increases in related costs. According to Commerce officials, the Commerce budget data includes budget authority for security at overseas offices. The officials provided us with information showing that security costs for these offices have risen by 8 percent since fiscal year 2005, leaving fewer resources available for trade promotion activities.¹⁴
- The decline in Ex-Im Bank's budget authority, shown in figure 1, did not reduce its ability to provide export financing. OMB changed its method for determining expected loss rates for U.S. international credits, which took effect after fiscal year 2002 and contributed to lower Ex-Im Bank projections of subsidy costs and budget needs. Also, Ex-Im Bank had accumulated carryovers from prior years, which resulted in its requesting zero program appropriations beyond administrative expenses in fiscal year 2004 and program appropriations of less than \$100 million in fiscal years 2005-2007.

In addition, reasons for the national export strategies' inclusion or exclusion of agencies' budget authority as related to trade promotion are not always apparent. For example, until fiscal year 2007, Agriculture's trade promotion budget authority reported in the strategies included

¹³The subsidy level for the Department of Agriculture's export credit guarantee programs was reduced in July 2005 in response to a World Trade Organization appellate panel ruling. In addition, the fiscal year 2007 budget proposes no funding for Public Law 480 Title I food assistance, and the Market Access Program is being cut back as a deficit reduction measure and in response to an OMB review.

¹⁴Security costs jumped from 2 percent of the budget authority for Commerce's Trade Promotion/U.S. and Foreign Commercial Service unit (fiscal year 2005, actual) to 10 percent (fiscal year 2007 requested). We did not subtract these costs from the data used for figure 1 because Commerce did not do so in the budget authority figures it submitted for publication in the 2006 national export strategy.

Public Law 480 Title I food assistance, although the primary objective of this program is to assist developing countries in obtaining needed resources, rather than promoting trade. Similarly, since 2000, the strategies have excluded the U.S. Agency for International Development (USAID) from the program budget authority table, stating that the agency's activities "support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion." However, the 2002 national export strategy included USAID in a letter from 10 key TPCC agencies and portions of the 2002, 2003, and 2004 strategies were devoted to a possible joint USAID–Ex-Im Bank program to support capital projects in developing countries. In addition, the strategies' budget tables include agencies such as the U.S. Trade Representative, Treasury, and Labor, which do not directly fund trade promotion activities.¹⁵

TPCC Has Taken Steps to Improve Coordination, but Strategies Provide Limited Guidance for Export Promotion Activities

Coordination among TPCC agencies has improved, although there is still room for improvement. However, the national export strategies continue to provide little information on which to base future efforts to establish consistent, shared, measurable goals and align resources in agencies' export promotion programs to focus on results.

TPCC Has Made Some Progress in Improving Coordination

TPCC's member agencies have pursued a number of efforts to improve coordination of trade promotion activities, responding to recommendations in its 2002 national export strategy.¹⁶ These

¹⁵The table also includes budget authority for the U.S. Trade and Development Agency, which funds feasibility studies and other activities for U.S. firms seeking to export. It had not previously included several Agriculture programs such as the Emerging Markets Program, which provide similar services for exporters of agricultural products. However, in response to questioning from GAO, Agriculture is including these programs in the 2006 strategy's budget table.

¹⁶As we reported in 2002, these recommendations focused on the need to (1) cross train agency personnel so that they are knowledgeable about other agency programs, (2) improve exporters' access to timely and accurate trade information, and (3) expand outreach and trade education for new-to-export firms.

recommendations resulted from a 2001-2002 survey of more than 3,000 small businesses and other research commissioned by the secretariat. According to agency officials, these efforts included several successful initiatives such as joint training and other activities that leverage resources from other TPCC agencies. For example:

- *Interagency training.* Since 2003, the TPCC has sponsored three annual interagency training sessions, attended by a total of 297 people. The sessions have included participants and presenters from a variety of member agencies, including Agriculture, Commerce, Ex-Im Bank, OPIC, SBA, State, the U.S. Trade and Development Agency, and USAID, and according to agency officials have fostered greater cooperation through the sharing of information.¹⁷ In one instance, a State Department official recounted how a training session led by a colleague resulted in collaboration between Commerce and State that (1) improved service to companies seeking U.S. visas for their foreign partners and (2) produced a list of State Foreign Service contacts who could assist exporters in important markets such as Africa, where many countries have no Foreign Commercial Service presence.
- *Joint outreach.* Ex-Im Bank and OPIC have partnered with SBA to improve outreach and service to small- and medium-sized businesses. In May 2002, Ex-Im Bank and SBA signed a memorandum of cooperation to increase small businesses' awareness and use of each agency's financing products, and the agencies share the same application form for their respective products. In September 2004, the two agencies signed a memorandum of understanding that provides for a Ex-Im Bank to co-guarantee loans to small-business exporters when SBA has already agreed to guarantee its established maximum amount. In addition, on April 5, 2006, Ex-Im Bank's acting chairman and president announced a new position of Senior Vice President for Small Business and the establishment of a Small Business Committee to coordinate, evaluate, and enhance the agency's services to small businesses. In September 2002, OPIC and SBA formally integrated their efforts to promote the expansion of U.S. small businesses into emerging markets; as part of this effort, each agency is to provide training on its programs to the other's personnel. OPIC and SBA have signed a cooperative agreement, SBA has detailed staff to OPIC, and OPIC has streamlined its approval process for small business clients.

