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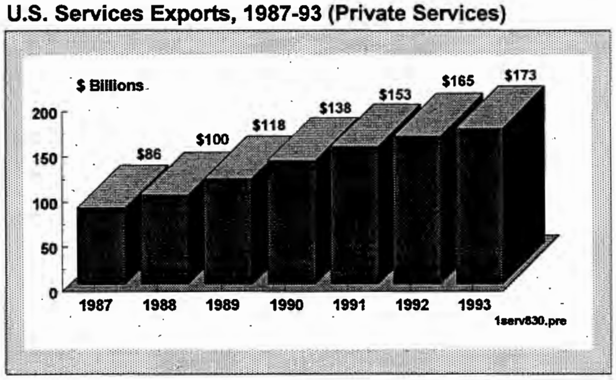
Focusing on New Opportunities

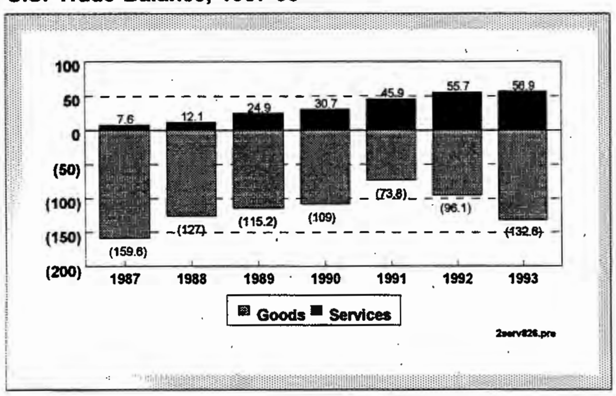
Services Exports

The fastest growing sector in the U.S. economy is services. It includes banking and insurance, travel, entertainment, wholesale and retail trade, legal and other business services, information, telecommunications, healthcare, education, transportation, energy and environmental services, as well as architecture, construction, and engineering services, and others. The United States is the world's leading producer and exporter of services, which account for over half of U.S. production ($3.4 trillion in 1993 GDP) and roughly 75 percent of non-farm private employment (almost 68 million jobs).

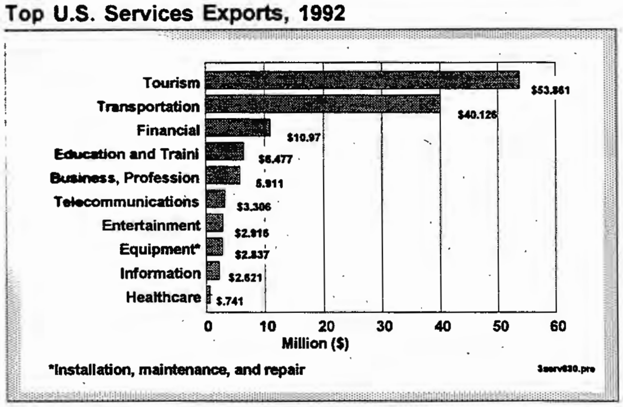
U.S. Services Exports, 1987-93 (Private Services)



U.S. Trade Balance, 1987-93



Top U.S. Services Exports, 1992



Expanding support for our services exports in many of these industries through a coordinated interagency effort will be a major focus of our trade promotion agenda over the coming years. Our exports of services have increased markedly in recent years, from almost $86 billion in 1987 to $173 billion in 1993. Yet these exports are only a small fraction of their potential.

Importance of Service Industries to the U.S. Economy

The $56.9 billion surplus in private sector services trade in 1993 offset over 40 percent of the year's $132.6 billion goods trade deficit. The chart below shows the top 10 services exports in 1992, the most recent year for which data are available.

The service sector is a major source of jobs and job growth for our economy. Payrolls for non-governmental services have almost doubled over the last two decades, with almost 30 million more employees in 1992 than in 1972. These additional jobs accounted for much of the gain in private sector employment during this period. Moreover, much of the new job growth that is forecast to occur in the United States between 1990 and 2005 is projected to occur in the services sector.

Assessment of U.S. Competitiveness in Services

U.S. services are highly competitive. Our primary markets are the European Union ($52.4 billion in exports in 1992, up 16 percent from 1991), Japan ($25.6 billion in 1992, up from $24.3 billion in 1991), and Canada ($17.6 billion in 1992). Significant opportunities for export growth exist in many of the world's fastest growing economies in Asia, Latin America, and Eastern Europe. Our services exports to Mexico, for example, are expected to grow even faster than the 19 percent annual growth rate of the last five years.

Barriers to Export

U.S. service companies face numerous foreign government barriers that restrict their ability to do business or invest in these markets on an equal basis with domestic service providers. Barriers include restrictive trade and investment rules, controls on international transfers of technology, discriminatory government procurement policies, lack of intellectual property rights protection, prejudicial tax structures, and more recently, incompatible environmental, and health and safety policies. Internal regulations, rather than tariffs, are often the principal barriers to trade in services. Some internal regulations discriminate against foreign service providers by imposing requirements on them which domestic companies do not have to meet. Discriminatory requirements, which often violate the principles of national treatment, are the most severe barriers to services trade.

Among the most harmful discriminatory foreign government rules affecting U.S. service providers are those on right of establishment and controls and requirements on technology transfers of industrial and marketing know-how. In addition, our firms are hampered by controls on cross-border transfers of advertising services, architectural, construction and engineering services, and entertainment services. Other limitations take the form of "cultural content" quotas, such as quotas that limit the amount of foreign-produced programming or advertising entering a market; government-imposed "economic needs tests"; export performance requirements that mandate minimum ratios of production for exports; "set aside" quotas for host-country content in selected services; and subsidies to benefit priority growth sectors.

Standards for environmental, public health and safety, or national security also act as trade barriers if they are applied in a discriminatory manner so as to provide an unfair advantage to domestic industries or to deny national treatment to foreign-owned or -operated businesses. U.S. service providers in the legal, health, accounting, and banking professions most often face discriminatory standards which restrict, if not prohibit, their ability to do business or invest in foreign markets.

Export Promotion Strategies

Our export promotion strategy for services will consist of the following elements:

- Increasing access to foreign markets
- A focus on traditional and new emerging markets
- Technical assistance
- A focus on key sectors
- Better market analysis
- Improved interagency cooperation

Access to Overseas Markets

The first step to an aggressive services export promotion campaign is to ensure that overseas markets are truly open to competition. Addressing foreign market barriers to services exports through bilateral and multilateral market-opening initiatives has been a key element of the Administration's trade policy. It is imperative that the United States continue its aggressive negotiating strategy to open foreign markets.

We have made great strides in reaching trade agreements to reduce barriers to trade in this sector. Three agreements concluded over the past year with potentially the most far-reaching positive impact on U.S. service exporters are:

- **The North American Free Trade Agreement (NAFTA)** opens many markets for services, such as business and professional services, and addresses—for the first time—the need for trade secrets protection and harmonized standards to facilitate trade between the United States, Canada, and Mexico. NAFTA will enable a U.S. company to establish and operate a business on the same terms as national firms. Service providers no longer have to be established in Mexico to hire additional nationals, accept limits on the range of services offered, or restrict the size of the affiliated firm in Mexico. The agreement eliminates economic needs tests, preconditions, and export performance requirements for foreign investors.
- **The General Agreement on Trade in Services (GATS)**, part of the Uruguay Round package, provides for most-favored-nation treatment, national treatment, market access, transparency, and the free flow of payments and transfers. Rules in the framework agreement are augmented by sectoral annexes dealing with issues affecting financial services, movement of persons, and basic telecommunications services.

- **The General Agreement on Tariffs and Trade Agreement (GATT) on Trade Related Intellectual Property Rights (TRIPs)**, also part of the Uruguay Round package, obligates all members to provide strong protection for copyright and related rights, patents, trademarks, trade secrets, industrial designs, geographic indications and layout designs for integrated circuits.

Two current bilateral negotiations are particularly important. China seeks accession to the GATT and is negotiating to facilitate its entry. Progress could lead to further market-opening reforms. The same is true for the U.S.-Japan Framework talks. They are currently focused on insurance, but will be expanded to include broader financial services issues.

Focus on Traditional and New Emerging Markets

The existing trade agreements and continued efforts led by the Office of the U.S. Trade Representative (USTR) will provide better market access to services companies. We need to build on our negotiating efforts through a strong services export development program, which we plan to begin this year. A sharper global services focus requires that our strategy address the differing levels of market development and sophistication. Our efforts must recognize that traditional markets will remain the export mainstay of U.S. services firms; however we must cultivate new opportunities in new emerging and transitional markets.

Traditional Markets: Traditional markets of opportunity for services include Europe and Japan, which continue to have high potential for U.S. exporters. Under NAFTA and GATT, services trade in traditional markets will be covered by new market-opening agreements. Therefore, our primary focus will be on assisting U.S. companies through specific negotiations on an industry-by-industry basis. Here are some specific examples of assistance we are providing:

- **Information Technologies:** The United States is engaged in international dialogues to promote competition, provide open access, and create a flexible regulatory framework in developing a Global Information Infrastructure (GII). The GII will be composed of local, national, and regional networks. As the "network of networks," the GII will facilitate the global sharing of information, interconnection, and communication—creating a global information marketplace. As a cooperative effort among countries, the GII will afford economic and social benefits to all participants, ranging from job creation, economic growth, and infrastructure improvements to advanced services at lower prices for consumers.

U.S. information technology providers will showcase their products and services for trade at the World Trade Efficiency and Technology Exhibition in Columbus, Ohio, October 17-21 1994. Coordination of conference activities is being directed by an inter-agency Secretariat based at the Department of State. In addition, the Secretary of Commerce Ron Brown will be host minister. The Conference is designed to encourage more efficient trade, at lower costs to traders, through the application of modern information technology and trade practices, and the development of a global computer network for trade. For the first time, business people will be able to find customers, transportation, and financing, clear customs and access all U.S. Government agencies from their computer.

Numerous agencies are cooperating on activities that will benefit providers of information technology services. For example, the Commerce Department's Patent and Trademark Office is leading U.S. Government efforts to ensure that Japan does not enact measures to undercut the position of U.S. firms in the packaged computer software market. In addition, a number of trade promotion events are planned for telecommunications, computer and information services in Europe and Japan through September 1995.

- **Air Transport:** This industry has potential for growth in most markets, but faces highly restrictive regimes put in place by trading partners. Although emerging markets in the Americas and Asia represent significant opportunities, the economic focus of international operations of U.S. carriers remains on major European markets and Japan, reflecting the strong link between air transport services and tourism revenues and the export of high value goods. The Departments of Transportation and State lead the U.S. effort to liberalize international aviation services.
- **Insurance:** Highly competitive U.S. insurance providers would be able to expand substantially their presence in the Japanese market if they were not prohibited from differentiating their products on the basis of price and content. Under the U.S.-Japan Framework process, USTR has been leading interagency efforts to negotiate an agreement that is designed to remedy discriminatory practices and liberalize Japan's over-regulated insurance market to ensure that the potential of U.S. providers in this market is fully realized.
- **Other Financial Services:** With the increased awareness of demand in foreign markets and opportunities for export sales of financial services, there is a growing interest in marketing U.S. mutual funds abroad, to take one example. We will continue work with the Securities and Exchange Commission and the private sector on the development of a harmonized reciprocal recognition of mutual funds between the United States and Europe.

Japan also offers tremendous opportunities for U.S. firms if restrictions are lifted in such areas as pension funds, mutual funds, securities, and commercial banking. The Treasury Department—in the context of U.S.-Japan Framework talks—is leading interagency efforts to seek enhanced opportunities for skilled pension and mutual fund managers, U.S. experts in commercial banking, and securities entities offering new and innovative products.

- **Entertainment:** For both Europe and Japan, we will also assure that U.S. companies benefit fully from trade liberalization. Protection of intellectual property will be of primary concern for such industries as entertainment and information services. Future events such as a mission to Western Europe for educational and other video tapes (September 1995) and direct marketing in Japan (October 1994) are planned.

New Emerging Markets: Countries with emerging markets need to develop those services sectors so essential to their economic growth and prosperity. As in our traditional markets, multilateral and bilateral negotiations to break down trade barriers are critical. But because a good deal of the commercial infrastructure in which services are delivered is missing in many emerging markets, a broader cooperative program between the United States and these countries, including technical assistance, is often necessary.

We will be giving primary attention to a number of key service areas with the greatest potential, such as energy, distribution, financial, healthcare, and business services.

We have already begun in a number of countries:

- **China:** We will concentrate trade missions on key areas such as insurance, distribution services (retailing, wholesaling, and franchising), energy services, and information services. Technical seminars will continue to be offered, and Chinese missions to the United States will be supported to encourage the Chinese to develop their services sectors. Other activities will include conferences in the United States to focus on opportunities for marketing different services.
- **South Africa:** We will concentrate on important areas such as housing, healthcare, investment/financial services, energy services, and infrastructure development.
- **Latin America:** We will develop export promotion initiatives directed at key service sectors in Brazil and Argentina, including healthcare and information services.

In these emerging markets, we have begun pilot efforts in the past year to promote trade through missions and participation in bilateral commercial initiatives such as the U.S.-China Joint Commission on Commerce and Trade and the South Africa Task Force. In addition to selling missions, we will lead fact-finding missions on market access to promote U.S. industry interests.

Recent successful trade events demonstrate the potential benefits that can accrue to U.S. services companies through such efforts. Insurance missions to Argentina (October 1993) and to China and Hong Kong (May 1994), and an electric power energy services mission to China (July 1994) have already helped open those markets to additional U.S. companies. Similar missions for other services industries are planned for the coming year: South Africa (insurance, healthcare, and electric power services in mid-1995), Mexico and Brazil (healthcare in mid-1995), and China (information services in October 1994, distribution services in February 1995, and electric power environmental services in April 1995).

Opportunities for services firms also exist in markets undergoing economic transition, such as the Newly Independent States and Eastern Europe. Currently, we are working with U.S. healthcare providers to take advantage of immediate opportunities in these markets. We will actively work with U.S. service industries and the governments of transitional economies to identify other opportunities and devise trade development strategies.

Technical Assistance for Services

As privatization and trade liberalization initiatives take hold in emerging markets, the need for a services infrastructure will grow to support economic expansion. This includes financial services, accounting, and other business services which are the foundation of commercial development. A pressing need, especially for emerging private enterprises, is acquiring the needed know-how in services. In response, the private sector has already begun extensive training.

Over the next year, we will be determining ways in which we can contribute to these efforts. We are considering developing a technical training program in cooperation with the U.S. private sector as an effective means to favorably influence future foreign market needs and decision-makers toward U.S. products and services. While some official U.S. and foreign technical assistance programs currently target state-owned or controlled entities, this technical assistance program would focus on private commercial producers of goods and services in emerging markets. The number of these producers, steadily increasing because of privatization trends, represents a vast business potential for U.S. exports.

Sectoral Strategies

In addition to a focus on geographical markets, increasing U.S. service exports requires strategic planning for a wide variety of service sectors. Such planning has already begun in two sectors.

Energy Services: In the next decade, half of the worldwide demand for energy efficiency and energy conservation technologies is expected to come from emerging markets.

These economies will accelerate the exploitation of new energy sources and construction of related infrastructure to fill the gap between supply and demand of energy. Despite their efforts to accelerate the pace of installing new capacity and even more ambitious plans for building new plants through the end of this century, there appears to be almost no chance that expanded supply will catch up with projected demand. As a result there is great potential for U.S. companies in this sector. The need to overcome energy bottlenecks will open new opportunities for U.S. firms and provide long-term markets for the services sector.

