

**GAO**

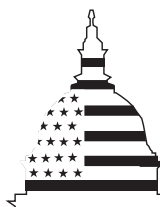
Report to the Honorable  
Gordon Smith, U.S. Senate

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June 1999

# EXPORT PROMOTION

## U.S. Export Assistance Centers Seek to Improve Services



**G A O**

Accountability \* Integrity \* Reliability

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

National Security and  
International Affairs Division

B-283863

June 25, 1999

The Honorable Gordon H. Smith  
United States Senate

Dear Senator Smith:

The interagency Trade Promotion Coordinating Committee (TPCC) was created in statute by the Export Enhancement Act of 1992<sup>1</sup> to, among other things, coordinate the delivery of federal export promotion services.<sup>2</sup> To carry out Congress' intent, three TPCC agencies—the Department of Commerce, the U.S. Export-Import Bank (Eximbank), and the Small Business Administration (SBA)—established a domestic network of 19 “one-stop shops,” called U.S. Export Assistance Centers (USEAC). The agencies participating in this network were to coordinate among themselves as well as with nonfederal organizations, such as state agencies and world trade centers. Their goal was to deliver a full range of nonagricultural export education, promotion, and finance services to small- to medium-sized exporters and firms interested in becoming exporters.<sup>3</sup>

At your request, we examined activities of the USEAC network. Specifically, we identified (1) the nature of coordination among the federal agencies participating in the USEAC network and between these agencies and nonfederal export-service providers and (2) USEAC assistance to firms that export services and to firms that are not ready to export but show potential and interest in doing so.

In conducting this review, we interviewed officials and obtained pertinent documents at Commerce, SBA, and Eximbank headquarters and several trade associations. We visited the USEACs in Atlanta, Ga.; Baltimore, Md.; New York, N.Y.; Portland, Oreg.; San Jose, Calif.; and Seattle, Wash., where

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<sup>1</sup>Public Law 102-429, October 21, 1992.

<sup>2</sup>Before 1992, U.S. firms seeking assistance in selling or financing exports faced a fragmented structure of federal agencies and programs. See our March 15, 1993, testimony, Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7); our August 10, 1992, testimony, Export Promotion: Federal Approach Is Fragmented (GAO/T-GGD-92-68); and our January 10, 1992, report, Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49).

<sup>3</sup>The TPCC has defined small- to medium-sized firms as those with fewer than 500 employees.

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we also interviewed other export-service providers and clients. For the other 13 USEACs, we interviewed their directors by telephone. We also analyzed 6,009 “export actions,”<sup>4</sup> valued at approximately \$4.2 billion, to assess USEAC efforts to coordinate with federal and nonfederal partners and assist firms that export services. These export actions were reported to Commerce by trade specialists at the USEACs for fiscal year 1998. (See app. IV for additional information on our objectives, scope, and methodology.)

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## Results in Brief

The U.S. Export Assistance Centers have sought to promote coordination among participating agencies through such activities as making joint calls on prospective clients and sharing information on clients and services, where appropriate. For fiscal year 1998, nearly 20 percent of the “export actions” reported by USEAC trade specialists mentioned a partner (or partners) as having participated in assisting the client. Currently, 5 of the 19 USEACs have staff from all three agencies, and 14 sites have staff from Commerce and SBA. In fiscal year 1998, the Commerce staff began using a new Client Management System (CMS) to track clients that has the potential to further enhance information sharing among these partner agencies. Access to this system, which contains detailed information on Commerce’s clients, could potentially permit agencies to better target services to client needs. The USEACs have also pursued partnerships with nonfederal export-service providers--state and local government, nonprofit, and for-profit organizations that provide assistance to exporters. The USEACs have co-located their staff in the same office suite or building with these export-service providers or, otherwise, made arrangements to coordinate their export assistance.

In response to an October 1994 TPCC initiative, Commerce has sought through the USEACs to expand its assistance to firms that export services. The agency created an inter-USEAC Services Team, comprised of staff from USEACs and foreign posts, to devise means to do so. The team found that Commerce’s export promotion programs were largely designed for firms

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<sup>4</sup>Commerce has been using export actions as a measure of USEAC activity for approximately 3 years. Trade specialists submit export action reports when they believe their assistance has directly contributed to a firm’s export sale of at least \$1,000. These export actions are used as an indicator of the nature of the assistance provided by the USEACs. They are not a precise measure of this activity, however, since not all firms are willing to share the necessary information regarding their export sales. Further, Commerce’s current system for collecting export actions is less than a year old, and some USEACs might not yet be able to take full advantage of all its features.

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that export goods and are often unavailable or inappropriate for firms that export services. As part of this effort, selected USEACs have taken the initiative to use other approaches. For example, one USEAC helped to stage a series of international videoconferences through which U.S. architects could gain market intelligence and meet potential clients. USEACs are also seeking to help groups of service exporters in the design and education sectors to form consortiums through which they can jointly pursue export business.