¹⁷In our 2005 report on interagency collaboration, we noted that face-to-face interaction through activities like interagency training fosters trust, which is a key to enhancing and sustaining collaborative efforts. See [GAO-06-15](#).

-
- *Overseas support.* In January 2005, State and the Commerce Department's Foreign Commercial Service completed a strategic plan to provide coordinated support at embassies with no Foreign Commercial Service staff. According to State officials, as a result of this plan, 75 percent of State-funded export promotion activities at these embassies are now tied directly to regional Foreign Commercial Service offices, up from 25 percent in 2002. Further, we were told that more of these embassies are submitting the commercial guide for their country via a new, Web-based process to Commerce's market research database, which is accessible to the public via www.Export.gov. State has also linked the embassies electronically to domestic U.S. Export Assistance Centers and recently developed an electronic commercial diplomacy toolbox for its Foreign Service officers in the field that helps them assist U.S. firms seeking to export. The toolbox provides links to joint State-Commerce strategic planning, interagency training, and Commerce and other TPCC agency Web sites that provide guidance on export-related issues such as business travel and export controls. According to State officials, these resources are primarily used by small businesses, which often lack the means to obtain such information on their own.

However, despite this progress, coordination problems persist, according to member agency officials. For example, State Department officials said that concurrent realignments of Agriculture and Commerce overseas staff are not being coordinated, a situation that could lead to gaps in country coverage and thereby adversely impact U.S. commercial interests. State officials also described instances of poor coordination between some regional Foreign Commercial Service offices and nearby embassies that lack Commercial Service staff. They said that Commerce is working with State to improve this situation. For example, Commerce's regional office in Johannesburg will host a training program for the 11 embassies in southern Africa without Commercial Service officers. Another agency official told us that staff from at least two TPCC agencies were not aware of how certain other TPCC initiatives or agencies support their own agencies' trade promotion efforts.

In addition, according to Agriculture officials, Commerce field staff have not adhered to roles, responsibilities, and procedures outlined in a January 2001 agreement between the two agencies and reiterated in a March 2004 cable. As a result, the officials told us, a joint Agriculture-Commerce effort to help U.S. companies export agricultural goods—described in the 2004 national export strategy as a “huge success”—was never fully implemented. Commerce officials acknowledged these issues but told us that coordination between the two agencies had improved. Citing a June

2005 Commerce report, the Agriculture officials noted that both agencies have formally agreed to increase their joint cooperation.

TPCC Strategies Continue to Provide Little Guidance for Export Promotion Activities

As we found in 2002, the TPCC's annual strategies provide limited information regarding agencies' export promotion goals and progress. In addition, the strategies do not review agencies' budget allocation or represent the goals of some key agencies, and the strategies' focus varies yearly. Consequently, the TPCC's ability to provide in the strategy a plan for coordinating federal trade promotion activities, as directed by Congress, is constrained.

- As in 2002, the national export strategies do not identify member agencies' goals or assess their progress toward the TPCC's broad trade promotion priorities. According to agency officials, the TPCC secretariat does not systematically collect or compare agency plans and performance measures to define agency goals and assess progress. In addition, the agencies have not articulated mutual, measurable goals for trade promotion. Some member agency officials noted that their agencies' plans and performance evaluations are prepared independently of the TPCC. Although several agencies mention the TPCC in their strategic plans, each agency, as we noted in our 2002 report, generally measures the results of its export promotion activities according to the extent to which its own mandate emphasizes export promotion.
- Despite the TPCC's mandate to propose an annual unified trade promotion budget,¹⁸ the TPCC's annual strategy does not review member agency budgets in relation to their goals and the agencies do not adjust their budgets to reflect the national export strategy. As we reported in 2002, the TPCC does not have specific authority to direct member agencies' allocation of their resources.¹⁹ Agency representatives told us, as they had during our 2002 review, that they would resist any effort by the TPCC to review their budgets; they said that each agency has its own statutory requirements and that TPCC agencies' budgets are appropriated by different congressional subcommittees. The agencies submit their proposed budgets separately to OMB. TPCC officials told us that the TPCC does not recommend budget priorities to OMB, a practice that, as we noted in our 2002 report, was last performed in 2000.