Services companies that will help growing economies reduce operating costs and increase competitiveness will include those specializing in energy efficiency, safety, design engineering, training, management, analysis of upgrades, consumer interface, maintenance, technical support, resource management, utility project development, project finance and development of new power projects. This will also include Demand Side Management and Energy Service Companies.

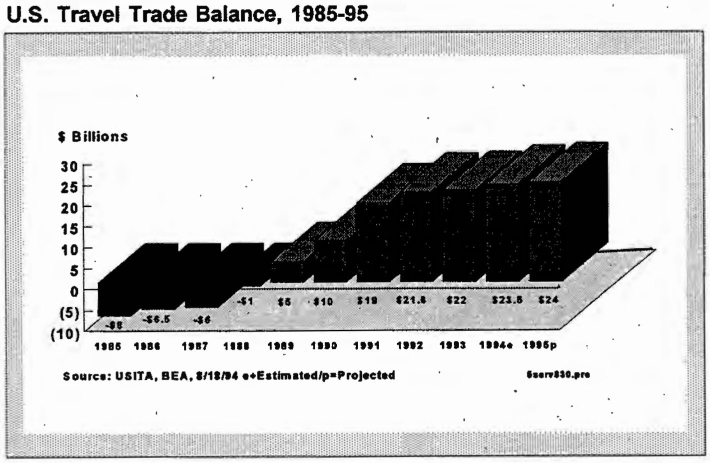
The Department of Energy, the Environmental Protection Agency, and the Department of Commerce have begun a coordinated effort to address opportunities for U.S. business presented by this growth. We are establishing an Energy Services Subgroup of the Services TPCC Working Group that will focus specific export promotion efforts on the $8 billion annual energy services market.

Tourism: International tourism to the United States is the largest business services export and the third largest export overall, ranking only behind capital goods and industrial supplies. It is one of the largest U.S. exports in terms of dollars. In 1993, travel and tourism helped cut the U.S. trade deficit by more than $22 billion. Projections show that the number of travelers to the United States will continue to grow, keeping international tourism as a top U.S. export into the 21st century.

Historically, the United States has enjoyed a large share of the international tourism market, but we cannot expect to retain our current market share without planning strategically to remain competitive. In response to that challenge and to fulfill recommendations of Vice President Gore's National Performance Review, the Tourism Policy Council[1] is completing a federal strategy for tourism development. Tourism development encompasses a number of activities in addition to the promotion of the United States as a destination. It includes: research on the interests of potential visitors to the United States; traveler safety and security programs; services to facilitate the entry of tourists to this country; the development of a tourism infrastructure (e.g., hotels, airports); and education and training. The strategy designed by the Council will propose ways to apply federal resources to tourism development in a more coordinated, effective, and responsive manner.

A White House Conference on Travel and Tourism, to be held in late 1995, will provide the states, cities, industry, and the federal government the opportunity to develop a national tourism development strategy. This national strategy will build upon the strategy developed by the Council. It will focus on marshalling the full resources of the public and private sectors at both the local and national level to increase the U.S. share of the global tourism market.

U.S. Travel Trade Balance, 1985-95



Market Analysis: Analyzing Services in Foreign Markets

Spurred by the rising importance of services trade issues, U.S. statistical agencies have improved the scope and quality of U.S. services data over the last decade. Nevertheless, current statistical methods fail to provide information that exporters need to conduct their marketing programs. The lack of detailed data limits our ability to analyze foreign markets for export promotion purposes. U.S. services companies do not have access to the kind of data available to goods exporters—such as market trends—which help in planning export strategies. Also, our trade data fail to capture the fact that services generally facilitate the sale of goods. For example, architectural and engineering studies often lead to contracts for construction.

Moreover, our current services statistics lack timeliness, specificity, coverage, and comparability among the various service industries. For example, data for services are available for 31 broad categories of activity in comparison to the 15,400 categories available for goods. Since services data are more aggregated, it is difficult to distinguish international transactions for specific industries and markets.

1Member organizations are the Departments of Commerce, Interior, Agriculture, Transportation, State, Energy, Labor, the Office of Management and Budget, the Small Business Administration, the Tennessee Valley Authority, the Corps of Engineers, the Immigration and Naturalization Service, the U.S. Customs Service, and Amtrak.

An expanded information base is critical to U.S. Government activities supporting American service industries in an increasingly competitive world market. To improve the analytical underpinning of our export promotion and related trade policy activities, we intend to ensure:

- That sufficient resources be dedicated to analyzing market trends overseas and developing market opportunities for service industries and that separate reporting requirements be established for ongoing analysis of services by our embassies.
- That the new benchmark survey of financial services transactions, by the Commerce Department is carried out to provide much-needed data on U.S. exports and imports of fee-based and commission-based financial services.
- That through the Commerce Department, steps be taken to make available added detail on the specific types of services traded with multinational firms, similar to that now provided on transactions between unaffiliated U.S. and foreign persons, in such important areas as financial, telecommunications, and business services.

Interagency Cooperation

We can do a better job of coordinating the support we provide U.S. service exporters throughout the federal government. Mounting such an effort, however, is an interagency challenge that involves (a) data collection; (b) identifying the necessary expertise in specific sectors; and (c) developing effective ways to communicate with the private sector. We have convened a TPCC working group composed of agencies whose expertise is necessary to the implementation of a strategy for services trade promotion. This group will assist in the formulation of trade development activities in traditional markets and export promotion strategies in emerging markets.

Focusing on New Opportunities

Trade Finance

During the last year, we identified two new major trade finance areas where U.S. Government actions could relieve market gaps or imperfections which, if eliminated or reduced, would clear the path for increased exports. Set forth below is a discussion of these market imperfections and gaps along with the steps we propose to take in the coming year to eliminate them. These include the areas of project finance and untied aid. In addition, under the leadership of the Overseas Private Investment Corporation (OPIC), we have begun to explore the links between foreign investment and trade; this section also reports on that effort.

Project Finance

Project finance, or limited or non-recourse financing, is a type of financing where repayment is based primarily on the revenue flow of the project funded, rather than sovereign or other participants' guarantees. Project finance has become a significant method of funding major projects and increasing U.S. exports, particularly in emerging markets where private sector investment in public infrastructure is a priority. The size of the market, though difficult to quantify, is estimated at roughly $200 billion per year. While a portion of the funding requirements for project finance will be sourced from the private sector, a large share will have to be provided by creditor nations through their governments and by international institutions.

In order to help U.S. firms compete successfully for these major projects and match our major competitors' project financing capabilities, we need to strengthen our own capabilities. Two U.S. Government agencies, OPIC and the Export-Import Bank of the United States (Ex-Im Bank), are already arranging project finance to support U.S. exporters.

OPIC: Demand for OPIC services has continued at an unprecedented pace. To meet this demand, OPIC increased its per project financing limit from $50 million to $200 million as recommended in our 1993 Report, quadrupling the amount of financing available on any given project. It also doubled the per project limit for its insurance program from $100 million to $200 million. The higher per project limits have made support available for more than 15 projects that OPIC might not otherwise have been able to support. These projects were primarily in the areas of power and

OPIC'S HIGHER PER PROJECT LIMIT RAISES PROJECT FINANCE SUPPORT

OPIC's new $200 million per project limit has already paid off. This fiscal year, OPIC will provide more than $1.5 billion in financing compared to the $415 million it provided last year. Finance projects supported by OPIC in FY 1994 should produce some $3.3 billion in U.S. exports over the first five years of the lives of the projects. Additional appropriations for FY 1995 should allow total financing to increase to over $2.5 billion.

energy, telecommunications, and transportation.

Ex-Im Bank: Ex-Im Bank is committed to establishing a world class program in limited recourse project finance. Since historically most projects were sponsored by the government in a given country, Ex-Im Bank's experience has been greater in lending to projects with sovereign guarantees. As developing nations turn away from sovereign-guaranteed borrowing, Ex-Im Bank's project financing program, including a Project Finance Division established this year, will help U.S. exporters compete in new international growth industries such as the development of private power and other infrastructure. In FY 1993, Ex-Im Bank's International Lending divisions authorized over $600 million for projects in a number of markets, including the Philippines, Thailand, and Peru. As of mid-August 1994, the new project finance division has 18 active cases totalling approximately $4.9 billion (not including cases pertaining to the former Soviet Union).

Even though OPIC and Ex-Im Bank have different missions and Congressional mandates, the potential for overlap exists. Accordingly, we will establish a formal process to address issues of possible duplication among agencies. As part of this process **[a permanent inter-agency working group]** will:

- Review confidentiality barriers between U.S. Government agencies to ensure a free exchange of information, and to coordinate project finance requests and analyses. This will assist the coordination of financing actions by OPIC, Ex-Im Bank, the Trade and Development Agency (TDA) and the Agency for International Development (AID).
- Clarify the respective roles and responsibilities of the various parties in specific projects. This will facilitate a united U.S. Government position on each project for which financing is sought.
- Monitor the demand for project financing to assess adequacy of current staffing and budget levels.

Untied Aid

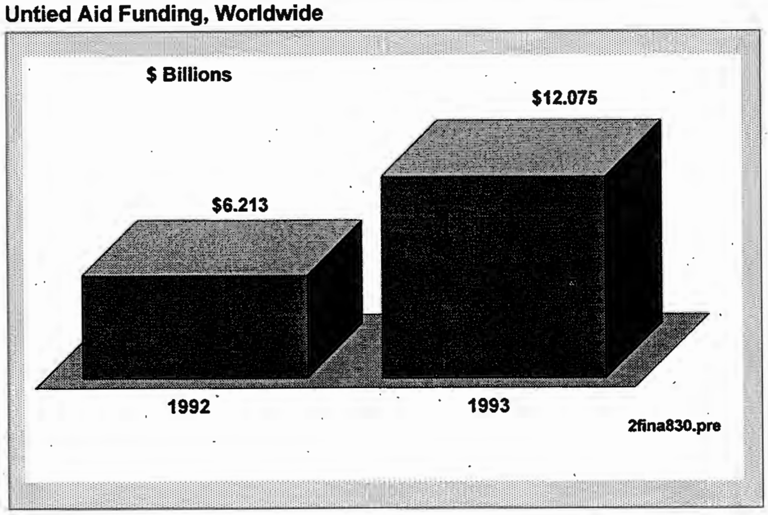
Longstanding U.S. Government policy has been to seek to eliminate the practice of trade-distorting tied aid credits. Tied aid credits are concessional loans and/or grants that are only available to recipient governments if they procure equipment in the donor country. Tied aid credits have decreased dramatically since 1992 (from $15.41 billion in 1992 to $6.95 billion in 1993). The decrease followed the adoption of new tied aid guidelines approved by the Organization for Economic Cooperation and Development (OECD) and the U.S. Government's subsequent aggressive enforcement of the guidelines. The guidelines make many new aid projects ineligible for tied aid financing and therefore open them to international commercial competition.

Under the new guidelines, trade distorting tied aid is no longer permitted for any projects in wealthier developing countries such as Brazil, Mexico, Venezuela, and Korea. Furthermore, the guidelines stipulate that for all other developing countries except the very poorest, projects that service financing on market-related terms, such as those provided by Ex-Im Bank and other official export credit agencies, are also no longer eligible for trade-distorting tied aid. This restriction applies to many projects in highly competitive sectors like electric power, telecommunications, and manufacturing. The OECD guidelines therefore provide many new opportunities for U.S. exports in the developing world's fastest growing markets such as China, India, Indonesia, and Thailand.

The use of untied aid, however, has substantially increased since 1992. Untied aid credits are concessional loans and/or grants provided to developing (recipient) countries to finance purchase of needed capital goods and services imports. The provision of untied aid differs from "tied aid" in that it is not contingent upon the purchase of goods and services from the donor country—instead procurement is open to international competition. Also, donor countries may not condition future aid on current project procurement from the donor country. Most of the OECD guidelines do not apply to untied aid because if properly administered, such aid should not create trade distortion.

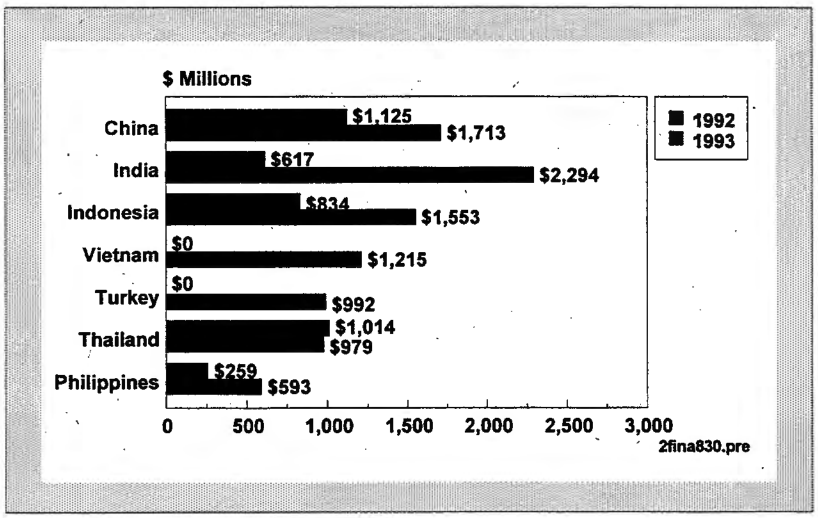
Untied aid offers in 1993 increased almost two-fold over the previous year's level—from \$6.2 billion to \$12.1 billion. The increase in untied aid notifications was attributable almost exclusively to Japanese aid financing, virtually all of which was notified as untied. Only a small part of the increase represented a shift from previously tied aid to untied aid. The vast majority of the increase is attributable to expanded untied aid notification requirements under the OECD guidelines and increases in overall Japanese aid flows. Roughly two-thirds of the untied aid in 1993 was provided in the key sectors of telecommunications, transportation, and electric power, with a significant concentration in Asian markets (roughly 75 percent).

Untied Aid Funding, Worldwide



Unlike the case of tied aid, where the U.S. Government seeks to limit its use, our approach to untied aid is to ensure that these aid programs afford U.S. exporters a fair opportunity to compete for such projects. With the increasing number of projects financed by untied aid, there is a need to ensure that American companies have easy and timely access to bidding information on untied aid financing offers. We are aware of a number of cases in which U.S. firms successfully competed for Japanese untied aid financing. This anecdotal evidence is encouraging but not comprehensive enough to dispel concerns of U.S. exporters that untied aid financed procurement may not in every case be truly open.

World Untied Aid, By Top Recipient Nations



Success in this area centers on improved information on specific projects and general program transparency. Better information will not only help U.S. exporters compete, but improved transparency will also help limit the possibility for new or existing untied aid programs to be designed and/or administered in a way that would inhibit international competition. In this regard, we are working within the OECD for improved government-to-government information sharing on untied aid programs.

There is an immediate need for better commercially oriented information on untied aid offers. The ability of U.S. exporters to compete in untied aid bidding would be strengthened by U.S. Government efforts to gather and publicize new untied aid project information and bidding procedures early in the project development process and to follow up on procurement results. We have identified several ways to improve information on untied aid programs by creating an independent information gathering and reporting infrastructure on untied aid practices. They include:

- Development of a comprehensive and systematic untied aid information and intelligence gathering, collection, and reporting system. This system would gather and maintain a repository of untied aid data on a regular basis to learn about planned projects at all stages of development in both the donor and recipient countries and systematically disseminate this information to U.S. commercial interests.
- In the donor countries, our embassy commercial officers should be specifically assigned and trained to develop contacts with the relevant govern-

ment agencies/officials to learn about official development assistance (ODA) developments, geographic regions and sectors of ODA focus, feasibility study needs, and timing of bids on feasibility studies and projects.