The TPCC has affirmed the central role of the USEAC network in assisting small- and medium-sized enterprises. Many such firms, however, are not yet ready to export. Since assisting them can be time consuming, USEACs generally refer them to nonfederal partner organizations that specialize in helping such firms. But no formal mechanism existed for USEAC staff to follow up with firms that had been referred to nonfederal partners. Some USEACs are beginning to use a special program developed by SBA, which is tailored to the particular needs of such firms. Using this partnership program, USEACs can organize federal and nonfederal export-service providers into consortiums that provide firms that are not ready to export with comprehensive export training. USEACs then offer intensive follow-up counseling to those firms that successfully complete the program. Firms participating in this program have become customers for USEAC export promotion and finance services and, ultimately, exporters.

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## Background

The Export Enhancement Act of 1992 authorized the TPCC to establish a national export strategy for the federal government and to update Congress annually on implementation of and revisions to that strategy. In the context of this overall strategy, the act instructed the Commerce Department to use its domestic network of district offices as “one-stop shops” to provide exporters with information on all export promotion and export finance activities of the federal government. Rather than simply require Commerce to ensure that its district offices had the requisite information, the TPCC’s national export strategy recommended that Commerce and two other TPCC agencies--SBA and the Eximbank--join their separate nationwide networks of service-delivery offices into one federal export promotion network of USEACs. This network would co-locate staff from all three agencies.

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These agencies opened 4 pilot USEACs in January 1994 and have expanded the network to 19 USEACs and 84 satellite offices nationwide.<sup>5</sup> The satellite offices, which generally have one or two Commerce staff members, are placed closer to outlying business centers where USEAC clients are often located. (See app. II for a more detailed presentation of the USEAC network.) At the USEACs, Commerce provides export promotion services largely to export-ready small- to medium-sized firms, both directly and with the assistance of District Export Councils, which are comprised of local business representatives who share advice and expertise with firms interested in exporting. SBA provides export finance primarily in the form of export working capital guarantees. It also provides export education services, largely through two quasi-governmental programs, to small firms that are not ready to export. The Eximbank offers a broad range of export financing to exporters. SBA and the Eximbank have worked to harmonize<sup>6</sup> their export working capital programs, the only type of finance where the potential for competition exists. (See app. I for information on the legislative authority for these agencies' export programs and the types of services offered.)

USEACs market their services in various ways--directly to exporters through presentations at export conferences and seminars; by distributing literature, such as brochures or packets of information on their services; and through sites on the Internet's worldwide web. They also market indirectly through formal relationships with organizations, such as the banks that work with SBA and the Eximbank; and informal relationships with numerous state and local nonprofit and private organizations that represent USEAC services to their clients.

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<sup>5</sup>Other federal agencies have limited representation at USEACs. The U.S. Department of Agriculture's Foreign Agricultural Service has staff representation at the Atlanta, Ga., USEAC. The Agency for International Development has staff representation at the Inland Empire, Calif., satellite office of the Long Beach, Calif., USEAC. Commerce's Economic Development Administration has staff at the Portland, Oreg., USEAC.

<sup>6</sup>The agencies agreed to a market segmentation plan that assigned SBA primary responsibility for assisting small businesses whose export working capital needs do not exceed a \$750,000 exposure limit and made the Eximbank responsible for assisting exporters with greater export working capital needs. See our February 13, 1997, report, Export Finance: Federal Efforts to Support Working Capital Needs of Small Business (GAO/NSIAD-97-20).

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## USEACs Coordinate With Other Service Providers in Various Ways

USEAC partners have used coordination as a mechanism for delivering a wide range of export services to clients. Partnerships are encouraged through joint efforts with other federal agencies and nonfederal export-service providers, and co-location of staff.

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## Export Actions Reflect USEAC Cooperative Efforts

For fiscal year 1998, nearly 20 percent of the “export actions” reported by trade specialists at the USEACs through the CMS mentioned a partner as having participated in assisting the client. Many individual export actions mentioned more than one partner. Over 6.7 percent of the export actions involved assistance by another federal agency. These actions mentioned SBA and the Eximbank, as well as the Agency for International Development, the U.S. Department of Agriculture’s Foreign Agricultural Service, and the Trade Development Agency. Over 14 percent of the export actions for fiscal year 1998 mentioned nonfederal partners as having also contributed to the export. These included a wide variety of state, local, quasi-governmental, and nonprofit organizations, such as the Georgia Department of Industry, Trade, and Tourism; the city of Santa Clara, Calif.; BAYTRADE, a quasi-governmental organization that promotes exports in the San Francisco Bay area; and the Maine International Trade Center.

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## Cooperation Among USEAC Agencies

Since the creation of the USEAC network, participating agencies have introduced various measures to promote coordination at the USEACs. For instance, they have encouraged USEAC staff to make “joint counseling” calls on clients. On such a call, staff from more than one USEAC agency would make a joint presentation to a client. When joint calling might not be appropriate, USEAC staff routinely refer clients to each other. In addition, USEAC staff also share information on clients, when appropriate. Commerce has also introduced its Client Management System to the USEAC network. CMS may have the potential to serve as the basis for a USEAC-wide client tracking system that could be shared by all participating agencies. Access to a common database on clients could help participating agencies to better target their services to client needs. As a result of Commerce’s efforts, SBA has decided to use Commerce’s CMS as its client tracking system. SBA is currently working with Commerce to adapt the CMS to meet its needs and train its USEAC staff on the use of the system. Moreover, the Eximbank is considering introducing a client tracking that would be compatible with Commerce’s CMS.