¹⁸ 15 U.S.C. 4727(c)(4).

¹⁹ See [GAO-02-850](#).

-
- The national export strategies do not represent the goals of some key member agencies. For example, although Agriculture’s Foreign Agricultural Service has accounted for about half of TPCC member agencies’ combined budget authority over the past 4 years, the 2005 strategy contains only one notable reference to this agency. In addition, the 2005 strategy identifies Brazil as a “spotlight” market, although Agriculture does not consider it a high-priority market because it competes with the United States in exporting agricultural products. Further, the 2005 strategy included very little of the information that the Foreign Agricultural Service provided to the TPCC secretariat in commenting on a draft of the strategy. However, Agriculture officials told us that a draft of the 2006 strategy, due out in May, would likely incorporate more information about their agency.²⁰ Regarding other agencies, recent strategies have focused on China, a market in which USAID and OPIC do little or no business.
 - The focus of the national export strategies continues to change from year to year with little evaluation of previous efforts’ effectiveness. For example, although TPCC officials noted that the national export strategies have consistently focused on China, the strategies describe a series of new China-related initiatives without following up on the outcome of specific activities from one year to the next.²¹ The exception to this pattern was a 3-year focus on recommendations from the TPCC’s survey and other client research, from 2002 through 2004; however, new areas of focus continued to be introduced. For example, the 2003 strategy introduced capacity building, Russia, and transportation security. The 2004 strategy highlighted China and free trade agreements, as well as coordination in crisis regions (primarily Iraq and Afghanistan), which had resulted from the survey and other information gathering and had been briefly raised in the 2002 and 2003 strategies. The 2005 strategy covered free trade agreements, China, and six “growth markets” (Japan, South Korea, India, Brazil, Russia, and the European Union). Some member agency officials commented on the ad hoc nature of the national export strategies and the lack of staff-level meetings focused on specific issues.

²⁰TPCC officials provided us with a partial draft of the 2006 strategy that describes a series of initiatives by member agencies.

²¹For instance, the 2004 strategy identifies five priority sectors in China and the 2005 strategy also identifies five, but only three of the sectors are discussed in both strategies. Regarding one of the overlapping sectors—health care—the 2005 strategy lists a series of upcoming trade events but makes no mention of any sales or other business resulting from the two China health-care-related trade events described in the 2004 strategy.

Lack of Systematic Data Hampers Assessment of Small and Medium-Sized Businesses' Participation

Although available data suggest that TPCC member agencies have involved small and medium-sized businesses in trade promotion activities, a lack of systematically collected information makes it difficult to assess progress or trends. First, member agencies measure small and medium-sized businesses' participation in trade promotion activities to varying extents and using various indicators. For example:

- *Department of Commerce.* U.S. and Foreign Commercial Service officials stated that they have recorded about 10,000 transaction "successes" a year over the past 5 years involving small and medium-sized business export sales and that they are currently in the process of updating their client management system to enable them to observe a transaction for a given client as it develops over time, progressing through interactions with other TPCC member agencies such as Ex-Im Bank, SBA, and other agencies. The U.S. and Foreign Commercial Service also runs an Advocacy Center, which helps U.S. companies compete for specific foreign sales contracts on a case-by-case basis. According to information posted on the U.S. Government's export-related website (www.Export.gov), the center has helped 28 small and medium-sized enterprises win contracts valued at a total of \$637 million since June 2002.²² Commerce's Office of Trade and Industry Information within its Manufacturing and Services unit compiles detailed statistics on small and medium-sized business exports.²³
- *Ex-Im Bank.* Ex-Im Bank tracks small business' participation in its programs because Congress requires it to make available a certain percentage of its export financing to small businesses. For fiscal years 2000-2005, Ex-Im Bank reported that slightly less than 20 percent of the value of its financing directly benefited small businesses, and in recent years it has reported that about 85 percent of its authorized transactions directly benefited these clients. However, we recently found flaws in the bank's data and methodology, including shortcomings in its system for estimating about one-third of its small business financing annually and

²²The site contained no information showing when this data was posted or when the site was last updated.

