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REPORT TO THE CONGRESS



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Commercial Offices Abroad Need Substantial Improvements To Assist U.S. Export Objectives B-172255

Department of State

Department of Commerce

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

OCT. 24, 1972

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-172255

To the President of the Senate and the
Speaker of the House of Representatives

This is our report entitled "Commercial Offices Abroad Need Substantial Improvements to Assist U.S. Export Objectives." Commercial offices abroad are part of the Foreign Service of the Department of State, and their services to American business are controlled by the Department of Commerce.

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Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; and the Secretary of Commerce.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

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|-----|----------------------------------|
| BIC | Bureau of International Commerce |
| GAO | General Accounting Office |

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

COMMERCIAL OFFICES ABROAD NEED
SUBSTANTIAL IMPROVEMENTS TO
ASSIST U.S. EXPORT OBJECTIVES
Department of State
Department of Commerce
B-172255

D I G E S T

WHY THE REVIEW WAS MADE

Continuing deficits in the U.S. balance of trade since the mid-1960s emphasize that American business must compete more effectively in the international marketplace. Because many factors affect the ability of U.S. exporters to compete in world markets, various joint actions by the Federal Government and the exporters are required to maintain sales of U.S. products overseas at high levels.

The Department of Commerce has long maintained services to assist companies seeking export markets. In previous reports the General Accounting Office (GAO) discussed ways to improve specific Commerce export expansion programs.

This report examines the effectiveness of U.S. commercial offices maintained in other countries to assist American businesses to increase their export sales. GAO interviewed officials of the State and Commerce Departments and commercial officers, staffs, and other officials at U.S. Embassies in London, Paris, The Hague, Oslo, Taipei, and Bangkok and at U.S. consulates in Amsterdam and Rotterdam.

FINDINGS AND CONCLUSIONS

Commercial offices abroad are part of the Foreign Service of the De-

partment of State, which assigns, promotes, and evaluates commercial office personnel. The Department of Commerce, however, largely controls what services commercial offices offer to American business and how they conduct these services. (See pp. 5 and 6.)

There are 180 commercial officers at 92 posts in 65 countries. Commercial officers are assigned generally to U.S. Embassies in the capital cities of the world. The capitals, however, are not always located in key industrial areas. (See pp. 8 and 9.)

Commercial officers devote about 20 to 30 percent of their time to commercial reporting and the balance to assisting businessmen, supporting promotional events, attending meetings, and making other contacts within and without the Embassies. There was considerable difference of opinion among the commercial officers as to the relative importance of the various duties assigned. (See pp. 10 to 13.)

Examination of the qualifications of 16 commercial officers assigned to four European countries showed a need for better qualified personnel. Eleven officers had prior experience in economic or commercial work, and five of these had received advanced economics training. Five officers were on their first economic or commercial assignments; two of these

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had attended 3-week commercial training courses; there was no other appropriate training. (See pp. 13 to 15.)

Many services provided by commercial officers in response to specific requests are worthwhile; but, because little time is available for self-initiated or more innovative commercial pursuits, their efforts toward export expansion objectives fall short of the desired contribution. More energetic seeking and more knowledgeable reporting of trade and investment opportunities are needed. (See pp. 16 to 20.)

The role of Commerce in providing timely support to, and direction over, overseas activities is vital. The value of commercial intelligence gathered by commercial officers depends largely on what the Commerce Department does with this information. (See pp. 20 to 22.)

In an earlier review, GAO reported that, because of the interdependence of overseas, Washington, and U.S. field office activities, a high degree of coordination was essential to improving U.S. sales abroad. In this review GAO has concluded that a system is needed to insure that Commerce takes appropriate action in the United States when commercial intelligence is received. At the time of GAO discussions with commercial officers abroad, there was no set distribution for commercial intelligence reports. (See p. 20.)

GAO examined 13 cases in which commercial intelligence reports were submitted voluntarily to the Commerce Department. Eight of these resulted either in no action or in inadequate action by Commerce after it received the reports. (For specific examples, see p. 21.)

Commercial officers at each post have considerable latitude in deciding on the amount and degree of attention to give to the assigned commercial activities. Although this may be desirable under certain circumstances, it can also result in inconsistent application of resources. (See p. 23.)