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## Cooperation Between USEACs and Nonfederal Partners

All USEACs coordinate at least some of their export service activities with nonfederal export-service providers. This coordination ranges from joint participation in specific activities to co-location of staff and integration of operations. For example, several staff members of the Seattle, Wash., USEAC made presentations at a trade seminar sponsored by the World Trade Center of Tacoma, Wash., to firms interested in exporting. USEACs and nonfederal partners also refer clients to each other. At the New York, N.Y., USEAC, for example, USEAC staff have told clients to seek assistance at Brooklyn Goes Global, a not-for-profit organization associated with the local Chamber of Commerce that promotes the export of goods and services from Brooklyn. In addition, USEACs may enter into formal memorandums of understanding with nonfederal export-service providers or participate in a partner's board of directors.

Some USEACs are co-located in the same building or office suite with nonfederal export-service providers. For example, the Portland, Oreg., USEAC is located in the World Trade Center with several state export promotion agencies and a nonprofit export-service organization. In addition, the Atlanta, Ga., USEAC has integrated its operations with the Georgia Department of Industry, Trade, and Tourism. At this USEAC, staff roles have been allocated so as to avoid duplication, and staff from both agencies have access to each other's client tracking systems. According to the Atlanta USEAC Director, this arrangement has permitted the participating federal agencies to leverage their staff and extend their reach into the export community.

According to Commerce officials, about 75 percent of all USEACs and satellite offices are co-located with nonfederal partners, such as state agencies and world trade centers. As one of its National Performance Review<sup>7</sup> goals, Commerce pledged to increase that percentage to 100 percent by the end of fiscal year 1999.

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<sup>7</sup>The National Performance Review is a major management reform initiative by the executive branch that is intended to identify ways to make the government work better and cost less.



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## USEACs Seek to Improve Assistance to Firms That Export Services

The TPCC first made a commitment to helping exporters of services in its 1994 National Export Strategy and reaffirmed that commitment in the 1998 update to that strategy. According to the Commerce Department, U.S. service exports in 1998 equaled \$260.3 billion, an increase of about 160 percent from 1988 and about 50 percent from 1993. In 1998, U.S. exports of services represented nearly 28 percent of total exports. The demand for U.S. services is fueled not only by increased foreign demand but also by the decentralization of manufacturing worldwide. U.S. firms need certain services as they seek to establish and maintain manufacturing facilities overseas. At the same time, technology has reduced the cost of providing services on a large scale and allowed them to be produced at a much greater distance from the customer.

Commerce, as part of a wide-ranging effort to strengthen assistance provided to exporters, formed an inter-USEAC Services Team to focus on the needs of service exporters.<sup>8</sup> In fiscal year 1998, about 10 percent of the export actions submitted by Commerce staff at the USEACs were in support of service exporters. The Services Team, which is organized into several industry-focused subteams,<sup>9</sup> found that service exporters sometimes have difficulty using Commerce's export promotion programs, which were largely designed for firms that export goods and are often unavailable or inappropriate for firms that export services. For example, Commerce could not make available adequate, up-to-date, market research for design service firms. Also, service exporters have experienced difficulty using Commerce's Agent/Distributor Service program. This program, which U.S. firms typically use to locate overseas agents or distributors, can be inappropriate for service firms, who might use it to identify individuals interested in licensing a patent or participating in a franchise. USEAC directors, most of whom also stated that many current export assistance programs were not meeting the needs of firms that export services, echoed this finding.

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<sup>8</sup>The Services Team is comprised of Commerce Trade Specialists from the Long Beach, Calif.; and Seattle, Wash., USEACs; USEAC satellite offices, including those in Anchorage, Alaska; Honolulu, Hawaii; Inland Empire, Calif.; Monterey, Calif.; Newport Beach, Calif.; Orange County, Calif.; Reno, Nev.; and San Francisco, Calif.; and overseas posts, including those in Buenos Aires, Argentina; and Ontario, Canada.

<sup>9</sup>Subteams include design services; training, consulting, and education; franchising; professional services; transportation; and travel and tourism.

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In connection with their participation on the inter-USEAC services team, Commerce staff at several USEACs we visited have implemented innovative approaches to assisting firms that export services. For example, the USEAC satellite office in San Francisco is working with firms in the design services industry (including architectural, engineering, industrial, graphic, and new media design) to develop a strategy to promote these firms' exports. This office, in cooperation with the American Institute of Architects, has initiated a series of international videoconferences through which U.S. architects gain market intelligence and give presentations to potential clients. It has also organized firms from a wide range of design sectors into a consortium through which the members can, among other things, (1) pool resources to create more effective marketing tools than would be feasible for any single firm and (2) take advantage of enhanced visibility that the consortium achieves through its own brand name and partnership with large, brand-name corporations.