- In recipient countries, commercial staff should be specifically assigned and trained to develop contacts in development planning agencies and public utilities and other entities to identify infrastructure needs and expected ODA requests and/or offers.

Trade and Investment

Foreign direct investment plays an integral role in creating U.S. jobs and exports and generating economic growth. In the long run, investment and the exports that result will help U.S. business develop and access new and large emerging markets. This guarantees long-term economic prosperity and supports U.S. foreign policy objectives throughout the world. In developing countries and emerging market economies, trade and investment will help achieve sustainable development and build the capacity for specific countries to import more U.S. goods and services. Through the coordinated initiatives that comprise our National Export Strategy, the U.S. Government is now better positioned to assist the American business community in identifying opportunities overseas, bidding successfully, financing trade and investment projects and, ultimately, competing more effectively.

Exports Follow Investment

Most international trade takes place not just between countries but between multinational companies and their overseas subsidiaries. For example, one-third of U.S. exports goes to subsidiaries of American-owned operations overseas. This is because U.S. subsidiaries usually look to their parent companies and U.S. suppliers first when purchasing capital goods and production inputs.

Global foreign direct investment flows expanded rapidly throughout the 1980s at a faster rate than world trade and forged a major pathway for world economic integration. The surge occurred primarily in the second half of the 1980s with most of the flows directed toward developed countries. As a result, the U.S. export sector has expanded rapidly over the past several years. This growth in exports accounted for a notable part of the growth in the U.S. economy between 1988 and 1991.

Some people argue that foreign manufacturing by U.S.-based multinational companies replaces domestic production. On the contrary, evidence indicates that over the years, foreign direct investment has increased the

"American overseas business investment strengthens the U.S. economy by improving American competitiveness in the international marketplace. It also helps less developed nations expand their economies and become valuable markets for U.S. goods and services, which in turn increases U.S. exports and creates American jobs."

Ruth Harkin, President, Overseas Private Investment Corporation, remarks before the Senate Appropriations Committee, May 24, 1994

volume of American exports. Foreign investments create a market for exports where local productive capacity simply cannot meet local demands. In addition, foreign investment helps popularize U.S. trademarks and brand names as well as customize products to local needs. Investment is advantageous when exports alone cannot support the kind of service and distribution networks necessary to penetrate the market. Transportation and market costs often prevent multinational companies from competing effectively. For many U.S. industries, the only way to maintain competitiveness in overseas markets is to invest and establish a presence.

There is considerable evidence that U.S. firms with affiliates abroad are more competitive and export more than U.S. firms with no overseas affiliates. (The percentage of an industry's total export shipments, its export to shipment ratio (E/S)— is one measure of the competitiveness of an industry in the international economy. E/S ratios for U.S. multinational corporations as a group have been between 12 to 17 percent, according to the Emergency Committee for American Trade, compared to 1 to 7 percent for U.S. manufacturers.)

The experience of Japanese firms provides further evidence: Japanese multinational corporations have come to generate more of their sales through majority-owned affiliates abroad, and those affiliates located in the United States have granted Japan increased access to the U.S. market. (Source: *A Common Evolution? Comparison of U.S. and Japanese Transnational Corporations* by Dennis Encarnation. Transnational Corporations, February 1993, p. 12 and 24.).

There is, therefore, a positive correlation between investments and exports. American industries and firms with the largest share of foreign investment maintain the highest rate of exports generate a substantial U.S. balance of payments surplus. Recent studies show that multinational companies made positive contributions to the U.S. balance of payments throughout the 1980s and 1990s. Further, there exists an important relationship between a firm's level of exports and its direct foreign investment activity. This relationship is also linked to the international competitiveness of firms, which is critical for U.S. companies in an increasingly global world economy.

U.S. export performance is strongest in product categories and geographic markets where multinational companies have significant investment positions. U.S. exports of manufactured goods go to countries where there is substantial U.S. foreign direct investment. In the 1980s, U.S. companies with overseas affiliates generated two-thirds of U.S. manufactured exports, contributing $83 billion to the U.S. balance of payments.

Foreign direct investment provides a win-win situation. For the host country, investment contributes capital that might not otherwise be available. The home country of the investor benefits through the compensation of royalties and profits, which creates jobs. American industries and firms with the greatest outward investment maintain the highest rate of exports and also generate a large U.S. balance-of-payments surplus.

OPIC Creates U.S. Jobs and Exports

OPIC provides financing and inconvertibility, expropriation, and political risk insurance to U.S. companies investing in emerging markets economies and developing nations. Since 1971, the agency has supported investment in projects worth nearly $60 billion, generated $26 billion in U.S. exports, and created more than 100,000 American jobs. In the last fiscal year alone, OPIC-assisted projects supported $3.7 billion of investment in 37 countries, generated some $1.6 billion in American exports, and created several thousand U.S. jobs.

With its increased per project limit of $200 million, OPIC is in a better position to help U.S. companies compete for projects. OPIC is also building capacity to support a higher volume of lending activity and has received significant new resources to expand this program. In the long run, OPIC's efforts will make American businesses more competitive, create tens of thousands of jobs at home and abroad, and generate billions of dollars in American exports.

OPIC turns down ventures involving run-away plants. It refuses backing for projects that adversely affect the U.S. economy or local environment or that fail to protect workers' rights. OPIC maximizes the benefits to the U.S. economy from overseas investment by targeting assistance to projects that will generate the most U.S. exports and jobs and to sectors and countries that are most critical for U.S. economic expansion.

OPIC PROGRAM GENERATES EXPORTS

In Colombia, the Overseas Private Investment Corporation supported the first Latin American power project financed on a non-recourse basis. With $35 million in OPIC financing and $100 million in insurance, K&M Engineering's natural gas-fired generating facility will produce $53 million in U.S. exports.

OPIC's effectiveness is measured by the amount of investment and benefits to the American economy it produces. For every $25 million in OPIC subsidy, the agency will offer $1 billion in financing that will generate $4.7 billion in total investment, $2.2 billion in U.S. exports, and 38,000 person years in U.S. employment. In FY 1994, OPIC has been asked by the Administration to play a lead role in Russia and the Newly Independent States, South Africa, Gaza-West Bank, and Eastern Europe.

Establishing a Unified Federal Budget for Trade Promotion

This chapter presents a **unified trade promotion budget**, allowing consistent comparisons of trade promotion spending across agencies, promotion activities, geographic regions, industrial sectors, and firm sizes. Further, because spending data alone do not directly address the effectiveness of U.S. trade promotion programs, this Chapter provides a framework for the development of consistent performance measures for trade promotion programs across promotion activities.

The principal objectives of the TPCC's unified trade promotion budget are to analyze U.S. trade promotion spending across federal agencies; identify overlaps; and recommend options for increasing the efficiency and efficacy of U.S. efforts to promote exports. Unfortunately, the wide array of promotion activities and the diversity of funding mechanisms used by federal agencies make any comparison of federal trade promotion spending across agencies necessarily arbitrary and inexact. This makes the development of uniform trade promotion performance measures, and thus any recommendations based on program efficiency or effectiveness, even more problematic. Thus, any analysis of domestic and foreign trade promotion activities is faced with the overriding obstacle that information on trade promotion is scarce at this time, and anything short of a comprehensive analysis of all trade promotion activities may be misleading and may lead to counterproductive recommendations.

Nevertheless, this Chapter provides a considerable advance in the compilation of the data required to support an analysis of trade promotion activities. The development of these data into more rigorous performance measures will occur in stages over the next several years, as agencies accumulate the data needed to support this analysis.

A Unified Trade Promotion Budget

The first official U.S. "unified trade promotion budget" was presented in the *Budget of the United States Government, Fiscal Year 1995*, and included all programs with "export-related" activities. In an attempt to comply more fully with the concept of a unified trade promotion budget, this Chapter focuses more strictly on "trade promotion," incorporating only those federal programs with trade promotion as a primary or secondary goal. Specifically, a program was classified as promoting trade and included in the unified budget if the program's primary or secondary mission was **to facilitate the development, maintenance, or increase of U.S. exports of goods and services.** The result was the inclusion of some programs that were not part of the 1995 Budget. Other programs, such as those administered by the

Department of Defense and USAID, were not included in this analysis because neither the primary or secondary objectives of these programs were to promote U.S. trade.

Total federal spending for trade promotion in the U.S., including subsidies and administrative expenses was $3.1 billion in 1993. Trade promotion spending increased in 1994 to $3.3 billion, with an additional increase of $170 million expected in 1995. During the 1994 fiscal year, fourteen federal agencies were engaged in trade promotion activities. Over 92 percent of spending on trade promotion, however, was concentrated in just three agencies: the U.S. Department of Agriculture ($2 billion), the Export-Import Bank ($774 million), and the Department of Commerce ($233 million). The negative spending totals for the Overseas Private Investment Company (OPIC) reflect the fact that revenues from OPIC's insurance program have historically offset the budgetary costs of its credit programs.

In addition to the federal spending reported in Table 1, the Department of Commerce (DOC), OPIC, and the Trade and Development Agency (TDA) received a small amount of additional funding for trade promotion from interagency transfers from the Agency for International Development (AID). In 1993, interagency transfers from AID totaled $20 million, with Commerce receiving $6 million, OPIC receiving $5 million, and TDA receiving $9 million, respectively[1]. Largely due to transfers related to Russia and the New Independent States (NIS), transfers jumped in 1994 to a total of $92 million -- $12 million for Commerce; $56 million for OPIC; and $24 million for TDA. Another source of funding not reported in Table 1 is the $17 million in cost-recovery funds that the Department of Commerce earns through fees and then reinvests in trade promotion activity.

To further differentiate trade promotion spending across programs, the following tables delineate federal spending across various trade promotion activities[2]. These seven classifications include **(1) negotiating open markets and lowering/removing trade barriers, (2) combating foreign export subsidies, (3) financing and insuring U.S. trade and investment, (4) providing information/counseling/export-assistance services, (5) exercising government-to-government advocacy on behalf of U.S. business, (6) funding feasibility studies on major infrastructure and development projects, and (7) developing foreign markets for U.S. goods and services through direct support for marketing efforts.** A classification for programs focused on international development, which have the added effect of developing foreign markets for U.S. exports through income growth, was not deemed as strictly trade promotion, and so has not been included in the budget totals [See Text Box on page X].

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[1]These transferred funds are often for multi-year projects and may be spent years after they were transferred.

[2]The activity classifications used in this year's TPCC unified trade promotion budget are a refined version of the classifications used in the President's 1995 Budget.

Table 1

US TRADE PROMOTION ACTIVITIES
(BA, in millions of dollars) /1

Agency	FY 93 Actual	FY 94 Estimate	FY 95 Request
OPIC	(132)	(98)	(118)
State	74	78	80
USIA	56	56	56
ExIm	675	774	984
USDA	1,996	2,037	1,975
Discretionary	415	356	323
Mandatory	1,581	1,681	1,652
DOL	2	2	2
USTR	21	21	21
DOC	201	233	247
DOT	0	16	21
SBA	16	11	21
TDA	43	59	50
DOE	13	5	5
EPA	0	0	0
Treasury	2	2	2
TOTAL/2	**3,098**	**3,295**	**3,465**

/1 Figures include administrative expenses
/2 Totals exclude OPIC

Spending Targeted at General Market Development

America's interest -- and its markets -- will increasingly be shaped by events in developing countries and economies in transition. By the year 2000, four out of five people in the world will live in developing countries. While some of these countries have achieved broad-based economic growth, reducing poverty and improving the quality of life, the benefits of economic growth have not materialized in many others. Economic stagnation and persistent poverty in these countries limit the demand for U.S. exports and the health of the U.S. economy.

As a result, USAID is working with other federal agencies on the TPCC to expand the potential markets for U.S. goods and services through the use of sustainable development assistance programs. Development assistance provides the foundation for economic growth, raising income levels in foreign markets, and thereby increasing the potential demand for U.S. goods. The importance of development assistance is linked to the role that these markets are expected to play in future U.S. export demand, with many predicting that most of the growth in future U.S. export demand will come from these countries. USAID's sustainable development programs, a cornerstone of the nation's bilateral foreign assistance program, concentrate on supporting policy reform, strengthening markets, and improving the economic and institutional infrastructure of foreign economies (including greater openness to trade and greater technical capacity).

- The experience from fast growing economies shows that policy reforms and strengthening markets are effective ways to create the conditions necessary for increased investment and trade flows. USAID's programs work to remove policy and regulatory impediments in developing markets by encouraging democracy; securing property rights and fair business regulation; empowering individuals; providing basic health and education; developing a market-based economy; and implementing sound macroeconomic policies.

- Improving the conditions for sustained economic growth requires increased access and opportunities for persons with low income and investments in basic education and human capital formation. USAID support programs that address these social services.

- USAID's economic growth strategy also mobilizes support for programs that encourage efficient private and public investments in infrastructure and the institutions that manage such investments.

Table 2 shows trade promotion spending by agencies across these activity classifications. Notice that only one or two of the trade promotion agencies are responsible for most of the trade promotion dollars spent in each activity classification. For example, the Department of State is the lead contributor to U.S. efforts to lower international trade barriers and open foreign markets, spending just over $62 million in 1993. The Department of Agriculture and the Export-Import Bank are the major source of export subsidies to facilitate trade finance and insurance and in combating foreign export subsidies. The Department of Commerce has principal responsibility for export assistance services and government-to-government advocacy; USDA leads in developing foreign markets; and the Trade and Development Agency provides the major funding for feasibility studies.

As shown in Table 2, the largest trade promotion activities currently being funded at the federal level are Financing and Insuring U.S. Trade and Investment and Combating Foreign Export Subsidies. The funding for Combating Foreign Export Subsidies has also been the fastest growing promotion activity -- jumping from $1.1 billion in 1993 to a $1.4 billion request in 1995. A large portion of this increase is attributable to the increase in Tied Aid funds (See Section ___) allocated to the Export-Import Bank (Ex-Im) starting in 1994. The other three promotion activities that received significant funding in 1994 are the Information/Counseling/Export-Assistance Services programs ($256 million), developing foreign markets through direct marketing ($173 million), and the agencies responsible for negotiating open markets ($139 million).

In addition to looking at the distribution of spending across federal agencies, trade promotion can be examined by the geographic destination of the exports supported, the industrial sector supported, and by firm size. Table 3 shows the geographic destination of federally assisted trade, and thus federal spending, over the past two years, as well as expectations for 1995. Table 4 and Table 5 show the breakout of spending by industrial sector and firm size.

Trade Promotion by Geographic Region

Despite the recent emphasis placed on certain new and emerging markets (See the discussion of Big Emerging Markets and Markets in Transition in Section __), the majority of the federal trade promotion programs historically have not targeted specific geographic regions in allocating federal trade assistance. Nevertheless, for some of the larger U.S. trade promotion programs, geographic targeting has been a key element for many years. The Export Enhancement Program (EEP), the General Sales Manager (GSM) export credit guarantee program, and the PL-480 Title 1 program administered by the Department of Agriculture provide clear examples.