Commercial office activities can be improved by better coordination of State and Commerce efforts in planning and evaluating the effectiveness of present programs. Actions needed include establishment of long-range objectives and strategies and a system of priorities to assist posts in attending to the more important duties.

GAO has found that:

- The Departments of State and Commerce have not developed effective country market trade promotion programs and general commercial strategies. (See pp. 25 and 26.)
- Direction by Commerce has contained only limited, short-range objectives and strategies and has lacked a clear focus as to what the United States is trying to accomplish, how it is to be done, and the likelihood of attainment. (See pp. 26 and 27.)
- Insufficient evaluation of the commercial officer program has hindered effective planning and management. Without a system of values assigned to commercial functions, allocation of resources must be based on subjective judgments. (See p. 27.)

The State Department has recognized that much more can and should be done in export expansion. In February 1972 it requested that all diplomatic and consular posts suggest

new and imaginative ways to help American business strengthen the U.S. export position. Responses from overseas posts suggest that a latent potential exists as indicated by the many innovative proposals submitted. (See pp. 26 and 31.)

At the President's direction, the Office of Management and Budget undertook a comprehensive study of commercial office functions. This study, when completed, may have significant impact on the future course of commercial office activities. (See p. 31.)

The Congress and the executive branch are currently considering the longstanding question of whether State or Commerce should have direct managerial control over commercial offices.

Hopefully, increased attention to commercial activities will also focus on the need for

- elevating the status of commercial work,
- assigning better qualified personnel as commercial officers, and
- improving planning and evaluation of the program. (See p. 32.)

RECOMMENDATIONS

GAO recommends that the Secretaries of State and Commerce:

- Formulate long-range export expansion plans with specific goals

and strategies, for individual countries or major market areas.

- Establish priorities for accomplishing the many commercial programs and services.
- Implement a system of reporting and evaluation program results.
- Strengthen procedures for recruiting, assigning, and training commercial officers to obtain better qualified commercial staffs and consider upgrading the commercial office staffs.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Departments of State and Commerce agreed with GAO's findings and recommendations. State advised us that this report and others that GAO had made on trade expansion reviews had been particularly useful and timely and that it was engaged with Commerce in a comprehensive effort to improve export promotion. They are collaborating in a series of joint working groups to implement improvements in personnel management, budgeting, the specific tools used in export promotion, and other aspects of trade.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting these matters to the Congress because of its expressed interest in increasing the effectiveness of overseas commercial activities and because of the Nation's balance-of-payments deficits.

CHAPTER 1

INTRODUCTION

Since the mid-1960's, the U.S. trade surplus has shrunk, which contributes to heightened concern about deficits in the U.S. balance of payments. U.S. exports have not kept pace with the exports of competitor nations or with imports. Thus, the United States has been losing ground, both at home and in foreign markets.

Resolution of the many factors adversely affecting U.S. exports requires joint action by Government and industry. Devaluating the dollar was considered by some authorities to be a most important move to right our trade balance, and an estimated \$9 billion improvement is expected to accrue in 2 or 3 years as a result. Legislative actions and proposals are also expected to figure prominently in export expansion efforts.

The U.S. Government has, for some years, provided services and assistance directly¹ to U.S. firms interested in exporting. In earlier reports¹ we discussed ways to improve two specific Commerce overseas export expansion programs. While reviewing these programs, we observed that the many demands placed on commercial office personnel tended to hamper optimum performance. We made this review to ascertain the role of overseas commercial offices in carrying out Commerce's export expansion efforts.

Commerce does not have its own overseas commercial service and relies on the Foreign Service of the Department of State to implement its programs. As of May 1972, 181 commercial officers and about 400 local employees were supporting the programs and additional support was being provided by economic officers for posts not having commercial officers. Commerce personnel held 22 of the 187 authorized overseas positions under a reciprocal agreement with State.

¹"Opportunities for Increasing Effectiveness of Overseas Trade Exhibitions" (B-135239, Nov. 1971).

"Ways to Increase U.S. Exports Under the Trade Opportunities Program" (B-135239, Jan. 28, 1972).

Overseas commercial personnel are normally grouped into offices in U.S. Embassies in capital cities; in some countries they are also assigned to consulates. The commercial staff is under the direct supervision of the ranking economic officer at each Embassy, and he is responsible to the Ambassador.