In another example, the Portland, Oreg., and Seattle, Wash., USEACs are working with two separate groups of colleges to develop strategies for each group to promote the enrollment of foreign students. Like tourism, education provided to foreign students in the United States is considered to be a service export. These USEACs, working with separate groups of colleges, have helped these colleges form consortiums to handle their efforts to attract foreign students in a more cost-effective manner than if each college were to act separately. In Portland, the consortium members to date have begun establishing rules governing participation in the consortium and making proposals for joint efforts. These include developing a consortium web site, obtaining sponsors, and generating consortium publications.

The Portland, Oreg., USEAC has also found ways to use current Commerce programs to assist an organization that does not fit the traditional definition of an exporter. One of the USEAC's clients is a health provider that brings foreign patients into the United States for surgery and related treatments. It arranges for patients and their families to travel to the United States, provides medical care to the patients and meals and lodging for the family, and arranges for their travel home. Like tourism, this health provider's service is considered to be an export. Over the years, this firm has used the Portland, Oreg., USEAC to obtain National Trade Data Bank information and has participated in a Commerce Gold Key program in Hong Kong. Under the Gold Key program, U.S. embassies, for a fee, set up meetings in-country for U.S. firms seeking to meet with, among other things, potential customers, distributors, or agents.

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## Special Program May Hold Promise for Assisting Firms That Are Not Ready to Export

Beginning with its 1994 National Export Strategy, the TPCC has consistently characterized the USEACs as a key element in federal efforts to assist small- to medium-sized exporters and firms interested in exporting. Firms seeking USEAC assistance vary considerably in their ability to export. Commerce staff focuses on firms that are ready to export, and SBA and Eximbank staff provide export financing to firms that already have potential deals. As a result, most USEACs do not work directly with small- to medium-sized enterprises that are not ready to export but show potential. According to USEAC directors, bringing these firms to the point where they are export ready can be very labor intensive and time consuming. In such cases, the USEACs generally refer such firms to SBA-affiliated education programs or to similar state-affiliated or nonprofit export-service providers. Firms that have a viable domestic business are usually referred to a local Small Business Development Center. These facilities, sponsored in part by SBA, can provide the training that such companies need to build exporting into their business plan. Clients that do not meet this test are usually referred to the local Service Corps of Retired Executives chapter, which works with the firm to develop a business plan and to help to create the business processes needed to export. At each of the USEACs that relied on such organizations to assist not-ready-to-export firms, no formal mechanism existed for USEAC staff to follow up with firms that had been referred to education and training programs.

To better serve firms that are not ready to export but show potential, SBA has encouraged the USEACs to adopt a program called the Export-Trade Assistance Partnership (E-TAP). This program, which was developed by the SBA Seattle District Office in the early 1990s, provides a structured mechanism for supplying such firms with comprehensive export education and follow-up export promotion assistance. Essentially, E-TAP involves a comprehensive presentation of “how to” information on exporting to an audience of firms interested in becoming exporters. The E-TAP could be industry specific or could be presented to firms from several industries. While this program was first developed by the SBA District Office prior to the creation of the USEAC network, the Seattle USEAC has adopted it as a primary program for assisting firms that are not ready to export. In addition to Seattle, two other USEACs—Dallas, Tex., and Long Beach, Calif.—have had several years of experience with the E-TAP program. Seven other USEACs have recently used the program on one or two occasions. (App. III contains the agenda for a 1998 E-TAP program sponsored by the Seattle USEAC.)

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While E-TAP programs may differ from location to location, they all involve three essential steps. First, the USEAC assesses its clients who are not ready to export in order to identify firms with the greatest potential to export and encourages them to apply for the E-TAP program. A client's readiness for export trade development is based on, among other things, its management commitment, financial capacity, product qualification (including sales history), market potential, and production capacity. Second, the USEAC forms a consortium of federal and nonfederal export-service providers who present comprehensive, in-classroom training on export matters to these preselected firms. Presenters with whom we spoke indicated that they consider participating in an E-TAP program a worthwhile exercise because it exposes them to potential clients and is a productive way to meet professional requirements that they work with small- to medium-sized firms that might not otherwise be able to obtain their services. Third, the USEAC staff provides one-on-one follow-up assistance to those firms that complete the training and decide to become involved in exporting. Firms pay a fee to participate in the program. Firms successfully completing the program may be permitted to apply a large portion of that fee to obtain a Commerce Department export promotion service, such as the Gold Key service. Firms completing the program also may be encouraged to participate in an overseas trade mission, during which they would meet prospective customers and possibly make sales.