- The primary objective of the EEP program is to further U.S. trade policy objectives by opposing the export subsidy programs of specific competitor countries. To do this,

Table 2
U.S. Government
Trade Promotion Expenditures by Classification /1

(Budget Authority in Thousands)

Activity	FY 1993 Actual	FY 1994 Actual	FY 1995 Request
Negotiating Open Markets and Lowering/Removing Trade Barriers	131,978	139,499	140,573
Commerce	39,217	43,444	42,388
Trade Development Agency	0	0	0
Export Import Bank	0	0	0
OPIC	0	0	0
Small Business Administration	0	0	0
Department of State	62,114	65,014	66,467
US Information Agency	0	0	0
Department of Agriculture	6,524	6,585	6,673
US Trade Representative	20,492	20,600	21,000
Department of Transportation	0	0	0
Department of Treasury	2,000	2,000	2,000
Environmental Protection Agency	0	0	0
Department of Energy	0	140	240
Department of Labor	1,631	1,716	1,805
Combating Foreign Export Subsidies	1,135,326	1,373,366	1,423,756
Commerce	0	0	0
Trade Development Agency	1,092	2,779	0
Export Import Bank	110,504	212,300	265,432
OPIC	0	0	0
Small Business Administration	0	0	0
Department of State	0	0	0
US Information Agency	0	0	0
Department of Agriculture	1,023,730	1,158,287	1,158,324
US Trade Representative	0	0	0
Department of Transportation	0	0	0
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	0	0	0
Department of Labor	0	0	0
Financing and Insuring U.S. Trade and	1,343,513	1,279,010	1,410,839
Commerce	0	0	0
Trade Development Agency	0	0	0
Export Import Bank	562,259	559,619	716,219
OPIC (Not Included in Totals)	(132,000	(98,000	(118,000
Small Business Administration	15,918	10,685	17,408
Department of State	0	0	0
US Information Agency	0	0	0
Department of Agriculture	755,189	707,802	676,012
US Trade Representative	0	0	0
Department of Transportation	0	0	0
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	10,147	904	1,200
Department of Labor	0	0	0
Providing Information/Counseling/ Export-Assistance Services	226,435	255,562	272,614
Commerce	138,177	165,614	177,345
Trade Development Agency	0	0	0
Export Import Bank	2,450	2,450	2,450
OPIC	0	0	0
Small Business Administration	0	0	3,600
Department of State	0	0	0
US Information Agency	56,000	56,000	56,000
Department of Agriculture	28,314	29,938	31,643
US Trade Representative	0	0	0
Department of Transportation	0	0	0
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	1,494	1,560	1,576
Department of Labor	0	0	0

Activity	FY 1993 Actual	FY 1994 Actual	FY 1995 Request
Providing Government-to-Government Advocacy on behalf of U.S. Business	26,858	29,064	31,647
Commerce	14,843	15,779	17,953
Trade Development Agency	0	0	0
Export Import Bank	0	0	0
OPIC	0	0	0
Small Business Administration	0	0	0
Department of State	12,015	13,285	13,694
US Information Agency	0	0	0
Department of Agriculture	0	0	0
US Trade Representative	0	0	0
Department of Transportation	0	0	0
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	0	0	0
Department of Labor	0	0	0
Funding Feasibility Studies on Major Infrastructure and Development Projects	32,439	44,471	50,000
Commerce	0	0	0
Trade Development Agency	32,439	44,471	50,000
Export Import Bank	0	0	0
OPIC	0	0	0
Small Business Administration	0	0	0
Department of State	0	0	0
US Information Agency	0	0	0
Department of Agriculture	0	0	0
US Trade Representative	0	0	0
Department of Transportation	0	0	0
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	0	0	0
Department of Labor	0	0	0
Developing Foreign Markets for U.S.	201,449	173,345	135,013
Commerce	8,796	8,533	9,796
Trade Development Agency	9,210	12,044	0
Export Import Bank	0	0	0
OPIC	0	0	0
Small Business Administration	0	0	0
Department of State	0	0	0
US Information Agency	0	0	0
Department of Agriculture	181,990	134,373	102,194
US Trade Representative	0	0	0
Department of Transportation	0	16,000	21,000
Department of Treasury	0	0	0
Environmental Protection Agency	0	0	0
Department of Energy	1,453	2,395	2,023
Department of Labor	0	0	0
TOTAL/2	3,097,997	3,294,317	3,464,442
Commerce	201,032	233,370	247,482
Trade Development Agency	42,741	59,294	50,000
Export Import Bank	675,213	774,369	984,101
OPIC	(132,000	(98,000	(118,000
Small Business Administration	15,918	10,685	21,008
Department of State	74,129	78,299	80,161
US Information Agency	56,000	56,000	56,000
Department of Agriculture	1,995,747	2,036,985	1,974,846
US Trade Representative	20,492	20,600	21,000
Department of Transportation	0	16,000	21,000
Department of Treasury	2,000	2,000	2,000
Environmental Protection Agency	0	0	0
Department of Energy	13,094	4,999	5,039
Department of Labor	1,631	1,716	1,805

95

USDA targets countries where U.S. sales have been non-existent, displaced, reduced or threatened because of competition from subsidized competitor-country exports. While the program is mainly meant to counter subsidies of the European Union (EU), most of the expenditures appearing in this budget analysis are in countries surrounding the EU, such as the Near East region, or other countries which have been traditional markets for EU agricultural products.

- The GSM export credit guarantee program and the PL-480 Title I program of USDA also have specific targeting criteria which factor in the program's focus on facilitating export trade to developing countries. The criteria include a country risk assessment that measures a country's willingness to repay its debt. Funding is targeted to countries after USDA has taken into account developmental issues as well as the prospects for increasing exports and competing against foreign exports. In recent years, these programs have had a significant focus on the Newly Independent States, and substantial levels of funding for Latin America, the Near East and Saharan Africa.

The net result of both program targeting and market-driven demand is a fairly even, although by no means uniform, geographic distribution of federally assisted trade across foreign markets, as shown in Table 3. In 1993, the main recipient regions of federally assisted trade were the Near East/Saharan Africa ($700 million), Latin America ($584 million), the New Independent States ($531 million), and Asia ($433 million). Together, these markets accounted for 74 percent of all federal trade promotion activity expenditures. The predominance of trade promotion support migrating to the NIS and Latin America is associated with programs administered by Ex-Im; while the concentration of federally assisted trade in the Near East/Saharan Africa and Asia is typically associated with programs administered through the Department of Agriculture.

The geographic regions that were the least likely destinations of federally assisted trade promotion activities in 1993 were the OECD and Central and Eastern Europe. Partly, this reflects limits placed on several U.S. programs explicitly restricting operations in those markets. The only change in the distribution of trade promotion expenditures in 1994 was a small shift in trade from Latin America to the Newly Independent States and Asia. Part of this shift was associated with several new federal initiatives which were explicitly targeted to the NIS. By comparison, in 1993 the geographic distribution of total U.S. exports ($465 billion) was fairly evenly divided among the Pacific Rim and Asia ($135 billion), the OECD ($113 billion), Canada ($100 billion), and Latin America ($78 billion).

Figure 1 shows how this breakout of federal trade promotion spending compares with trends in U.S. export earnings across general geographic regions. The top portion of Figure 1 shows

Table 3

U.S. Government
Trade Promotion Expenditures by Geographic Region /1

(Budget Authority in Thousands)

Activity	FY 1993 Actual	FY 1994 Actual	FY 1995 Request
Negotiating Open Markets and Lowering/Removing Trade Barriers	**131,978**	**139,499**	**140,573**
Worldwide	23,200	23,135	23,170
OECD	23,064	24,528	24,381
Central and Eastern Europe	6,092	6,810	6,714
Newly Independent States	11,212	12,130	11,249
Latin America and the Caribbean	13,710	15,517	15,259
Sub-Saharan Africa	5,574	5,842	6,267
Near East/Saharan Africa	6,239	6,336	6,691
Asia	18,764	20,885	22,037
Other	24,123	24,316	24,805
Combating Foreign Export Subsidies	**1,135,326**	**1,373,366**	**1,423,756**
Worldwide	14,183	14,000	1,172,056
OECD	128	0	0
Central and Eastern Europe	39,885	4,030	0
Newly Independent States	124,732	44,419	0
Latin America and the Caribbean	97,974	64,727	19,481
Sub-Saharan Africa	103,839	87,423	0
Near East/Saharan Africa	466,106	605,123	171
Asia	255,465	413,179	232,048
Other	33,014	140,465	0
Financing and Insuring U.S. Trade and Invest	**1,343,513**	**1,279,010**	**1,410,839**
Worldwide	114,491	105,926	800,788
OECD	868	12	16
Central and Eastern Europe	40,909	49,711	18,556
Newly Independent States	371,861	562,137	300,747
Latin America and the Caribbean	422,687	317,647	274,833
Sub-Saharan Africa	20,608	41,118	1,228
Near East/Saharan Africa	204,630	96,969	2,244
Asia	67,334	36,171	8,368
Other	100,125	69,319	4,059
Providing Information/Counseling/ Export-Assistance Services	**226,435**	**255,562**	**272,614**
Worldwide	99,360	102,244	103,750
OECD	43,883	45,395	48,691
Central and Eastern Europe	8,062	11,719	12,672
Newly Independent States	8,959	10,304	11,130
Latin America and the Caribbean	18,818	25,201	29,228
Sub-Saharan Africa	3,535	4,402	5,679
Near East/Saharan Africa	7,205	8,794	10,961
Asia	36,613	47,503	50,503
Other	0	0	0

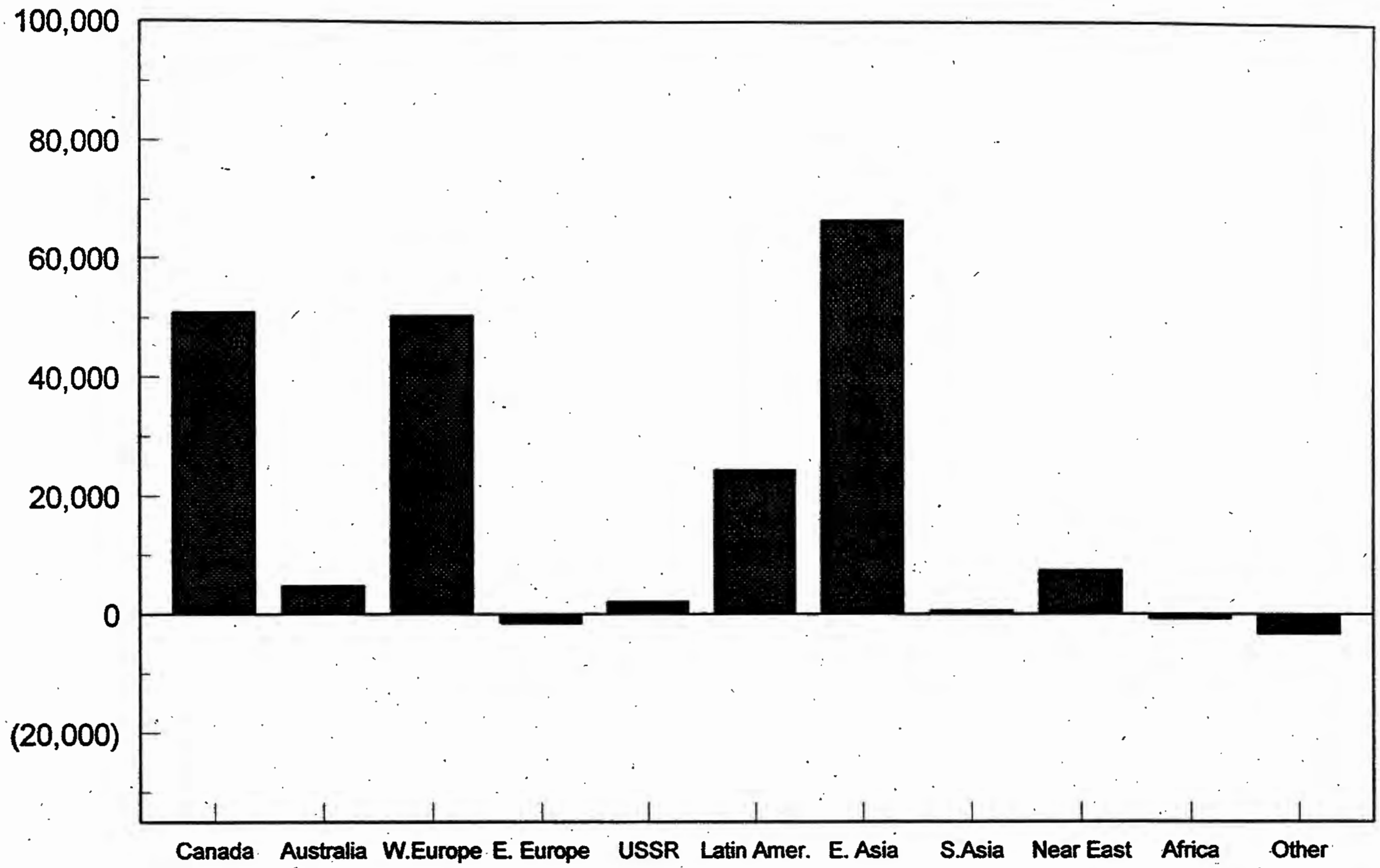
Activity	FY 1993 Actual	FY 1994 Actual	FY 1995 Request
Providing Government-to-Government Advocacy on behalf of U.S. Business	**26,858**	**29,064**	**31,647**
Worldwide	1,905	2,784	3,380
OECD	7,035	6,930	6,922
Central and Eastern Europe	1,290	1,438	1,590
Newly Independent States	1,076	1,066	1,105
Latin America and the Caribbean	4,804	5,831	6,462
Sub-Saharan Africa	1,865	1,964	2,182
Near East/Saharan Africa	3,401	3,588	3,807
Asia	5,482	5,463	6,199
Other	0	0	0
Funding Feasibility Studies on Major Infrastructure and Development Projects	**32,439**	**44,471**	**50,000**
Worldwide	0	0	50,000
OECD	0	0	0
Central and Eastern Europe	6,129	12,552	0
Newly Independent States	9,818	14,762	0
Latin America and the Caribbean	7,143	6,775	0
Sub-Saharan Africa	2,627	2,730	0
Near East/Saharan Africa	1,390	59	0
Asia	5,332	7,594	0
Other	0	0	0
Developing Foreign Markets for U.S. Goods a	**201,449**	**173,346**	**135,013**
Worldwide	16,864	69,838	134,333
OECD	86,628	40,970	0
Central and Eastern Europe	16,963	10,590	100
Newly Independent States	3,918	4,068	185
Latin America and the Caribbean	18,925	11,770	65
Sub-Saharan Africa	2,304	2,374	40
Near East/Saharan Africa	10,784	7,079	0
Asia	44,305	25,814	290
Other	758	842	0
TOTAL	**3,097,997**	**3,294,317**	**3,464,442**
Worldwide	270,002	317,927	2,287,477
OECD	161,606	117,835	80,010
Central and Eastern Europe	119,330	96,849	39,632
Newly Independent States	531,576	648,886	324,416
Latin America and the Caribbean	584,061	447,468	345,328
Sub-Saharan Africa	140,352	145,853	15,396
Near East/Saharan Africa	699,755	727,948	23,874
Asia	433,294	556,610	319,445
Other	158,020	234,942	28,864

1/ Figures include administrative expenses, but exclude OPIC programs.