Within Commerce headquarters, the task of promoting U.S. trade abroad rests with the Bureau of International Commerce (BIC). It is the prime source of direction, advice, and work requirements for overseas commercial officers and

- conducts export promotion events at home and abroad;
- gathers, analyzes, and disseminates marketing information on foreign countries;
- helps formulate U.S. trade policies;
- provides information and assistance on private investment opportunities overseas, or in the United States for foreign firms; and
- administers the export control program.

Commerce has 42 domestic field offices in 34 States and Puerto Rico, providing a wide range of services. In recent years more of their resources have been directed toward export expansion programs. The effectiveness of domestic field offices is the subject of a separate GAO study.

SCOPE OF REVIEW

We made an in-depth review of eight overseas commercial offices. We looked into their overall effort, the leadership and assistance provided to overseas staffs by Commerce headquarters, and the procedures for evaluating program results.

We interviewed officials at State and Commerce and examined pertinent documents. We also interviewed commercial officers, staff members, and other officials and examined selected commercial records at the following overseas posts.

American Embassies

London, England
Paris, France
The Hague, Netherlands
Oslo, Norway
Taipei, Republic of China
Bangkok, Thailand

American consulates

Amsterdam, Netherlands
Rotterdam, Netherlands

Our fieldwork was essentially completed by November 1971.

CHAPTER 2

PRESENT ROLE OF COMMERCIAL OFFICES OVERSEAS

IN EXPANDING U.S. TRADE

Commercial offices overseas primarily assist U.S. and local businessmen and report to Washington on a variety of commercial and economic matters. At posts having U.S. trade centers, support of promotional events is an important function and consumes much of the officers' time. The demand presently placed on commercial offices leaves them little opportunity for exploiting business contacts and adequately supporting the great variety of assigned functions.

Commercial officer positions have not fared too badly despite recent cuts in U.S. overseas personnel. As of May 1972, there were 181 officer positions filled of 187 authorized and 450 local commercial assistants generally provided continuity and familiarity with local business conditions. Many U.S. commercial officers at the posts we visited were relatively new in commercial work and had only limited training and exposure to Commerce's export expansion programs and to private industry.

STAFFING OF COMMERCIAL OFFICES

Commercial representatives are overseas to promote U.S. foreign commerce. Their duties include commercial policy work and official representation to the host government as well as commercial intelligence gathering, trade promotion, business services, and investment assistance.

The Department of Commerce describes the economic/commercial specialists in the unified Foreign Service as the major source of the basic and special economic and commercial information required for an effective export expansion program. Independent studies by the Commission on International Trade and Investment Policy published in 1971 and by the National Export Expansion Council published in 1967 concluded that commercial officers filled a vital role in the Government's efforts to expand exports.

The United States maintains over 180 commercial officers at 92 posts in 65 countries throughout the world. Because of the range of U.S. overseas commercial representation requirements, the Department of State has seen a need for increasing the number of commercial officers. In seven of the past 10 years, State has requested funds for additional commercial officers. To date, no money has been made available by the Congress for these purposes because of a variety of budgetary pressures and Government-wide problems of resource allocation. In past personnel reductions, commercial representation has been reduced as have other functions. In 1970, through a special appeal to the President, some positions allotted to economic/commercial activities that had been cut under earlier reductions were restored as commercial positions, increasing the total from 160 in 1969 to 187 in 1972.

Although the current staffing levels of U.S. commercial offices overseas may be appropriate for limited commercial objectives, significant export expansion opportunities may be overlooked due to insufficient representation in many important industrial and business areas of the world.

Commerce officials advised us that placing personnel in a country or at a post within a country depended on the commercial potential there and that transfers of positions, which occurred infrequently, were due to fluctuations in commercial potential. These officials believed that the limited number of commercial officer positions were located as advantageously as possible. Analysis of the dispersion of positions shows that 72 percent are assigned to Embassies in capital cities. However, we do not maintain Embassies in all countries where we have trade relationships.

Even where we have Embassies, the capital cities are not always the key industrial areas or centers of business activity. For instance, the industrial areas of Genoa, Italy; Manchester, England; and Le Havre, France, are covered by personnel assigned to other posts. Also, the cities of Edinburgh, Scotland, and Belfast, Northern Ireland, must be covered from the Embassy in London. Therefore, commercial coverage in these areas receives part-time attention or no attention at all.