In Seattle, several of the firms that have participated in this program have gone on to export. These include a manufacturer of wastewater treatment facilities that recognized that U.S. firms establishing manufacturing facilities overseas would need its products. At the suggestion of the USEAC, the company sent one of its managers to an E-TAP program in 1994. The company then developed a close working relationship with the Seattle USEAC as it gained experience working with a bank that finances export transactions, learned how to structure export transactions to ensure repayment, and contacted a law firm to handle the legal aspects of exporting. In 1995, the firm used the Commerce Gold Key program to arrange a visit to Singapore where, working with a joint venture partner, it secured its first export sale—a \$750,000 wastewater treatment facility. Exports now represent about 70 percent of the company's total sales. Similarly, a Seattle engineering company decided that, to maintain a steady level of business, it would need to broaden its customer base by expanding to export markets. At the suggestion of the USEAC, this firm's President and Marketing Manager attended an E-TAP program. Subsequent to the program, the firm developed a working relationship with the USEAC and

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eventually made its first export sale. This firm currently works in countries throughout the Caribbean.

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## Agency Comments

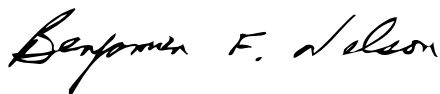
Commerce and SBA provided oral comments on a draft of this report. Both agencies generally agreed with the information and analyses in the report. Commerce characterized the report as well balanced and focused on issues that the USEACs need to address. Commerce also emphasized that it is actively pursuing a strategy for improving assistance to firms that export services and that it supports the use of E-TAP as a method for assisting firms that are not ready to export but show potential. SBA also commented that its USEAC staff would soon be using Commerce's CMS client tracking system. Both agencies provided updated information that has been incorporated in the report where appropriate. The Eximbank did not comment on the report.

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We are sending copies of this report to appropriate congressional committees; the Honorable William M. Daley, the Secretary of Commerce, who also serves as Chairman of the TPCC; the Honorable Aida Alvarez, Administrator of the Small Business Administration; the Honorable James A. Harmon, Chairman of the U.S. Export-Import Bank; and the Honorable Jacob Lew, Director, Office of Management and Budget. We will also make copies available to others upon request.

Please contact me at (202) 512-4128 if you or your staff have any questions about this report. Other GAO contacts and staff acknowledgments are listed in appendix V.

Sincerely yours,



Benjamin F. Nelson, Director  
International Relations and Trade Issues

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**Abbreviations**

CMS	Client Management System
E-TAP	Export-Trade Assistance Partnership
Eximbank	U.S. Export-Import Bank
SBA	Small Business Administration
TPCC	Trade Promotion Coordinating Committee
USEAC	U.S. Export Assistance Center

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# Legislative Mandate for Agencies to Participate in Export Programs

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As discussed in the following paragraphs, U.S. Export Assistance Center (USEAC) efforts to assist exporters are governed by legislation creating the USEAC network, as well as legislation governing the activities of each federal agency participating in the USEAC network. These agencies include the Commerce Department, the Small Business Administration (SBA), and the U.S. Export-Import Bank (Eximbank). Based on legislation, these agencies have developed programs and services, which they market to businesses both directly and indirectly through partner organizations.

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## The Commerce Department

The Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 4721), as amended, outlines the basic responsibilities of the Commerce staff at the U.S. Export Assistance Centers. This legislation requires that they place primary emphasis on assisting small- to medium-sized businesses. Among other things, it instructs Commerce to identify such U.S. businesses with the potential to export goods and services and to

- provide them with information and advice on establishing export businesses;
- provide them with actual leads and an introduction to contacts within foreign countries and information on, among other things, economic conditions, market opportunities, and the legal and regulatory environment within foreign countries;
- assist them in locating reliable sources of business services in foreign countries and in their dealings with foreign governments and government-owned enterprises; and
- assist with the coordination of state and local government and private export-service organizations so as to maximize effectiveness and minimize duplication of effort.

Commerce implements these requirements through a broad array of export promotion programs and activities. These include

- counseling on various phases of exporting, often in conjunction with specific market information and possibly trade leads and referrals;
- market information from region-specific sources, such as the European Union Single Internal Market 1992 Information System; and global databases, such as the National Trade Data Base, which contains a vast amount of information and statistics on many aspects of exporting;
- trade leads and referrals, which seek to provide exporters with specific export sales leads, the opportunity to market products or services



abroad, and an in-country office to conduct business in export markets;  
and

- advocacy made on behalf of U.S. firms to foreign governments and government-owned enterprises.

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## **The Small Business Administration**

The Small Business Act (15 U.S.C. 631), as amended, among other things, created within SBA an Office of International Trade, which was authorized to promote small business exporting. This legislation instructs the Office of International Trade to work closely with Commerce and other export-service providers to assist the small business community by, among other things, aggressively marketing existing pre-export finance programs. The Office of International Trade pursues this requirement through the SBA staff at the USEACs, who devote nearly 80 percent of their time to promoting the agency's Export Working Capital Program and the remaining time to other USEAC-related activities. In addition, the SBA-affiliated Small Business Development Centers<sup>1</sup> provide counseling and in-classroom training, usually through a community college, on a wide range of business topics, including exporting. Similarly, the SBA-affiliated Service Corps of Retired Executives<sup>2</sup> program is composed of retired executives who volunteer their time to counsel small businesses on a wide range of business topics, including exporting.