Figure 1

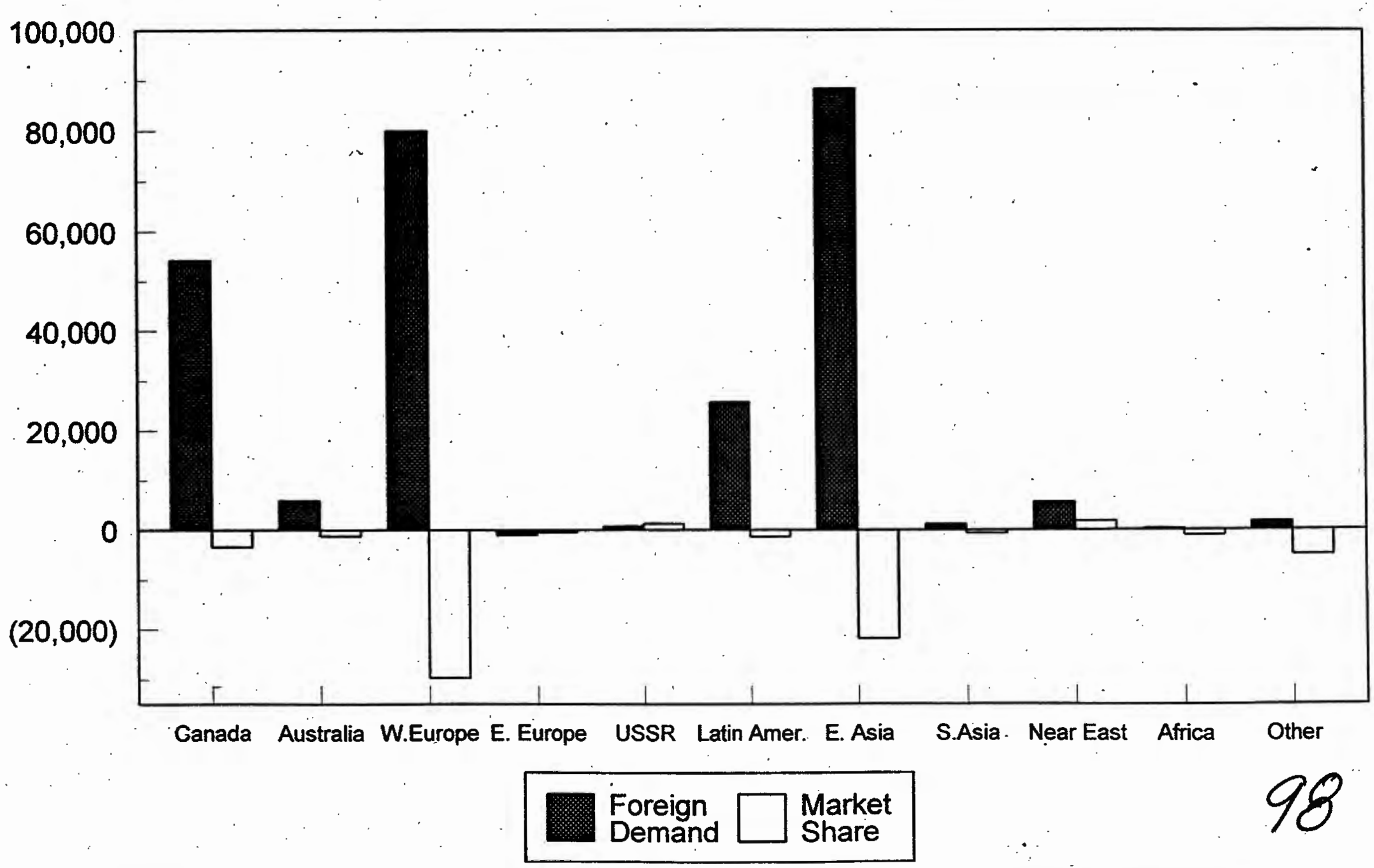
Total Change in U.S. Export Earnings: 1980-1991

By Geographic Market ($1991 Millions)



Factors Leading to Change in Export Earnings: 1980-1991

By Geographic Market ($1991 Millions)



98

the total change in U.S. export earnings over the 1980-1991 period.[3] During this 11 year period, U.S. export earnings rose just over $200 billion, with 95 percent of this total associated with four markets: East Asia ($66.5 billion); Canada ($51 billion), Western Europe ($50 billion), and Latin America ($24 billion). The only regional declines in U.S. export earnings occurred in Eastern Europe ($1.5 billion) and Africa ($0.7 billion).

The bottom graph in Figure 1 further disaggregates the change in U.S. export earnings into two components: (1) the change associated with increasing foreign demand for U.S. goods; and (2) the change associated with an increase or decrease in the U.S. market share in each region.[4] The major implication from this graph is that most of the increase in U.S. export earnings over the 1980-1991 period was associated with increasing foreign demand for U.S. exports. In fact, in the four major growth markets for U.S. exports identified above, increases in foreign demand were considerable despite a declining U.S. share of the market. Across all geographic markets, the change in foreign demand for U.S. goods actually increased U.S. export earnings by $263 billion, offsetting a $62 billion decline in earnings associated with falling U.S. market shares in foreign markets. Thus, if the foreign market is viewed as a pie with changes in foreign demand representing an expansion of the pie and changes in market share representing a reallocation of the pie from one country to another, the trend in U.S. export earnings can be characterized as having captured a smaller share of a growing pie.

The market for office machines provides a clear example of this trend. The U.S. lost over $12 billion in export earnings over the 1980-1991 period as a result of shifting market shares in this market. However, if changes in foreign demand for U.S. office machines are incorporated, U.S. export earnings actually rose $28 billion over this period, representing the fastest growing segment of U.S. exports.

An analysis of other major world exporters indicates that the U.S. was not alone in losing market share across world commodity markets. While the U.S. ($62 billion) registered the largest dollar volume loss in earnings associated with market share, the U.K., Japan, France, and West Germany also registered large losses in world market share. In contrast, China, Hong Kong, Spain, South Korea, and Singapore all registered large market gains.

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[3] Any comparisons of export earnings performance is highly sensitive to the time-frame chosen for the analysis. The 1980-1991 period was selected to minimize distortions caused by shifting exchange rates, commodity prices, and world demand.

[4] Figure 1 and Table _ are derived from a Constant Market Share (CMS) analysis of world trade. CMS analysis is a technique for explaining the change in the export earnings performance of a nation by dividing a country's export growth into four components: (1) the general growth of world import demand; (2) changes in foreign import demand for specific products; (3) changes in foreign import demand in specific geographic markets; and (4) the net change in the country's export shares in individual product and geographic markets. The first three components capture the effects of changes in foreign demand and the fourth provides one measure of "competitiveness".

Trade Promotion by Industrial Sector

In addition to a geographic breakdown of spending, the destination of federal trade promotion assistance can be examined by industrial sector. Table 4 provides this breakdown. In 1993 and 1994, almost two-thirds of federal spending on trade promotion activities ($2 billion) benefited the agricultural sector. Other notable recipients of trade promotion dollars in 1994 included the transportation ($414 million), manufacturing ($236 million), and finance, insurance, and real estate sectors ($165 million). The retail trade industry, by contrast, appears to have utilized virtually no trade promotion support at the federal level.

Given the large role that the U.S. Department of Agriculture plays in trade promotion, the predominance of trade promotion in the agricultural sector is not surprising. However, half of the amount spent on trade promotion for Agricultural products ($1.2 billion) is used to combat foreign export subsidies and $305 million has humanitarian food assistance as its primary focus. Excluding these funds narrows, but does not eliminate, the gap between trade promotion spending for agriculture and for other industrial sectors: agriculture ($562 million), transportation ($287 million), and manufacturing ($232 million). In contrast, over 56 percent of total U.S. exports in 1993 were manufactured goods; and 28 percent of U.S. exports were for services. Agricultural goods, on the other hand, represented only 6.5 percent of exports in 1993.

Trade Promotion by Firm Size

Finally, Table 5 presents federal trade promotion spending by firm size. The most notable implication from this table is that U.S. export promotion efforts historically have not differentiated by firm size. Instead, some U.S. programs seek to assist companies that are infrequent exporters or export-ready firms regardless of firm size. Other programs do not employ any firm specific criteria. Those federal programs that do include a small business mandate were able to provide good information on small business activity. Differentiating between medium and large businesses was more difficult, as reflected in Table 5. Nonetheless, the Federal Government has been placing an increasing emphasis on supporting the development of exporting in small and medium size firms, particularly in the area of trade finance.

Special Programs Targeted for Small Business

Based on reports from Congress, surveys from independent research organizations, the GAO and small exporting firms themselves, there is evidence that smaller firms lack adequate access to export financing. As a result, the TPCC has made the availability of trade financing for smaller firms one of its top priorities. Agencies of the U.S. Government (specifically, the Small Business Administration, the Export-Import Bank, the Department of Agriculture, and

Table 4

U.S. Government

Trade Promotion Expenditures by Sector /1

(Budget Authority in Thousands)

Activity	FY 1993 Actual	FY 1994 Actual*	FY 1995 Request**
Negotiating Open Markets and Lowering/Removing Trade Barriers	**131,978**	**139,499**	**140,573**
Agriculture, Forestry & Fishing	6,524	6,585	6,673
Mining	900	1,010	900
Construction	250	300	350
Manufacturing	20,950	23,210	20,985
Transportation & Public Utilities	0	0	0
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	1,050	1,114	1,205
Services	3,114	3,260	3,820
Not differentiated by sector	99,190	104,020	106,640
Combating Foreign Export Subsidies	**1,135,326**	**1,373,366**	**1,423,756**
Agriculture, Forestry & Fishing	1,021,487	1,156,500	1,156,000
Mining	6,436	0	0
Construction	0	0	0
Manufacturing	30,599	3,810	4,315
Transportation & Public Utilities	50,453	126,311	156,914
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	0	0	0
Services	690	2,499	2,459
Not differentiated by sector	25,661	84,246	104,068
Financing and Insuring U.S. Trade and Invest	**1,343,513**	**1,279,010**	**1,410,839**
Agriculture, Forestry & Fishing	749,665	702,062	670,226
Mining	8,519	1,406	1,822
Construction	1,059	1,560	2,020
Manufacturing	97,580	68,583	88,595
Transportation & Public Utilities	174,766	227,750	294,962
Wholesale Trade	19,895	28,598	37,036
Retail Trade	219	321	416
Finance, Insurance & Real Estate	101,119	160,335	207,646
Services	8,693	4,872	6,436
Not differentiated by sector	181,998	83,523	101,680
Providing Information/Counseling/ Export-Assistance Services	**226,435**	**255,562**	**272,614**
Agriculture, Forestry & Fishing	35,188	38,163	40,837
Mining	4,157	4,751	4,942
Construction	7,970	9,582	10,652
Manufacturing	97,518	117,910	125,013
Transportation & Public Utilities	8,102	9,543	10,486
Wholesale Trade	2,254	2,594	2,862
Retail Trade	0	0	0
Finance, Insurance & Real Estate	1,807	2,682	1,877
Services	1,444	2,718	2,660
Not differentiated by sector	67,995	67,619	73,285

Activity	FY 1993 Actual	FY 1994 Actual	FY 1995 Request
Providing Government-to-Government Advocacy on behalf of U.S. Business	**26,858**	**29,064**	**31,647**
Agriculture, Forestry & Fishing	0	0	0
Mining	0	0	0
Construction	0	0	0
Manufacturing	12,547	13,360	15,168
Transportation & Public Utilities	0	0	0
Wholesale Trade	0	0	0
Retail Trade	0	0	0
Finance, Insurance & Real Estate	0	0	0
Services	660	691	771
Not differentiated by sector	13,651	15,013	15,708
Funding Feasibility Studies on Major Infrastructure and Development Projects	**32,439**	**44,471**	**50,000**
Agriculture, Forestry & Fishing	684	2,172	0
Mining	28	1,417	0
Construction	0	0	0
Manufacturing	5,733	6,006	0
Transportation & Public Utilities	19,687	26,764	0
Wholesale Trade	653	0	0
Retail Trade	3	220	0
Finance, Insurance & Real Estate	166	707	0
Services	4,599	3,853	0
Not differentiated by sector	888	3,333	50,000
Developing Foreign Markets for U.S. Goods	**201,449**	**173,345**	**135,013**
Agriculture, Forestry & Fishing	181,511	133,553	97,747
Mining	55	270	0
Construction	140	250	210
Manufacturing	2,794	3,087	2,880
Transportation & Public Utilities	4,727	23,314	22,323
Wholesale Trade	16	0	0
Retail Trade	0	58	0
Finance, Insurance & Real Estate	358	0	0
Services	1,882	3,380	110
Not differentiated by sector	9,966	9,432	11,743
TOTAL	**3,097,997**	**3,294,317**	**3,464,442**
Agriculture, Forestry & Fishing	1,995,059	2,039,035	1,971,483
Mining	20,095	8,854	7,664
Construction	9,419	11,692	13,232
Manufacturing	267,720	235,966	256,956
Transportation & Public Utilities	257,735	413,682	484,685
Wholesale Trade	22,817	31,192	39,898
Retail Trade	222	599	416
Finance, Insurance & Real Estate	104,501	164,838	210,728
Services	21,082	21,273	16,256
Not differentiated by sector	399,348	367,186	463,124

1/ Figures include administrative expenses, but exclude OPIC programs.

Table 5

U.S. Government
Trade Promotion Expenditures by Business Size 1/

(Budget Authority in Thousands)

Activity	FY 1993 Actual	FY 1994 Estimated	FY 1995 Request
Negotiating Open Markets and Lowering/Removing Trade Barriers	**131,978**	**139,499**	**140,573**
Small	10,124	11,518	12,045
Medium	887	1,008	1,054
Large	1,647	1,872	1,957
Not differentiated by size	119,320	125,101	125,517
Combating Foreign Export Subsidies	**1,135,326**	**1,373,366**	**1,423,756**
Small	3,611	1,162	1,505
Medium	550	0	0
Large	542	0	0
Not differentiated by size	1,130,623	1,372,204	1,422,251
Financing and Insuring U.S. Trade and Investment/2	**1,343,513**	**1,279,010**	**1,410,839**
Small	106,718	100,141	133,256
Medium	0	0	0
Large	0	0	0
Not differentiated by size	1,236,795	1,178,869	1,277,583
Providing Information/Counseling/ Export-Assistance Services	**226,435**	**255,562**	**272,614**
Small	57,685	69,436	81,466
Medium	25,385	31,872	34,371
Large	21,469	26,483	30,223
Not differentiated by size	121,896	127,771	126,554
Providing Government-to-Government Advocacy on behalf of U.S. Business	**26,858**	**29,064**	**31,647**
Small	6,604	6,911	7,711
Medium	3,302	3,456	3,856
Large	3,302	3,456	3,856
Not differentiated by size	13,650	15,241	16,224
Funding Feasibility Studies on Major Infrastructure and Development Projects	**32,439**	**44,471**	**50,000**
Small	7,049	8,361	0
Medium	2,089	5,068	0
Large	21,664	28,818	0
Not differentiated by size	1,636	2,224	50,000
Developing Foreign Markets for U.S. Goods and Services	**201,449**	**173,345**	**135,013**
Small	1,630	1,554	1,323
Medium	713	0	0
Large	245	0	0
Not differentiated by size	198,861	171,791	133,690
TOTAL/3	**3,097,997**	**3,294,317**	**3,464,442**
Small	193,421	199,083	237,306
Medium	32,926	41,404	39,281
Large	48,870	60,629	36,036
Not differentiated by size	2,822,780	2,993,201	3,151,819

1/ Small represents firms with sales of less than $3 million, medium covers firms with sales between $3 million and $25 million, and Large is for firms with sales over $25 million.