PROFILE OF COMMERCIAL OFFICES REVIEWED

Commercial offices are staffed with American officers and local commercial assistants and clerical personnel. The number of commercial officers and the size of the local staff vary considerably from post to post. At the eight posts we visited, the commercial staffs ranged from one officer and three local staff members to five officers, two clerical personnel, and 17 local staff members.

Time spent on various duties

Commercial officers and their assistants spend about 50 percent of their time assisting businessmen or supporting promotional events and about 20 to 30 percent on administrative duties, not including the six basic commercial services outlined in the following table. Included in the category of other duties are attending Embassy and commercial staff meetings, maintaining relations within the host country, and handling trade disputes. Thus, only 20 to 30 percent of the commercial staff's time is left for commercial reporting.

The following table shows the approximate percentage of time devoted to certain basic services by commercial officers and their assistants in five¹ of the countries we visited. These figures are averages of the estimates prepared by 11 commercial officers and 17 local assistants. Although the allocation of time may not be representative of all posts, it illustrates the nature of services performed; the allocation does not purport to be a statistically developed division of duties performed.

¹The five posts are Bangkok, London, Oslo, Paris, and Taipei. We did not request the commercial staff in The Netherlands to make percentage estimates.

<u>Basic service</u>	Percent of officer's <u>time</u>	Percent of assistant's <u>time</u>
Providing direct assistance (visitors, letters, and telephone calls)	25	32
Supporting exhibition programs (trade centers and trade development centers, trade and industrial exhibitions, and trade missions)	<u>25</u>	<u>18</u>
	<u>50</u>	<u>50</u>
Preparing reports for U.S. firms (agent-distributor service, Trade Contact Surveys, and World Trade Directory Reports)	3	16
Alert reports (special marketing situations)	9	4
Reporting trade opportunities (private trade opportunities, government bid tenders, and license opportunities)	4	7
Preparing required reports (industrial outlook reports and trade outlook articles)	<u>4</u>	<u>3</u>
	<u>20</u>	<u>30</u>
Other functions (meetings, etc.)	<u>30</u>	<u>20</u>
Total	<u>100</u>	<u>100</u>

Local employees who fill commercial assistant positions often form the heart of commercial office operations. Some tasks, such as the Agent-Distributor Service, Trade Contact Surveys, and World Trade Directory Reports, are done entirely by local employees and are reviewed by commercial officers. Local assistants often do research and write initial drafts on other commercial office reports. They

maintain personal contacts in, and familiarity with, the local commercial world. At some posts, however, this does not hold true due to the frequent turnover of local assistants. In view of the expertise and continuity that local assistants can provide to our overseas commercial programs, appropriate training for and upgrading of local assistants should be considered.

Scope of duties

That many responsibilities are placed upon commercial offices is demonstrated by the following list extracted from the fiscal year 1972 Trade and Investment Program for France. The list excludes duties involving discussions with the French Government concerning the relaxation or removal of various impediments to U.S. trade interests. Certain responsibilities relating to support of the Paris Trade Center would not be appropriate for posts, such as Taipei, which do not support centers. Nevertheless, the breadth of activities listed indicates the commercial responsibilities placed on most posts.

1. Commercial intelligence reporting.
2. Industrial outlook reporting.
3. Trade opportunities reporting, current and future.
4. Assisting U.S. firms on specific export transactions.
5. Investment and licensing opportunities reporting.
6. Trade letter referrals.
7. Assisting U.S. business visitors.
8. Preparing trade outlook articles for publication.
9. Preparing overseas business reports.
10. Arranging and awarding market research contracts for trade fair exhibitions.

11. Evaluating all new market research.
12. Identifying and evaluating changes in U.S. market share position.
13. Preparing commercial newsletters.
14. Prelicensing and postshipment checking for export control purposes.
15. Selecting, developing, and evaluating product themes for trade center shows and trade fair shows.
16. Identifying and making calls on blue-ribbon prospects for trade center show attendance.
17. Support and followup for trade fair shows.
18. Promoting French investment and licensing arrangements in the United States.
19. Reporting on forthcoming business visitors and their interests to the United States.
20. Supporting travel service program for visitors to the United States.
21. Encouraging department and chain stores to hold promotions of U.S. consumer goods.