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## **The U.S. Export-Import Bank**

The Export-Import Bank Act of 1945 (12 U.S.C. 635), as amended, governs the activities of the Eximbank's USEAC staff. This legislation creates the framework guiding Eximbank efforts to provide finance in the form of, among other things, insurance, guarantees, and loans to U.S. exporters. It instructs the Eximbank to promote small business exporting and the use of its programs "in cooperation with the Secretary of Commerce, the Office of International Trade of the Small Business Administration, and the private

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<sup>1</sup>The Small Business Development Center program is a cooperative effort of the private sector; educational community; and federal, state, and local governments to deliver up-to-date counseling, training, and technical assistance in all aspects of small business management. There are currently 57 Small Business Development Centers, with a network of over 1,000 service locations. In 1998, approximately 4.5 percent of those who attended a Small Business Development Center training program or sought guidance from one of its counselors received instruction on international trade matters.

<sup>2</sup>Through the Service Corps of Retired Executives program, which was initiated in 1964, retired executives volunteer to assist individuals who need advice regarding starting or managing a small business. Program management does not maintain reliable information on the extent to which its counselors address trade-related issues.

sector . . . State agencies, chambers of commerce, banking organizations, export management companies, export trading companies, and private industry.” Eximbank staff at the USEACs work with business directly and through two “multiplier” programs: the City/State Program and the Delegated Authority Program. Under the Eximbank’s City/State Program,<sup>3</sup> qualifying state and local governments can provide Eximbank guarantees on a co-financing basis. Under the Eximbank’s Delegated Authority Program,<sup>4</sup> qualifying lending institutions can process and approve an Eximbank working capital guarantee without the need for the Eximbank’s approval.

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## **USEAC Marketing of Programs and Services**

USEACs market their services in various ways. They do so directly to exporters through presentations at export conferences and seminars. For example, USEAC staff use booths at conferences to distribute literature and meet with firms potentially interested in USEAC services. Such literature might include brochures, packets of more detailed information on USEAC services, or book-length publications, such as Commerce’s [A Basic Guide to Exporting](#). They also give presentations at seminars that seek to interest firms in exporting or to inform current exporters of the services available in a metropolitan area.

USEACs also market their services indirectly and on-line. They work indirectly through formal relationships with organizations, such as the finance organizations that participate in the Eximbank’s City/State and Delegated Authority programs. USEACs also work through informal relationships with numerous state and local, nonprofit, and private organizations that represent USEAC services to their clients or refer their clients to the USEACs. Each of the primary USEAC agencies has a page on the worldwide web. These web pages contain a wide variety of information, ranging from “how to” information appropriate for those becoming interested in exporting to more specialized information for the experienced exporter. The Commerce web page also contains links to the web pages of individual USEACs. The primary agencies’ web page addresses are Commerce ([www.ita.doc.gov/uscs](http://www.ita.doc.gov/uscs)), SBA ([www.sba.gov/oit](http://www.sba.gov/oit)), and the Eximbank ([www.exim.gov](http://www.exim.gov)).

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<sup>3</sup>According to the Eximbank, 36 state and local organizations participate in its City/State Program.

<sup>4</sup>According to the Eximbank, 216 lending institutions nationwide participate in the Delegated Authority Program.

# The USEAC Network

Table II.1 illustrates the USEAC network, which is comprised of 19 USEACs and 84 satellite offices. Of the 19 USEACs, 5 have staff from Commerce, SBA, and the Eximbank; the remaining centers have staff from Commerce and SBA. The satellite offices usually consist of one or two Commerce staff members. Nationwide, these satellite offices are aligned with the USEACs in a “hub-and-spoke” formation, although individual USEAC directors may alter the pattern.<sup>1</sup> USEACs are connected through Commerce with the Foreign Commercial Service at U.S. embassies and consulates. They also seek to work closely with the nonfederal export-service providers.

**Table II.1: The Nationwide USEAC Network**

USEAC	Federal agencies	Satellite offices
Atlanta, Ga. (Sunbelt) USEAC	Commerce SBA U.S. Department of Agriculture	Birmingham, Ala. Knoxville, Tenn. Memphis, Tenn. Nashville, Tenn. Savannah, Ga.
Baltimore, Md., USEAC	Commerce SBA	Arlington, Va. Charleston, W. Va. Harrisburg, Pa. Richmond, Va. Wheeling, W. Va.
Boston, Mass., USEAC	Commerce SBA	Marlborough, Mass. Middletown, Conn. Montpelier, Vt. Portland, Maine Portsmouth, N.H. Providence, R.I.
Charlotte, N.C., (Carolinas) USEAC	Commerce SBA	Charleston, S.C. Columbia, S.C. Greensboro, N.C. Greenville, S.C.
Chicago, Ill., USEAC	Commerce Eximbank SBA	Highland Park, Ill. Milwaukee, Wis. Peoria, Ill. Rockford, Ill.