2/ Agency data for this category was available as "small" or "not small," thus a significant portion of the data liste under "not differentiated" represents support for medium-sized firms.

3/ Totals exclude OPIC programs.

the Department of Commerce) are working to provide a wide array of products and services designed to meet the specific needs of small business exporters. It is the U.S. Government's goal to make these programs and services accessible, available, and useful to a broad spectrum of small business companies on reasonable terms. For example, Ex-Im Bank and the SBA are working together to coordinate and improve both agencies' working capital products for small business exporters.

- To encourage wider bank participation in Ex-Im Bank's working capital guarantee program, the Ex-Im Bank has: (1) simplified procedures and improved documentation; (2) increased the transaction size limit to qualified lenders under their delegated authority; (3) expanded the priority lender program by increasing program limits from $2.5 million to $5 million; and (4) reached an agreement with the Private Export Funding Corporation (PEFCO) aimed at increasing the liquidity of the market and providing small business exporters with a "lender of last resort."

- The SBA has revamped its Export Revolving Line of Credit (ERLC) to make it more user-friendly for both banks and exporters. Further, the new "Export Working Capital Program" (EWCP) will: (1) provide a higher percentage of guarantee cover (pending legislative approval); (2) feature preliminary commitments from the SBA to the small business borrower prior to approaching a lender (helping small business exporters obtain private financing); and (3) allow a limited number of qualified non-bank lenders to participate in the program.

- To coordinate their efforts, the SBA and Ex-Im Bank intend to specialize according to the size of the transaction -- the SBA will handle all transactions up to a maximum guarantee of $750,000, while Ex-Im Bank will handle all transactions above this amount.

In addition to enhancing its working capital guarantee program, Ex-Im Bank has also introduced changes to its export insurance policies for small business exporters. Specifically, Ex-Im Bank expanded insurance coverage levels under these policies from $2 million to $3 million and introduced the availability of discretionary credit limits which allow goods to be shipped without prior Ex-Im Bank review. Ex-Im Bank has also modified its medium-term insurance product to speed its delivery for small business exporters whose sales often depend on the ability to obtain financing quickly.

Beyond trade finance, the U.S. Government also aims to improve the services that it provides to small business exporters. For the most part, these services take the form of counseling, education, and marketing. These activities will be performed by a combination of Commerce, SBA, Ex-Im, and other federal agencies through U.S. Export Assistance Centers (USEACs), city-state partners, and other agency-specific initiatives.

- Commerce and SBA USEAC personnel will help in screening, identifying, referring and counseling new-to-export small business clients who visit USEAC sites.

- SBA will work to develop the skills of those small businesses that demonstrate the commitment and capacity to export. One example of this assistance is SBA's pilot Export Trade Assistance Partnership (E-TAP), which assists these businesses through a combination of mentoring, training, and counseling, to prepare them to enter the export market through international trade shows and trade missions.

- In addition to providing services through the USEACs, Ex-Im Bank's newly-established Business Development group will spearhead Ex-Im Bank's two-pronged marketing and education campaign to stimulate private lenders' interests in Ex-Im Small Business trade finance products (particularly those lenders who traditionally serve the small business community) and to educate small business exporters about federal financing programs available to small business.

Competitor-Nation Trade Promotion Efforts

While information concerning U.S. trade promotion efforts remains difficult to obtain, accurate assessments of foreign trade promotion activities are even more elusive. Consistent comparisons of competitor-nation promotion efforts are difficult even within a particular promotion activity because of different market structures, budgetary reporting standards, and trade promotion delivery mechanisms.[5] Comprehensive comparisons of competitor-nation promotion efforts equivalent to the programs or promotion activities described in this Report are virtually nonexistent.

Nonetheless, interest in competitor-nation trade promotion efforts has been strong, especially since what little information is available indicates that competitor-nations commit substantial resources to trade promotion. Over the last decade, there have been a number of comparisons of competitor-nation trade promotion efforts. The 1993 TPCC annual report, *Toward A National Export Strategy,* outlined the programs of our major competitors and made several recommendations. In an effort to further refine that analysis, the TPCC Budget Committee reviewed the data available, and sought to gather data from new sources. Although considerable additional research is required for a precise review of competitor-nation trade promotion efforts, the TPCC recognizes the importance of conveying some indication of the magnitude of our competitors' efforts.

For this reason, an appendix was included in this Report (Appendix ___) to provide examples of partial analyses of various trade promotion efforts of major foreign countries, with a

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[5]For example, the German system relies heavily on private and quasi-private efforts, in part because all firms must belong to the German Chamber of Commerce.

recognition that no competitor-nation comparison can be conclusive unless it is comprehensive. The first section of Appendix __ covers a subset of the export assistance services promotion activity. Additional sections cover components of the various promotion activity classifications relating to combating foreign (agriculture) export subsidies, feasibility studies, and trade finance.

Performance Measures

A unified trade promotion budget provides a common foundation for comparisons of federal expenditures across trade promotion activities. That is, how federal trade promotion resources are currently being spent. Decisions governing the allocation or reallocation of these resources, however, require a comparison of trade promotion expenditures across programs using consistent allocation criteria. Given the inputs provided by the unified trade promotion budget, these allocation criteria should incorporate factors such as each program's baseline performance, the program's impact on U.S. exports, and the impact of each trade promotion activity on overall U.S. economic welfare.

The implementation of these allocation criteria, however, requires the development of consistent trade promotion performance measures. These performance measures should allow policy-makers to gauge the effectiveness and efficiency of each trade promotion program, as well as its ultimate impact on trade. While still in a nascent stage, agencies have started developing performance measures for their programs in compliance with the requirements established under the *Government Performance and Results Act of 1993 (GPRA).*

To make these performance measures meaningful for cross-program comparisons, the member agencies in the TPCC have developed a framework for creating uniform performance measures explicitly designed for trade promotion. This framework, which is consistent with the guidelines being developed under GPRA, evaluates trade promotion programs by activity type using program outputs, outcomes, and final impacts (or long-term outcomes) on trade and the overall economy.

Activity -- the specific trade promotion services provided by the program. These services correspond to the activity classifications provided above -- negotiating open markets, combating foreign export subsidies, financing and insuring U.S. trade and investment, providing information, counseling and export assistance services, government-to-government advocacy, feasibility studies, and foreign market development through direct marketing.

Outputs -- the most direct results of the activity provided by the program in terms of the volume and quality of the trade services provided. Volume outputs would include such measures as the number of trade loans guaranteed, the dollar volume of loans supported, the number of clients counseled in export services, the number of successful international agreements for lowering trade barriers, and the number of feasibility studies published. Quality outputs cover such items as the timeliness, accuracy, professionalism, and helpfulness of the program as measured through customer surveys.

Outcomes -- the intermediate results of the program, often confining to the stated mission of the service provided. Examples include the percentage of clients that engage in an export transaction, develop an export market plan, or sign overseas contracts as a result of the service provided; the number of private institutions brought into the export arena; and the volume of foreign export subsidies neutralized.

Final Impacts -- the final program outcomes as they relate to new trade activity. The three most common examples of final impact measures are the net additional exports, the net additional jobs, or the net additional sales created by the services provided. In this context, the concept of "net" refers to the total new exports, jobs, or sales resulting from the trade promotion activity less the number of exports, jobs, or sales lost as a result of the shift in resources, changes in terms of trade, or increase in countervailing foreign subsidies that result from the trade promotion activity. Ultimately, the final impact performance indicator should measure the value-added of an additional dollar spent on a particular program, with consideration given to whether or not the trade would have taken place without federal support.

Table 6 provides examples of performance measures for each trade promotion activity classification. The actual implementation of performance measures will be on a program level. Nonetheless, the examples presented in Table 6 serve as a provisional guide in the development of program specific measures.

The ultimate objectives of this process are to determine the net benefit of allocating scarce taxpayer resources to trade promotion activities and to determine which trade promotion activities provide the most effective tools for promoting welfare-enhancing trade. While agencies have not reached a point where they can provide quantitative answers to these performance measure criteria, the TPCC Budget Committee will work intensively over the next several years in concert with the GPRA process to improve our knowledge of these program outputs and outcomes. This process should build a firmer foundation on which to assess the relative merits of a particular export promotion activity vis-a-vis other types of trade promotion.

Table 6
Provisional TPCC Performance Measures by Trade Promotion Activity

Activity Classification	Output	Outcome	Final Impact
Negotiating open markets	-Number of international agreements for lowing trade barriers	-Reduction in amount of tariff and non-tariff trade barriers -Volume of increased U.S. exports	-Net volume of exports created -Net volume of sales created -Net number of jobs created from exporting firms
Combating foreign export subsidies	-Dollar volume of subsidies provided to counteract foreign subsidies	-Reduction in foreign export subsidies -Volume of increased U.S. exports -Foreign export subsidies neutralized	
Financing and insuring U.S. trade and investment	-Number of loans guaranteed -Dollar volume of loans guaranteed -Number of projects insured -Number/volume of new lenders participating in programs	-Percent of new clients that engage in export transactions -Volume of exports generated that otherwise could not get private financing. - Number of private firms brought into the export market.	
Providing information, counseling and export assistance services	-Number of clients counseled in export services -Number of trade shows -Number of firms attending trade shows -Number, quality, and usefulness of infomation reports produced and disseminated	-Percent of clients that engage in export transactions -Percent of clients satisfied with information, whether or not they are exporting -Number of additional exporters due to trade shows -Volume of increased U.S. exports	
Government-to- government advocacy	-Number and level of contacts with foreign governments for the purposes of advocacy	-Number of transactions that would not have taken place without advocacy	
Feasibility studies	-Number of feasibility studies funded -Quality and usefulness of studies	-Number of U.S. firms that win foreign development projects	
Foreign market development through marketing	-Number of U.S. goods introduced to new markets -Number of firms participating	-Increase in market share for U.S. products -Increase in product awareness -Increase in U.S. exports	

Conclusions

A principal advantage proffered for a unified trade promotion budget is the ability to identify areas of overlap and shortfalls across federal trade promotion spending. In fact, the mere compilation of this unified trade promotion budget has identified several observations that previously were unavailable.

- As classified in Table 2, relatively few overlaps exist between the various trade promotion agencies within each trade promotion activity. However, this does not address possible overlaps at the program level.
- With the exception of agriculture, U.S. trade promotion historically has not been targeted at any particular geographic market or business size, but is largely demand driven.
- With the exception of agricultural, transportation, and energy, U.S. export support historically has not been directed at any particular industrial sector, but again is demand driven.
- Uniform measures of trade promotion efficiency and efficacy, which would form the basis for comparisons across U.S. federal trade promotion programs and across competitor-nation trade promotion, are not currently available.

Recommendations

In an effort to provide more effective trade promotion services to U.S. exporters, the Federal government is working to tailor Federal trade-promotion spending to the needs of exporters within each sector and geographic market. As part of this process, the TPCC should place additional emphasis on:

- constructing trade promotion performance measures consistent with the framework provided above, possibly as a pilot program of the GPRA process;
- coordinating and intensifying research efforts on measuring the real impact of U.S. trade promotion activities on net additional exports and job creation; and
- developing consistent and comprehensive analyses of foreign trade promotion activities.

These measures will provide a guideline in directing resources to trade sectors that generate the highest return in net additional exports per federal dollar. As an intermediate step, the TPCC has identified several fast-growing markets and sectors which promise to lead the growth in future U.S. exports and, therefore deserve additional efforts. We believe that

Federal programs can make a significant difference in the degree to which we support U.S. exporters in these markets.

Capitalize on opportunities in big emerging markets (BEMs.)

The TPCC has identified ten key markets around the world that are expected to be the focal point of growth in U.S. exports over the next several decades.

For a diverse and competitive nation like the United States, export opportunities will materialize everywhere -- in the New Independent States, in the lesser developed nations, and in our traditional trading partners, as well as in the big emerging markets. U.S. exporters will pursue those opportunities, and the U.S. government will continue to provide the necessary trade promotion assistance through all of its available programs, including U.S. programs designed to counteract unfair trading practices of our competitors.

However, as stated in the "Big Emerging Markets" chapter, almost three-quarters of the expected growth in world trade over the next two decades is projected to come from the developing countries, and ten of the largest of these nations are likely to account for more than half of this growth. In fact, these economies are expected to account for over 40 percent of total global imports over the next 20 years, even more than our traditional trading partners of Japan and Europe.

These markets are all geographically large, have significant populations, and represent considerable markets for a wide range of products. Virtually all have strong rates of growth, or clearly hold out the promise of economic expansion in the future. This is especially true in infrastructure projects, which in Asia alone are expected to grow to more than $50 billion per year in the next century. Each of these emerging markets has undertaken a significant program of economic reforms and seems likely to expand on those programs in the future. Moreover, most are of major political importance and are "regional economic drivers" (i.e., their growth is likely to spill over to neighboring markets, thereby leading to regional economic growth).

- BEMs are expected to be one of the areas of greatest opportunity to boost exports in ways that will provide the most positive benefit to our domestic economy.

- We face serious and growing competition in these markets from other major trading nations. Although the U.S. currently has the overall lead in the BEMs, it is falling behind in regions outside this hemisphere.

- We believe that Federal programs can make a significant difference in the degree to which we gain or lose market share in these markets. We must be prepared to increase the flow of market information from these countries; increase our trade-financing capabilities; strengthen advocacy efforts; and support market-opening initiatives.

Success requires adequate resources for U.S. exporters. Thus, federal efforts should target resources to the BEMs as opportunities arise for increases in exports and export-related jobs. These efforts should meet the needs of our exporting firms with a comprehensive array of trade and investment services, including counseling, advocacy and financing. Each of these activities will support the others, so that the whole will truly be greater than the sum of the parts.

Provide sufficient emphasis on sectors with the highest growth potential -- including the services sector.

As indicated in "Big Emerging Markets" chapter, no effective export strategy can focus on geography alone. To expand this strategy, the TPCC must identify the needs of U.S. exporters in specific product markets and specific countries. We also need to pay particular attention to the potential creation of a significant number of high-paying U.S. jobs, the growth prospects of the sector, the extent of U.S. competitiveness in the sector, and the extent to which governmental action, in concert with the private sector, can improve our international competitiveness.

[In presenting one important example,] the "Services Exports" chapter reports that the fastest growing sector in the United States is non-governmental services, which accounts for over half of U.S. production and roughly 75 percent of non-farm private employment (almost 68 million jobs). Service sector jobs accounted for much of the gain in private-sector employment during the last two decades and much of the projected U.S. job growth through 2005. Yet, even with service exports increasing rapidly in recent years, these exports are only a fraction of their potential.

Major new opportunities are opening up for U.S. services exports due to: their ability to compete; our efforts to open foreign markets; the return to growth of our traditional trading partners; and continued rapid growth in the developing world. As the world's fastest growing economies open their markets, adopt international services standards, and reach new levels of affluence, demand for U.S. services will grow significantly. Thus U.S. trade-promotion efforts must be in a position to support the growth of exports in the services sector.

As with the BEMs, crosscutting interagency efforts are needed to implement this strategy successfully. Information about opportunities in services markets must be gathered and made available, and export-promotion staffs must be trained in services exports. Because many of these potential services exports will be the result of government procurement, the intercession of foreign governments in the process is essential and expected. This is where systematic, effective advocacy and financing for our firms is critical. Also, these projects often demand that special risks be addressed -- as is done by the political-risk insurance programs.

At the same time, the TPCC will continue to review other fast growing sectors of the U.S. economy and attempt to fashion federal trade promotion efforts to their specific needs.