As discussed on page 27, these commercial responsibilities are not given relative priorities by Commerce. Commercial officers must decide on the degree of attention to give those matters which they consider important and feasible in the country concerned. As might be expected from the large number of duties assigned, we found considerable difference of opinion among commercial officers on the extent and quality of support given these responsibilities. (See p. 23.)

QUALIFICATIONS OF COMMERCIAL OFFICERS

A common theme of the many studies and proposals on commercial officer positions is the need for qualified

personnel. Because of the increasingly important role of commercial officers in the fast-changing and competitive world of international business, we reviewed the training, education, and prior experience of 16 officers assigned to four European countries. On the basis of this review, we concur in the call for better qualified personnel.

Commercial staffs fall within the Foreign Service, and the State Department has the final say in personnel management. The Commerce Department has voting rights on selection boards and thus participates in appointments, promotions, and evaluations of commercial officers. Before State appoints an officer to an economic/commercial position, Commerce is requested to either accept the nominee or propose a substitute from Commerce or private business. Commerce, under the current agreement, is authorized to fill only about 20 positions throughout the Foreign Service with Commerce employees.

The Foreign Commercial Service Staff of BIC is responsible for Commerce's participation in the personnel management of commercial staffs. At the outset of our review, we discussed commercial officer qualifications with members of the staff and were informed that there were no formal standards for selection and assignment of staff.

A 1967 BIC study describing the desired qualifications of economic/commercial officers calls for officers at lower levels to have a knowledge of marketing techniques and basic economics. A general knowledge of the importance of foreign trade to the U.S. domestic economy and to international relationships was considered desirable. Officers at higher levels should have knowledge of advanced economics; e.g., a master's degree or a year of advanced economic studies. Such personal qualities as initiative and imagination are desired of all officers. Although this study was never circularized nor officially accepted, Commerce officials felt it provided guidance toward the basic qualifications commercial officers should have.

Five of the 16 officers whose qualifications we reviewed were on their first assignments in economic or commercial work. Two of them had attended a 3-week course of commercial and economic specialist functions co-sponsored

by Commerce and State before starting their assignments. This course involves 2 weeks of orientation briefings on a wide range of economic and commercial subjects and 1 week of consultations at Commerce, at Commerce field offices, or with private firms. State and Commerce had no record of other economic or commercial training for any of the five officers. All five had college degrees, but one had no economics training--he had majored in history and theology. The other 11 officers were experienced in economic or commercial work; seven had worked for Commerce, either on detail from State or as a direct hire of Commerce. Under the sponsorship of State, five of the 11 officers had received advanced economics training.

The limited training given to economic/commercial officers was directed heavily toward economics. Training in export expansion programs consisted of a brief overview or orientation. Training in techniques of commercial officer work and thorough exposure to the various export expansion programs of Commerce were lacking. In view of the fact that commercial officers are expected to perform a wide range of duties--such as market research, assisting U.S. businessmen, and even selling or persuading foreign businessmen to consider buying or handling U.S. products--some practical business training would be advantageous.

State advises that they now hire people specifically for economic/commercial positions; in the past, selections emphasized political careers. It is too early to assess the results of this change.

CHAPTER 3

AN EFFECTIVE OVERSEAS PROGRAM

DEPENDS ON TEAMWORK

At the overseas posts, a more dynamic and innovative approach in searching out and reporting export opportunities is needed. This is not to say, however, that service needs of business deserve less than timely action but that functions equally or more important also require active consideration.

The Department of Commerce is depended on to provide timely support to overseas activities; headquarters responses can inspire or dampen post initiatives. Of equal importance is the need for strong central direction so that commercial offices overseas may carry out their intelligence gathering and reporting functions more effectively.

ANALYSIS OF OVERSEAS COMMERCIAL ACTIVITIES

The effectiveness of commercial officers and their staffs is limited by the interpretation of their roles in the foreign commercial arena. As presently constituted, their role primarily is responding to requests for information and assistance from Commerce and U.S. or foreign businessmen. They do not aggressively seek and promote international business opportunities; hence, their contribution to export expansion seems to be limited to matters which impact only marginally on export objectives. Improvements in the following areas would add materially to commercial office effectiveness.

Out-of-office work

Out-of-office contact with the local government and the business community helps the commercial office staff keep abreast of developments, improves the quality and quantity of marketing reports, and provides the first-hand knowledge to satisfy specific needs of U.S. firms. Some instructions to commercial offices have even specified a preference for obtaining information through personal contacts.