<sup>1</sup>For example, the Atlanta, Ga., USEAC does not have each of its three satellite offices in Tennessee report directly to Atlanta. Rather, the offices in Memphis and Knoxville, Tenn., report to the satellite office in Nashville, Tenn., which reports to the Atlanta, Ga., USEAC.

**Appendix II**  
**The USEAC Network**

<b>USEAC</b>	<b>Federal agencies</b>	<b>Satellite offices</b>
Cleveland, Ohio, USEAC	Commerce SBA	Buffalo, N.Y. Cincinnati, Ohio Columbus, Ohio Louisville, Ky. Pittsburgh, Pa. Somerset, Ky. Toledo, Ohio
Dallas, Tex., USEAC	Commerce SBA	Austin, Tex. Fort Worth, Tex. Houston, Tex. Oklahoma City, Okla. San Antonio, Tex. Tulsa, Okla.
Denver, Colo., USEAC	Commerce SBA	Salt Lake City, Utah Santa Fe, N. Mex.
Detroit, Mich., USEAC	Commerce SBA	Ann Arbor, Mich. Grand Rapids, Mich. Indianapolis, Ind. Pontiac, Mich.
Long Beach, Calif., USEAC	U.S. Agency for International Development (at Inland Empire, Calif., satellite office) Commerce Eximbank SBA	Inland Empire, Calif. Los Angeles, Calif. (downtown) Orange Country, Calif. Phoenix, Ariz. San Diego, Calif. Tucson, Ariz. Ventura County, Calif. West Los Angeles, Calif.
Miami, Fla., USEAC	Commerce SBA Eximbank	Clearwater, Fla. Orlando, Fla. San Juan, P.R. Tallahassee, Fla.
Minneapolis, Minn., USEAC	Commerce SBA	Sioux Falls, S. Dak.
New Orleans, La. (Delta) USEAC	Commerce SBA	Jackson, Miss. Little Rock, Ark. Shreveport, La.
New York, N.Y., USEAC	Commerce SBA Eximbank	Harlem, N.Y. Long Island, N.Y. Newark, N.J. Trenton, N.J. Westchester, N.Y.
Philadelphia, Pa., USEAC	Commerce SBA	Scranton, Pa.
Portland, Oreg., USEAC	Commerce SBA Economic Development Administration	Boise, Idaho Eugene, Oreg. Missoula, Mont.

**Appendix II**  
**The USEAC Network**

<b>USEAC</b>	<b>Federal agencies</b>	<b>Satellite offices</b>
San Jose, Calif., USEAC	Commerce SBA Eximbank	Fresno, Calif. Honolulu, Hawaii Monterey, Calif. North Bay, Calif. Oakland, Calif. Reno, Nev. Sacramento, Calif. San Francisco, Calif. Santa Clara, Calif.
Seattle, Wash., USEAC	Commerce SBA	Anchorage, Alaska Spokane, Wash. Tacoma, Wash.
St. Louis, Mo., USEAC	Commerce SBA	Des Moines, Iowa Kansas City, Mo. Omaha, Nebr. Wichita, Kans.

Source: U.S. Department of Commerce, Office of Domestic Operations, U.S. & Foreign Commercial Service.

# The Seattle USEAC's Export-Trade Assistance Partnership Program

Table III.1 shows the agenda for an Export-Trade Assistance Partnership (E-TAP) program managed by the Seattle, Wash., USEAC during March–April 1998. The sessions were held 7 days apart. The program involved 24 different speakers presenting 24 topics. To attend every session would require a commitment of nearly 22 hours of class time. This E-TAP represents the most recent one managed by the Seattle USEAC for a general (as opposed to single industry) audience.

**Table III.1: Sample E-TAP Program Agenda**

Session contents	Presenter's organization	Duration <sup>a</sup>
<b>Session I – Introduction</b>		
Welcome & introduction E-TAP overview Commitment to exporting Export issues & concerns	Seattle USEAC (SBA)	½ hour
Case study by former E-TAP participant	Private firm	1 hour
SBDC <sup>b</sup> export development programs	Seattle USEAC (SBDC)	¼ hour
Business plans	Seattle USEAC (SBA)	1 ¼ hour
Credit risk: due diligence	Seattle USEAC (Export Finance Assistance Center of Washington) <sup>c</sup>	¾ hour
<b>Session II – Marketing</b>		
Product and market research International pricing	Private firm	1 ¾ hour
International sales options	Consulting firm	2 hours
<b>Session III – Marketing</b>		
Commerce programs and services	Seattle USEAC (Commerce)	1 ¼ hours
International trade shows	Washington State International Trade Fair	1 hour
International culture and politics	Consulting firm	1 ½ hours
Legal issues	Private law firm	1 hour