²³For example, the Statistical Handbook released in June 2005 by this office provides information on the number of small- and medium-sized exporting companies, firms' known export revenues, and the destination of exports. [See Office of Trade and Industry Information, *Small & Medium-Sized Exporting Companies: A Statistical Handbook: Results from the Exporter Data Base* (Washington, D.C.: Department of Commerce, 2005)].

conflicting records for the same companies.²⁴

- *Department of Agriculture.* The Foreign Agricultural Service's Market Development Program tracks a variety of indicators related to small businesses, including the number of its activities that support small businesses, the number of small businesses making a first export sale, the number of small businesses with increased sales of 20 percent or more, and the value of small companies' sales.
- *OPIC.* OPIC measures the number of small business projects that result from its outreach through a Small Business Center. OPIC's 2003-2008 strategic goals include supporting these clients and reducing to 60 days the time it takes to process their applications for OPIC assistance. OPIC officials stated that the center targets small businesses with annual revenues of less than \$35 million and that since the center's establishment in 2002, the share of OPIC transactions involving such companies increased from 67 percent in 2002 to 80 percent in 2005.
- *Department of State.* State does not presently collect data on small and medium-sized businesses' involvement in trade promotion activities. However, according to a State Department official who works with small businesses, the agency has recently initiated a system to track commercial "success stories." The official said the system, which State anticipates will be operational by June 2006, will track requests for help with commercial transactions and will also include data on the requesting companies—such as their number of employees and annual sales—that will enable State to identify small- and medium-sized businesses.

Finally, although 2006 TPCC agency goals include increasing the number of small and medium-sized businesses that use member agency programs, the TPCC does not collect information from member agencies on these businesses' participation in agency programs and activities, according to TPCC officials. Moreover, the national export strategies provide anecdotal, rather than systematic, reporting on small and medium-sized business participation in trade promotion activities. Although the national export strategies describe activities such as a cooperative agreement between SBA and OPIC, they provide no comprehensive summary of small and medium-sized business participation in all member agency activities. Further, the strategies do not assess agency reporting on small and

²⁴GAO, *Export-Import Bank: Changes Would Improve the Reliability of Reporting on Small Business Financing*, [GAO-06-351](#) (Washington, D.C.: March 3, 2006).

medium-sized enterprise participation during the current year or identify trends in such participation. This makes it difficult to assess progress or trends in participation across agencies.

Concluding Observations

Our review of the TPCC's efforts shows it has achieved some important progress. For example, the TPCC has pursued a number of initiatives to improve agency coordination of trade promotion activities. Since our most recent report in 2002, the TPCC has completed and implemented a number of changes as a result of its private sector outreach efforts, including joint training and other activities that leverage resources of other TPCC member agencies. Although coordination challenges continue, there appears to be more discussion among TPCC member agencies and a higher level of awareness of the activities of the other agencies. This is a noteworthy improvement over the situation that existed in the early 1990s, when GAO began to evaluate the federal government's trade promotion efforts.²⁵

Despite this progress, the TPCC continues to face challenges in its ability to achieve other aspects of its mission of coordinating federal export promotion activities. For example, the TPCC's annual export strategies do not review or assess agency goals or activities. Moreover, despite its mandate to propose a unified federal trade promotion budget, the TPCC continues to have little influence over agencies' allocation of resources for trade promotion. GAO has consistently reported on the TPCC's lack of progress in these fundamental objectives.

Based on our long record of oversight over the TPCC, we believe that it can continue to make improvements in agency coordination as well as lead future outreach efforts to the private sector. In addition, we believe that the TPCC can do a better job of tracking small and medium-size businesses' participation in a consistent manner. However, we question whether the TPCC's current structure will allow it to overcome the challenges associated with assessing agency goals and influencing the allocation of resources. We also question whether the TPCC's current move into the office of the Assistant Secretary for Trade Promotion within the Commerce Department will help it overcome these challenges. As we noted in previous reviews of the TPCC, sustained high-level administration

²⁵ [GAO/NSIAD-92-49](#).

involvement is necessary for the TPCC to achieve its fundamental objectives.²⁶

Mr. Chairman, this concludes my prepared remarks. I would be happy to address any questions that you may have.

A handwritten signature in black ink, reading "Loren Yager". The signature is written in a cursive, flowing style.

Loren Yager,
Director, International Affairs and Trade

²⁶GAO, *Export Promotion: Initial Assessment of Governmentwide Strategic Plan*, [T-GGD-93-48](#) (Washington, D.C.: Sept. 29, 1993), p. 5; *Export Promotion: Governmentwide Plan Contributes to Improvements*, [T-GGD-94-35](#) (Washington, D.C.: Oct. 26, 1993).

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548