Commercial officers and their local assistants spend very little time in making out-of-office contacts or in advertising their services. Personal visits, even on those tasks which were considered beneficial by Commerce, were also generally neglected. Although performance varied from post to post, usually the commercial staffs did not venture into the field for trade opportunities, trade contact surveys, World Trade Directory Reports, or U.S. Government project planning.

Commercial officers generally agreed that they did not spend enough time away from the office because of incoming mail, visitors, reports, meetings, supervision of staff, etc.

At one of the posts visited, the commercial officer emphasized the need to spend more time away from the office. He had identified numerous reasons for making field visits and had established goals to induce the officers to reduce in-office time. At another post, the commercial officer believed it was fruitless to visit businessmen without having specific commercial propositions in hand. The latter attitude may not be typical of most posts, but the contrast indicates the latitude permitted commercial officers in determining the emphasis of commercial office work.

The effectiveness of commercial office activities can be enhanced by aggressively seeking trade information. Although we cannot quantify the benefits that might accrue through increased contacts, it is generally recognized that such contacts would enable officers to discover and report sales opportunities, impediments to trade, and other matters of commercial significance. Trade strategies and trade policy decisions would also be assisted by increased knowledge of foreign business practices.

Voluntary market research

One of the tasks Commerce requests of commercial officers is research into market conditions. Two main objectives cited by Commerce are (1) identifying product categories having good potential for U.S. exports and (2) determining reasons for poor U.S. export performance.

Only one of the six posts we visited had submitted market studies on its own initiative. The commercial attache at this post believed that more effort was needed to arouse the interest of potential U.S. exporters and that this could best be accomplished by reporting promising product areas to U.S. industry. Although the post reported on products having good growth potential, it did not study stagnant or declining U.S. export fields from which valuable intelligence might also be uncovered. The latter area was the subject of another GAO report.¹

Reasons cited by other commercial officers for not making independent market studies were:

- Contracted studies in some countries by market research firms for trade center shows and other exhibitions had already covered many promising product areas.
- Commercial staffs lacked the expertise to do market research.
- Other work requirements absorbed most of their time.

Contracted market research studies in countries where trade centers are located concentrate on products suitable for trade center promotion and do not normally cover other products with good potential, which have histories of poor or marginal U.S. export performance. Also excluded are studies of products not suitable for commercial exhibitions because of their size or other limiting characteristics. Availability of contracted studies reduces the need for independent studies by commercial offices in countries with trade centers, but there is still a need for additional research because trade center contracted studies usually cover those products in which U.S. industry has demonstrated its leadership.

The other deterrents cited for not doing independent studies could be overcome by improving instructions on research techniques and an allocating of time for this task.

¹"Improved Foreign Market Analysis Can Increase U.S. Exports" (B-172255, July 6, 1972).

Commerce has issued general reporting guidance but has not provided specific instructions on research techniques. Allocating time would necessitate judgments by Commerce on the relative values of market research versus other tasks. At present market research is voluntary, with no quotas or deadlines, and is done at the discretion of individual commercial officers. Alternatives, such as reviews by market research firms or Commerce employees on temporary detail in-country, should be considered by Commerce and State.

Responding to specific requests

Neither Commerce nor State has developed an evaluative system to measure the effectiveness and worth of the many commercial activities performed. Our review was not in sufficient depth to make such evaluations, but the posts we visited had problems in meeting deadlines for some of the services requested by American businessmen. These services are important, and resources should be provided so that posts can be responsive. However, we are not in a position to say that these services in response to requests are more important than some of the other tasks required of the posts, in view of the available staff resources in relation to duties assigned.

World Trade Directory Reports

Posts are allowed up to 30 days to submit World Trade Directory Reports, which present basic commercial and financial information on specific foreign firms. Because of complaints about delays in receiving these reports, we checked on the timeliness of reporting at four posts.

The Paris office completed nearly all of its reports within 35 days. Bangkok and Oslo attributed delays principally to late responses of foreign firms to questionnaires, even though Commerce instructions direct that, if necessary, a partial report should be submitted within 30 days. The London commercial office considered a backlog of up to 20 overdue reports to be acceptable, and we found their record spotty.

Commerce did not consider any backlog acceptable, and despite the late reports of Bangkok and Oslo, Commerce did not convey their dissatisfaction to the posts.