**Appendix III  
The Seattle USEAC's Export-Trade  
Assistance Partnership Program**

<b>Session IV – Legal and finance</b>		
International methods of payment	Bank	1 hour
Local banking services	Bank	½ hour
SBA's and Eximbank's Export Working Capital programs	Seattle USEAC (Export Finance Assistance Center of Washington) <sup>c</sup>	½ hour
Specialized export finance and risk enhancement programs Insurance	Seattle USEAC (Export Finance Assistance Center of Washington) <sup>c</sup>	¾ hour
<b>Session V – Tax, export documentation, and transportation</b>		
Tax issues	Accounting firm	1 hour
Air freight forwarding	Freight forwarder	1 hour
Ocean service freight forwarding	Freight forwarder	¾ hour
Insurance	Insurer	1 hour
<b>Session VI – Financial plan and wrap-up</b>		
Developing your financial business plan	SBA Seattle District Office	2 ¾ hours
Washington State government's international trade programs	Washington State Departments of Community, Trade and Economic Development; and Agriculture	½ hour
Next step/wrap-up	Seattle USEAC (Commerce)	¼ hour
Reception	Sponsored by accounting firm	

<sup>a</sup>All times are approximate.

<sup>b</sup>The Small Business Development Center (SBDC) in Seattle is located within the USEAC.

<sup>c</sup>The Export Finance Assistance Center of Washington, a state government export finance agency, is located within the Seattle USEAC.

Source: U.S. Export Assistance Center, Seattle, Washington.

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# Objectives, Scope, and Methodology

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At the request of Senator Gordon Smith, we examined activities of the USEAC network. Specifically, we sought to identify the nature of coordination among the federal agencies participating in the USEAC network and between these agencies and nonfederal export-service providers. We also sought to identify USEAC assistance to firms that export services and to firms that are not ready to export but show potential and interest in doing so.

To obtain background information on the USEAC network, we interviewed staff of the Trade Promotion Coordinating Committee (TPCC) Secretariat; Commerce, SBA, and Eximbank headquarters officials; the Commerce Office of the Inspector General; and staff at trade associations with an interest in USEAC operations. We reviewed documents provided by these organizations and reviewed legislation governing the creation of the USEAC network and the programs and services of participating federal agencies. We also obtained information on the location of all 19 USEACs and 84 satellite offices, lines of authority among them, agencies participating at each site, and the affiliations and activities of nonfederal partners at each site.

To determine the nature of coordination among USEAC agencies and cooperation with nonfederal export-service providers, we visited the USEACs in Atlanta, Ga.; Baltimore, Md.; New York, N.Y.; Portland, Oreg.; San Jose, Calif.; and Seattle, Wash. There, we obtained up-to-date information from the USEAC, as well as other export-service providers and clients recommended by USEAC staff, regarding the level of coordination among the USEAC partners and the nature of their cooperation with nonfederal export-service providers. These USEACs were selected based on geographic location, availability of resources, and the relevancy of one or more aspects of their operations to issues being addressed in this review. We conducted a telephone survey of directors at USEACs we did not visit to obtain information on the nature of their cooperation with nonfederal export-service providers and sought information on their most significant accomplishments in cooperation with such export-service providers. We also analyzed “export actions” submitted to Commerce’s Client Management System (CMS) by its USEAC staff to identify those that mentioned participation by another export-service provider. Of the 6,009 export actions, 1,196 (19.90 percent) mentioned assistance from a partner export-service provider. We obtained information regarding Commerce’s operation and use of CMS, and Commerce staff views on the validity of the information generated through the system but did not independently test CMS’ accuracy or completeness.



To determine the status of USEAC efforts to provide assistance to firms that export services, we first obtained information on the service industry. During our visits to the USEACs in Atlanta, Baltimore, New York, Portland, San Jose, and Seattle, we obtained up-to-date information from the USEAC, other export-service providers, and clients (including several service exporters), regarding USEAC efforts to assist firms that export services. In our telephone survey of directors at USEACs we did not visit, we asked them to identify Commerce export promotion programs that are relevant to firms that export services and provide their overall opinion of whether they have the tools to help these firms and, if not, what needs to be done to strengthen Commerce assistance to such firms. We also analyzed “export actions” submitted to Commerce’s CMS by its USEAC staff to identify those that dealt with assistance provided to service exporters. Of the 6,009 export actions that we analyzed, 636 (10.58 percent) involved assistance to firms that export services.

To determine the status of USEAC efforts to provide assistance to firms that are not yet ready to export, we obtained information from the Service Corps of Retired Executives and the Small Business Development Center headquarters offices regarding their services, nationwide network of sites, and cooperation with the USEACs. During our visits to the USEACs in Atlanta, Baltimore, New York, Portland, San Jose, and Seattle, we obtained up-to-date information from the USEAC, other export-service providers, and clients regarding USEAC efforts to assist firms that are not ready to export. We focused on this objective during our visit to Seattle, where we obtained in-depth information on that USEAC’s E-TAP program from USEAC staff, presenters, and participating firms. In our telephone survey of directors at USEACs we did not visit, we asked them to identify the services they use to assist firms that are not ready to export, including an E-TAP program, and to comment on the relative success they have had with each.

We did our work from August 1998 to June 1999 in accordance with generally accepted government auditing standards.

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# GAO Contacts and Staff Acknowledgments

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## GAO Contact

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