Target resources that help small- and medium-sized business.

While the federal government has instituted programs to help small- and medium-sized business, we can do more to reach companies that have not yet reached their full exporting potential. The value of U.S. exports is dominated by a relatively small number of companies, but a large number of active small- and medium-sized exporters could benefit from trade-promotion support. Only 6.5 percent of all U.S. manufacturing and intermediary-trade firms were active exporters in 1987. Further, large firms, although comprising only 3.6 percent of U.S. exporters, generated 71 percent of our exports. Hence, developing additional exports and exporters frequently means helping small- and medium-sized firms.

The export success of smaller firms has been limited by unfamiliarity with the mechanics of exporting, insufficient export-finance information and resources, and scarcity of information about foreign markets. It is in helping export-ready firms overcome these barriers that federal programs are essential. If we are to move, as a review of Canada's trade-promotion programs put it, "from a trading nation to a nation of traders," federal efforts must be increased to reach small- and medium-sized firms.[6] Focusing on small- and medium-sized firms is advantageous for the United States because:

- These firms contain great untapped opportunities especially in new markets.
- Small- and medium-sized businesses are often the most dynamic, and have great job-creation potential.
- These businesses face unique market barriers that the government is well-placed to correct.
- We believe that Federal programs can make a difference in the degree to which these types of companies succeed in export markets.

Again, this crosscutting effort must be comprehensive across the trade needs of small business exporters. Small- and medium-sized businesses stand to benefit from the larger projects supported by TDA's feasibility program, OPIC and Ex-Im project finance programs, and the advocacy efforts of our overseas posts. In addition, special financing efforts are critical to their exporting success, and like other U.S. firms, they stand to benefit from our negotiation efforts. One key element in improving federal efforts has been a reinvention of how programs are delivered to small- and medium-sized exporters, both at home and abroad. In developing this reinvention, we have been guided by three principles:

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[6] Policy Planning Staff, External Affairs and International Trade Canada, *From a Trading Nation to a Nation of Traders: Towards a Second Century of Canadian Trade Development*, (Ottawa: EAITC, 1992), see esp. pp. 15-17.

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-- Firms need more than information; they need information put into the context of their business decision-making.

-- Firms need integrated export-marketing and trade-finance assistance through a network of trade professionals with a knowledge of domestic industry, trade finance, and overseas markets.

-- Export assistance must be more accessible to smaller firms.

While the needs of small- and medium-sized business must to be addressed, large, experienced exporters will continue to receive appropriate Federal export assistance. As was noted elsewhere in this Report, small- and medium-sized businesses present an important opportunity for expansion of exporting capability.

<u>Increase the use of cost-recovery funds.</u>

In addition to these recommendations, the TPCC recommends allowing additional TPCC agencies to establish cost-recovery funds that permit fees collected from trade shows and other export services to be reinvested in the trade promotion program directly to fund additional promotion activity.

Summary

The development of a unified trade promotion budget provides a framework for focusing the discussion on trade promotion and identifying the information needed to make allocative decisions among the various trade promotion activities. The development of program performance measures will complete this process, improving the ability of policy-makers to effectively allocate resources among various U.S. programs. This Report makes a large step towards completing that process by presenting consistent comparison of agency spending for all U.S. trade promotion activities and suggesting areas of increased emphasis in the U.S. Government's efforts to promote trade.

APPENDIX ???
EXAMPLES OF COMPETITOR-NATION TRADE PROMOTION SPENDING

Export Assistance Services

To measure the magnitude of competitor export-promotion efforts in export assistance services, resource commitments were derived from agency submissions. These activities include export-awareness programs, counseling, information products, trade missions and trade shows. These numbers are designed specifically to reflect the export assistance expenditures of the Department of Commerce's International Trade Administration (ITA).

Export Assistance Services of Major Competitor Countries[7]

Country	1992 Budget (millions of U.S. dollars)	1992 Exports ($ billions)	GDP (billions of U.S. dollars)	Budget per Billion $ of Exports	Budget per $1,000 of GDP
Canada	54.7	134.4	594	.407	0.09
France	369.7	235.9	1322	1.567	0.28
Germany	77.1	422.3	1928.4	0.183	0.04
Italy	72.5	178.2	1222	0.407	0.06
Japan	95.5	339.9	3671.9	0.281	0.03
U.S.	149.4	448.2	5950.7	0.333	0.03
UK	244.0	190.0	1008	1.284	0.24

Despite the pre-existing international focus of firms in these countries vis-a-vis the U.S., many of our competitors have consistently out-spent the United States in these activities by some measure. In addition, anecdotal evidence supports the notion that several competitor nations have stronger trade infrastructures than the United States, allowing these countries to rely on the private sector for trade promotion support, as well. For example, most trade-promotion activity in Germany is handled by the private, or quasi-private, German Chambers of Commerce, while for Japan, the Japan External Trade Organization (JETRO) estimates that a large portion of its trade-promotion expenditures support imports. However, it is important to remember that the line between export- and import-promotion is often ambiguous, and the know-how, information, strategies and networks employed in promoting imports can be easily redeployed to promote exports. At the same time, it must be noted that scaling the trade promotion spending of a nation relative to its own exports or its own GDP is not necessarily the best indicator of the efficacy of any trade promotion program. Rather, those efforts should

[7]This table provides data for export-assistance programs similar to those of the Department of Commerce's International Trade Administration (i.e., export-assistance for non-agricultural merchandise trade.)

be measured against the sizes of their target markets -- which would be an even more difficult comparison to make.

Combating Foreign Agricultural Subsidies

A large portion of funds spent by the U.S. on trade promotion programs for agriculture were initially instituted to counter or offset foreign Unfair Trade Practices (UTP). Agriculture traditionally has been one of the most protected sectors in world trade, in part due to the lack of effective GATT discipline on agricultural trade for the past 45 years. As a result, trade barriers in the agricultural sector usually have been of a greater scope and variety than those faced by other sectors.

When U.S. agricultural export volume declined by almost 30 percent and U.S. agricultural exports lost 15 percentage points in world market share between 1981 and 1985, the Executive Branch and Congress responded by expanding export programs for U.S. agriculture. Programs such as the Export Enhancement Program (EEP) and the Market Promotion Program (MPP) were instituted by Congressional mandate to enable U.S. agricultural exporters to counter foreign subsidies, help break down foreign market barriers, and avoid further foreign market losses.

While numerous countries have agricultural export subsidy programs, the majority of U.S. export promotion programs were instituted to combat export subsidies of the European Union (EU). The EU has been spending over $12 billion annually to subsidize the export of its farm products, such as grains, milk products, sugar and meats. However, with the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), this level of EU agricultural export subsidies will be gradually reduced to $7 billion by the 6th year of the agreement, while U.S. spending on similar subsidies will fall from $1.2 billion to $600 million.

EU SUBSIDIZED EXPORTS UNDER THE URUGUAY ROUND AGREEMENT

Commodity	1986-90 Base		1st year of Agreement	6th year of Agreement
	Million US $	Million ECU	Million ECU	Million ECU
Wheat/flour	2,031	1,783	2,089	1,141
Coarse grains	1,571	1,379	1,297	883
Butter/butteroil	1,509	1,325	1,246	848
Beef	2,242	1,968	1,900	1,260
Other	4,681	4,109	4,102	2,629
TOTAL	12,034	10,564	10,634	6,761

1986-1990 average 1ECU = $1.139152

The opening of new food product markets that will result from the successful completion of the Uruguay Round, however, will intensify competition for established and newly emerging markets. Export promotion programs, unlike export subsidies, are not restricted under the GATT agreement. As such, these programs probably will be increasingly employed by agricultural exporting nations to expand their exports. Already, the European Union countries enhance the competitiveness of their products by supporting or carrying out additional market-promotion type activities. Canada, Australia and New Zealand rely more heavily on commodity marketing boards (government-sanctioned monopolies) to compete in world markets and carry out market-development activities.

Recent expenditures on market promotion type activities for agricultural product exports by 11 major agricultural exporting nations total approximately $500 million annually. The following table attempts to capture these expenditures which are similar to USDA's Foreign Market Development(FMD) and Market Promotion Programs(MPP), which were funded at about $135 million in 1994. Funding for FMD and MPP will drop to approximately $100 million in 1995.

COMPETITOR SPENDING ON AGRICULTURE EXPORT PROMOTION

Country	Export Promotion Expenditures (millions of US $)	Agricultural Exports 1992 (millions of US $)	Promotion Expenditures as a % of Ag Exports
Denmark	22.4	3,674	0.61
France	75.0	8,832	0.85
Germany	44.0	7,283	0.60
Italy	17.4	4,558	0.38
Netherlands	64.1	6,621	0.97
Spain	45.0	2,321	0.19
United Kingdom	9.6	2,823	0.34
Australia	95.5	11,025	0.87
Canada	10.5	10,197	0.10
Chile	8.7	1,733	0.50
New Zealand	104.4	5,065	2.06
United States	135.0	42,800	0.32

Source: Expenditures are for the most recent full year available, as drawn from the February 1994 Foreign Competitor Market Promotion Reports from FAS Agricultural Counselors and Attaches. In most cases they are 1993 expenditures or 1994 budgets. Trade data is for the most recent complete year for all countries which is 1992. Export data does not include forestry or seafood products.

Feasibility Studies

In the area of feasibility studies, the TDA has undertaken a review of the feasibility studies supported by Canada and Japan to assess the level of support they provide for this type of trade promotion. For Canada, this activity is housed in the ICP program that has a 1994 budget of approximately CDN$72 million (approximately U.S. $52 million). The ICP estimates that roughly half of this budget goes to feasibility studies. For Japan, the Japan International Cooperation Agency (JICA) produces feasibility studies that are comparable to those produced by TDA. The JICA had a budget of 31,795 million yen (approximately U.S. $308 million) in FY1993.

Country	Entity	Expenditures on Feasibility Studies (millions of U.S. dollars)	1992 Exports[8] ($ Billions)	Feasibility Study Budgets per Billion $ of Exports
Canada	ICP	26	134.4	$0.193
Japan	JICA	308	339.9	$0.906
U.S.	TDA	31.2	448.2	$0.070

Financing U.S. Trade and Investment

The difficulties in making consistent comparisons across competitor-nation trade promotion efforts are no more evident than in an examination of foreign trade finance support. Usually, foreign programs similar to those of Ex-Im are provided through a combination of organizations, with many of these organizations performing functions outside Ex-Im's purview and in some circumstances straddling the line between public and private operations.

The German system highlights the difficulties this creates in comparing resource levels. Export and foreign-investment insurance is provided by a consortium consisting of a private company (Hermes Kreditversicherungs AG) and a quasi-public institution (Treuarbeit AG). While Hermes provides export-credit insurance on behalf of the German government, most insurance coverage is extended on a profit-making basis. When official financing is provided, the vehicle for this support is the Kreditanstalt für Wiederaufbau (KfW), which may provide government-subsidized credits in combination with Hermes insurance coverage. KfW, like Hermes, operates in both the public and private domains. Tied-aid support is provided under the direction of the Ministry for Economic Cooperation (BMZ) through KfW and Hermes. In sum, these German organizations: 1) share responsibilities that are equivalent to those of Ex-Im, 2) perform functions that are completely outside Ex-Im's mission, and 3) operate in both the public and private domains. The degree of difference between the German system and the U.S. is representative of our relationship relative to most of our competitors.

Since there is no clear one-to-one relationship between Ex-Im and the foreign organizations that provide equivalent support, it is difficult to produce an accurate and explicit comparison from available data. However, several measures provide an idea of the magnitude of export-credit support among G-7 countries. The following table shows the value of export-credit provided by G-7 governments as a percentage of national exports. While it is impossible to draw a direct relationship between the amount of export finance and exports in a given year due to time lags, aggregate numbers averaged over several years should provide an idea of these programs' magnitude.

[8]Export data are from the IMF, International Financial Statistics, June 1994

Official Export Credit as a Percentage of National Exports[9]

Country	Agency	1990	1991	1992	1993	Average
U.S.	Ex-Im Bank	3%	3%	3%	3%	3%
Canada[10]	EDC	4%	3%	4%	4%	4%
France	COFACE	20%	18%	17%	20%	19%
Germany	Hermes	4%	6%	6%	6%	6%
Italy	SACE	8%	10%	10%	3%	8%
Japan[11]	EID/MITI	38%	35%	44%	37%	39%
UK[12]	ECGD	18%	18%	3%	5%	11%

[9] From country reporting via the Berne Union.

[10] 1992 and 1993 figures for Canada exclude national interest (Canada Account) transactions. The volume of this business is not significant, however, Canada ratios may be slightly low in absence of this business.

[11] Percentages are highly inflated because a large portion of short-term business is insured by EID/MITI that would be insured by the private sector in other countries.

[12] UK percentages for 1992 and 1993 are artificially low since reinsurance support for short-term transactions is not reported -- the actual percentages are probably in line with previous years or even higher.

List of Appendices

120

Appendix 1: Matrix -- Progress Report on Implementation of 65 Recommendations

(TO BE COMPLETED)

Rec #	TPCC Recommendation	Accomplishments to Date
1	Create a unified budget for export promotion in FY 1995.	A preliminary cross-cut for FY 95 was completed as part of the President's FY 95 budget.
2	Complete by December 31, 1993, an analysis of the current prioritization of US export promotion efforts by geographic and industrial sectors.	Cross-cuts have been completed by market, sector, and client type.
3	OMB will chair a TPCC performance measurement coordinating network.	Through the OMB Budget Working Group, the TPCC agencies have developed a framework to gather performance measurement data.
4	Establish one-stop shops to provide local export communities a single point of contact for all federal export promotion and finance programs.	Four pilot sites opened in January 1994. Eleven additional sites around the country were identified for opening in CY 1995.
5	Assist export-ready firms in all areas of export promotion and trade finance.	Export ready firms are being assisted through a number of initiatives including: the U.S. Export Assistance Center domestic network, improved dissemination of commercial information, upgrading overseas commercial operations, improving access to trade finance, and providing advocacy to U.S. bidders overseas.

121

Rec #	TPCC Recommendation	Accomplishments to Date
6	Expand joint collaboration between USDA and the many state agricultural agencies, and focus on new-to-market and small and medium-sized exporters; and improve USDA trade data to include better state and regional trade information.	USDA has increased outreach efforts to small-and-medium exporters by using the states' departments of Agriculture. USDA is also distributing trade data and product and market research to a wider audience through its domestic and overseas network.
7	Establish a pilot program of private sector networks of export counselors, to be known as trade assistance centers, that would help small businesses overcome obstacles to completing export transactions.	Implementation of a Trade Assistance Center network is dependent upon the implementation of the second phase of the USEAC rollout. For FY 95, the TAC concept will be developed further. (This needs to be cleared)
8	Replace more than one dozen country-specific reports currently produced by TPCC agencies with one comprehensive country-specific commercial guide for each country.	Eight separate documents are currently being combined. Country Commercial Guides will be available in October 1994 through electronic data bases and in hard copy.
9	Initiate a rational system for tasking overseas posts for country commercial information.	An instruction cable outlining the development of the Country Commercial Guide process, including the responsibilities of the Country Team, was sent to posts in March 1994.
10	Streamline the collection and dissemination of commercial information contained in the National Trade Data Bank.	The NTDB's software has been upgraded to be more user friendly based on an NTDB customer survey. The NTDB is now available on-line through Internet.
11	Expand distribution of trade leads through outlets such as NTIS, Dialog, Compuserve, and trade associations. Explore ways to link private sector intermediaries and end-users directly with trade leads information from overseas posts.	Trade lead distribution has been expanded to include NTIS, Fedworld, the Export Hotline, Dialog, Compuserve, and several trade associations. Trade lead data is also being widely distributed through the Economic Bulletin Board. Direct trade lead dissemination links are being explored via automation.

122

Rec #	TPCC Recommendation	Accomplishments to Date
12	Designate the Trade Information Center (1-800-USA-TRADE), situated in Commerce, as the single TPCC-wide information office that will coordinate specialized nonagricultural export information offices.	The Trade Information Center (TIC) is recognized by other information offices as the TPCC's single and central point of contact for U.S. businesses seeking basic export assistance. The TIC is linked electronically to many TPCC member agencies through E-mail and Internet.
13	Raise Awareness of the Trade Information Center within the US business community.	The TIC has upgraded its computer systems to disseminate information more efficiently, updated its Export Programs directory, and is now available via Internet. The TIC is also launching an outreach campaign to increase its public visibility.
14	Conduct periodic reviews of regional information centers and the business demand for their services. Phase-out when demand subsides.	A survey of Commerce District Offices and 312 business customers who use regional information centers has been completed and analyzed. Business libraries for general public use will be discontinued in favor of client reference centers.
15	Reduce the number of trade events organized by the federal government by eliminating duplicative events and encouraging greater participation in the planning of events by states and the private sector.	A pilot program was launched on June 24 to reduce the number of events by providing opportunities for the private sector to manage over 50 trade events previously run by the Commerce Department. The TPCC Trade Events Working Group will review all FY 96 trade event proposals to eliminate duplication and reconcile industry themes, event sites and timing. This collaboration should produce a unified, rationalized TPCC-wide trade event program for FY 96 by October 1.
16	Establish a centralized trade event process to ensure that all proposed events, including those from states and the private sector, are considered at one time for a given year.	An interagency Trade Events Working Group has been established. All TPCC agencies and the National Association of State Development Agencies (NASDA) have agreed to centralize planning and to develop a coordination process to review, prioritize, reconcile and approve all event proposals.

Rec #	TPCC Recommendation	Accomplishments to Date
17	Place responsibility for managing all federal trade events, approved by the TPCC working group, in one unit of Commerce (or Agriculture, as appropriate).	A new Trade Events Board and Secretariat function was created in the Commerce Department to coordinate planning, logistics and execution of interagency events.
18	Use an informational "navigation system" to guide the planning of programs and events.	An analytical matrix has been developed to guide trade event planning based on current priorities.
19	As a pilot project, announce the TPCC event program in the Federal Register and invite qualified private sector organizers to bid for those events they desire to handle.	Over 50 trade events were offered for privatization in June. Qualified bidders will be selected in September and announced in the Federal Register.
20	Focus limited federal government resources on targeted trade events for truly export-ready firms, rather than on general, motivational conferences.	All agencies have been provided with strategic guidance for their FY96 trade event program development, urging redirection of resources on BEMs and "best prospect" sectors and on types of events best suited for export-ready firms such as Matchmakers and trade missions.
21	Co-locate state offices with federal district offices when appropriate, including in the one-stop shop pilot program.	State and local partners were involved in the design of the USEACs. As the domestic network expands, the process to link with local partners will continue to ensure that co-location occurs where appropriate.
22	Create or expand formal lines of communication between state and federal export promotion entities.	Meetings with state and local partners have been formalized through their participation in regular outreach conferences and meetings of the State and Local Working Group. The Commerce Department's Economic Development Agency approved a grant proposal from the NASDA for technical assistance in automating the State Export Promotion Database.

Rec #	TPCC Recommendation	Accomplishments to Date
23	Reach cooperative agreements between federal agency field offices and state trade offices that delineate specific joint activities, expected accomplishments, strategic directions, and the responsibilities of the partners.	Through the development of the EAC Network, strategic plans for the EACs have been developed which formally incorporate state and local partners into individual EAC office plans. As EACs are established, there will be new strategic plans.
24	Expand and improve Ex-Im Bank's City/State Program.	Ex-Im Bank continues to expand program membership. Program improvements include integrating City/State representatives into the Export Assistance Centers network and exploring other ways to support state and local guarantee programs.
25	Create risk co-financing agreements between federal agencies (Ex-Im Bank and SBA) and qualified state and local finance entities.	SBA has reached co-guarantee agreement with State of California. SBA has entered discussions with other state and local finance entities to establish additional co-guarantee agreements in FY 1995.
26	Improve the accuracy, acquisition, and dissemination of trade-related information.	A program to acquire, screen and improve dissemination of trade information has been launched. We have added commercial on-line networks, new information vendors, and trade research firms to the Economic Bulletin Board. NTDB information has been significantly expanded.
27	Create a commercial strategic plan for each country with significant market potential that is cleared by the Country Team and approved by the Ambassador and that links the overall Mission Program Plan and the former Country Marketing Plan.	In February 1994, a joint State/USDA/DOC cable was sent to overseas posts in February tasking them to develop comprehensive Strategic Commercial Plans. Embassies developed SCPs for FY 94 that were actively discussed and reviewed by Washington agencies. This process will be repeated for FY 95 and will provide a solid framework for commercial promotion in overseas markets.
28	Enhance the role of the Country Team in commercial activities.	Progress of the Country Team in commercial activities continue to be evaluated through the implementation of the Strategic Commercial Plans and exercised through development of Country Commercial Guides.

125

Rec #	TPCC Recommendation	Accomplishments to Date
29	Promote the United States as a country that produces quality products.	During FY 94/95 USIA is fielding three travelling information centers to Asia, Europe and the Middle East. These centers contain a multimedia library, and other trade related information.
30	Improve the collection and dissemination of market research and country-specific information.	Market research and country-specific information is being supplied through a number of sources including the new Country Commercial Guides (to be released in October), upgrades to the National Trade Data Bank, and better distribution through commercial on-line networks.
31	Enhance the role and responsibilities of Foreign Service Nationals in countries where there are no US&FCS officers.	The US&FCS will open new offices under the management of the FSNs with supervision from a US&FCS regional office. The first office run by a Foreign Service National will be in Finland with the FSN reporting to the Commercial Officer in Stockholm.
32	Develop a comprehensive and consistent training program for export promotion personnel at each stage of personnel development.	Computer training, market research training, administrative business counseling training, a mid-level commercial officer course, and various other programs that involve the private sector have been developed for export promotion personnel. Regional training of FSNs on market analysis was conducted throughout FY 94.
33	Expand contacts and develop training programs with private sector organizations and associations to improve the exchange of information between federal trade promotion personnel and US exporters overseas.	The private sector assisted in the development of computer training courses for export promotion personnel. Two sectoral training sessions were also incorporated into the Mid-level training.
34	Develop and implement a regular mechanism for evaluating performance measures.	Nine pilot posts were named to develop performance measures based on goals outlined in their Strategic Commercial Plans. Further follow-on will adhere to OMB developed guidance.

126

Rec #	TPCC Recommendation	Accomplishments to Date
35	Upgrade the mission's awareness and knowledge of USG agencies and private sector financial needs and requirements, and improve the mission's ability to report and make useful recommendations to Washington.	Upgrading mission awareness of commercial issues is being addressed through training of American officers and FSNs especially targeting financing. Planning to accomplish these goals through strategic commercial plans, and information dissemination through Country Commercial Guides, as well as increased collaboration with Federal financing agencies.
36	Encourage more visits by mission officials to the United States for consultations with the business community, and brief/update TPCC representatives on mission activities.	Mission visits through programs like the U.S.-ASEAN Ambassador's Tour and the Business Council for International Understanding (BCIU) will continue and will be enhanced. No new initiative are planned.
37	Coordinate mission trade promotion activities with state development offices located overseas.	Increased communication with overseas state development offices and coordination of mission trade promotion activities will be further developed in FY 95. Meetings between US&FCS and states on developing projects to increase cooperation between state and federal overseas operations are ongoing.
38	Establish the TPCC Advocacy Coordinating Network, chaired by the Secretary of Commerce or his delegate, to develop an effective system of aggressive advocacy in close coordination with the private sector and within the context of overall US foreign policy.	Advocacy Coordinating Network was established in November 1993. The interagency groups meets regularly to coordinate strategies for U.S. companies seeking advocacy assistance. A new Advocacy Center, established at Commerce, supports the Network's efforts.
39	Develop and implement strategies to further reduce the use of tied aid worldwide.	The Tied Aid Capital Projects Fund was established at Ex-Im Bank to aggressively counter foreign trade-distorting tied aid credits.
40	Streamline the pre-export working capital guarantee programs of Ex-Im Bank and SBA to make the programs more customer-focused and to take advantage of the agencies' comparative strengths.	Ex-Im Bank and the SBA have developed a streamlined and harmonized export working capital guarantee program scheduled to begin as a pilot on October 1, 1994.

127

Rec #	TPCC Recommendation	Accomplishments to Date
41	Establish an intensive educational program, illustrating the benefits of USG export financing programs (e.g., reduced risk, that is targeted at private financial institutions, especially smaller and less internationally experienced banks.	Ex-Im Bank, the SBA, and several private sector banking associations have developed the Lender Education Program. The program will provide inexperienced lenders an overview of U.S. Government export finance policies and "hands on" information. The first phase of the program is scheduled for September, 1994.
42	Make clear that lenders will get positive consideration for small businesses export loans under the Community Reinvestment Act (CRA), which encourages lenders to help meet the credit needs of their communities.	Ex-Im Bank and SBA have determined that small business loans guaranteed by either agencies are eligible for bank credit under the Community Reinvestment Act.
43	Help stimulate the private sector's creation of a secondary market for short-term export loans.	Ex-Im Bank and PEFCO will offer pilot program starting October 1, 1994 aimed at building foundation for secondary market.
44	Consolidate all feasibility studies for major projects primarily designed to support US exports, including concept design and financial planning, into the TDA.	The Department of Energy and OPIC have transferred funds to TDA. Ex-Im Bank is seeking the necessary legislative changes to fulfill this financial commitment.
45	Encourage qualified state/local export finance entities to enter into co-financing arrangements whereby risk is assumed on a shared basis.	[This is repeat of Rec #25] SBA has reached co-guarantee agreement with State of California. SBA has entered discussions with other state and local finance entities to establish additional co-guarantee agreements in FY 1995.
46	SBA will offer preliminary commitments to exporters whose loans are "packaged" by qualified state/local entities.	SBA has agreed to accept exporter generated preliminary commitments for its working capital guarantee program.
47	Raise the OPIC per-project limit from $50 million to as much as $200 million.	OPIC raised the project funding limit to $200 million in October 1993.

128

Rec #	TPCC Recommendation	Accomplishments to Date
48	Create a single, aggressive MDB promotion and business outreach office in the Department of Commerce.	Commerce established a new MDB counseling center in May 1994 to provide U.S. exporters with MDB-financed project information and counseling.
49	Increase liaison support for the US Executive Directors to the MDBs.	Commerce has increased staff support to the Executive Director's office and headquarters.
50	Integrate the role of the MDBs into broad USG export finance program agendas (e.g., of Ex-Im Bank, OPIC, TDA, SBA, DOE, and USAID).	MDB project finance training program was developed for FSNs and interagency representatives. MDB center provides information and referrals for other finance agencies. MDB outreach efforts enhanced through participation of Ex-Im Bank, OPIC, and TDA.
51	Initiate a public information campaign to encourage US firms to seek MDB financing. This would increase the leverage of USG resources.	Commerce co-hosted over 40 information programs in 21 cities, with over 1500 participants.
52	Increase the threshold for exports of computers to most destinations from 12.5 MTOPS to a level of 500 MTOPS.	Decontrol threshold was raised to 1000 MTOPS for most civilian destinations worldwide.
53	Propose an increase in the definition of supercomputer from 195 MTOPS to 2,000 MTOPS.	Supercomputer threshold was raised in December 1993 to 1500 MTOPS. Multilateral negotiations continue to work toward attaining the 2000 MTOPS threshold.
54	Expand the availability of distribution licenses for computer exports.	Distribution licenses for most Western destinations were expanded to 1500 MTOPS.

Rec #	TPCC Recommendation	Accomplishments to Date
55	Remove prior licensing requirements for telecommunications exports (except information security) for use in public - switched networks to most countries not proscribed by COCOM. In addition, the United States will propose and work with our allies to change the control regime on telecommunication technologies for civilian end-users, including reduced control levels for fiber optic, radio relay, and cellular communications systems, and more advanced switching techniques related to these types of communications.	Prior authorization for most telecommunications equipment exports to most destinations and end users has been eliminated.
56	Harmonize US domestic dual-use controls with multilateral controls to greatest extent possible, consistent with US national security and foreign policy interests.	The Administration has made extensive progress harmonizing the list of items to be controlled. It is also reviewing U.S. unilateral controls to eliminate unnecessary controls. A final report is expected this fall.
57A	Streamline the US government's licensing and decision-making process to eliminate bureaucratic delay and duplication in the licensing review and referral process.	Commerce has reduced the time for its referral of license applications to other agencies by 25%. The Administration's proposal for a new Export Administration Act contains strict disciplines to reduce overall export license application processing times by 25%. Further streamlining awaits interagency implementation.
57B	Clarify and simplify US export control regulatory requirements.	In December 1993, BXA issued a clarification of the application of the Enhanced Proliferation Control Initiative (EPCI). Regulations to clarify further the product scope of EPCI are currently circulating for interagency clearance. Additionally, the Export Administration Regulations are being revised. Revision is scheduled to be completed by December 31, 1994.

130

Rec #	TPCC Recommendation	Accomplishments to Date
57C	Adapt the multilateral export control system to address proliferation threats and to ensure the consistent application of export control policies and procedures by member countries.	Following the end of CoCom on March 31, 1994, the Administration has led former Cocom members in effort to establish a successor multilateral export control regime that will help stem the threat of proliferation.
58	Increase federal government participation in standards activities.	Several agencies, including FDA, FCC, and NHTSA have undertaken proactive approaches to harmonize requirements in key markets. Commerce is working with regulatory agencies in heavily-traded product sectors to improve international cooperation.
59	Support private sector standards activities.	Per industry request, NIST, EPA, and DOE are participating in a new ISO initiative for harmonized environmental management standards. An electronic network linking standards databases and users is being developed.
60	Promote US standards in foreign countries.	Numerous efforts aimed at international standards harmonization and training and technical assistance for foreign governments are underway.
61	Promote the acceptance of US certification and accreditation.	The Administration is negotiating Mutual Recognition Agreements with the European Union for acceptance of test results, plant inspections, and product certification.
62	Enhance information sources for exporters.	NIST and ITA have expanded their foreign standards and ISO information programs for exporters.
63	Assist industries regarding ISO 9000 Standards Registration.	NIST's Manufacturing Technology Centers have undertaken training and education activities designed to assist small and medium-sized companies with the ISO 9000 Standards Series.
64	Take steps to convert the US to the metric system.	Cooperative initiatives are underway to promote metric use in Federal procurement, and all administrative and programmatic functions that are measurement sensitive.

131

Rec #	TPCC Recommendation	Accomplishments to Date
65	Review regulatory programs to identify outdated or unnecessary restrictions to exports and implement appropriate modifications.	Based on industry response to a TPCC Federal Register notice, the TPCC is developing options for modifying or eliminating unnecessary requirements.

Note: TPCC Recommendations "57B" and "57C" were omitted in the original TPCC Report numbering sequence. Recommendation "57A" is actually #57 in the Report.