Trade Contact Surveys

These surveys are made to locate prospective agents, distributors, or licensees for U.S. firms; and a charge of \$50 is made for each country surveyed. The four posts that we checked had taken longer than the 60 days allowed for a large number of their surveys.

Agent-distributor service

This service is a quicker version of trade contact surveys. Posts are to respond in 30 days, providing names of three firms interested in discussing the American firm's proposal. We looked into the timeliness of reporting by the commercial offices in London, Paris, The Hague, and Oslo. London did not meet the deadline in 44 percent of the cases. Paris had a completion rate within 30 days for 83 percent, and The Hague and Oslo were even prompter, with only occasional cases slipping beyond the 30-day limit.

DEPENDENCE ON HEADQUARTERS SUPPORT

The value of commercial office intelligence gathering is dependent largely on how post submissions are handled by Commerce headquarters. Unless Washington activities provide appropriate and timely support to post submissions, the value of the intelligence gathered diminishes. Of equal importance is the disincentive that Washington inattention creates for future post initiative.

Importance of responsive management

In an earlier review of the trade opportunities program,¹ we reported that, because of the interdependence of overseas, Washington, and domestic field office activities, an improved export program depended on a high degree of coordination.

In our present review we have noted that a system is needed to insure that appropriate action is taken on post submissions. Some input was given little or no attention,

¹"Ways to Increase U.S. Exports Under the Trade Opportunities Program" (B-135239, Jan. 28, 1972).

and posts were often not advised of how or whether their input was used.

Discussions with officials disclosed that there was no set distribution for incoming post reports. Reports are read by analysts for content; and distribution, based on end-user profiles, is made according to the analysts' understanding of the subject matter. Many reports are sent to more than one Commerce headquarters office, and if some action is indicated, the message center designates an action officer. Message center personnel follow up in a few days on the status of the reports, but because they have no authority to compel action officers to respond, some reports are not acted on. Copies of all messages are also sent to the appropriate BIC country desk officer. However, desk officers also lack authority to require personnel in other units to take appropriate action. In short, there is no operating group within Commerce with decisionmaking authority or the responsibility for acting on overseas submissions.

We selected 13 voluntary submissions from four posts for review. These submissions covered such diverse topics as a request for appointments in the United States for a foreign official, an opportunity for participation in plant construction, and a notice about local building codes adversely affecting the sales potential for garbage disposal units. For eight submissions either no action or seemingly inadequate action was taken by Commerce recipients of the post messages. For example:

--In May 1970 the Embassy in France reported that a U.S. subsidiary wanted information on U.S. companies interested in constructing a new plant. The Office of International Business Assistance, BIC, was designated to take action, but it had no record of such action. The request was passed on to three commodity divisions of the Bureau of Domestic Commerce; two did not even have a record of receiving the message and the third had no record of any action taken.

--A detailed six-page study of the construction industry in The Netherlands was submitted by the Embassy in May 1970. As of August 1971, except for printing a notice in the June 1970 issue of the Index to Foreign Production and Commercial Reports, no action

had been taken. Although the Construction and Engineering Division thought the report would be very useful to U.S. firms, it made no attempt to distribute the report to firms or trade associations because the Trade Opportunity Staff had been designated as the action office.

--The Embassy in Norway informed Commerce of the excellent export opportunities in the recurring Norwegian International Shipping Exhibitions from 1969 to 1971. The only action taken on the Embassy's reports, however, was a notice printed in a Commerce publication. We were advised that, because of the difficulty in recruiting companies and because of Commerce's participation in the EUROPORT fair in The Netherlands, it chose not to publicize a competing fair.

Deficiencies in areas other than management responsiveness may be indicated in some of these cases since the degree of participation is dictated by availability of resources.

Need for stronger central direction

Commerce headquarters direction of commercial office activities is primarily the responsibility of BIC. A private consulting firm reported in September 1971 that BIC's role in expanding U.S. exports had not been adequately defined, and it stated, in part, that:

"BIC has operated in recent years as a grouping of semiautonomous offices, each with its own objectives, each with its own management processes, each serving its own client groups, defined in its own way."

The consultants considered that unified BIC efforts would increase exports. The consultants also pointed out that there had been no formal means to force development of unified goals and objectives and to focus all BIC activities on designated priorities. Thus, the ability of Commerce to adequately direct commercial offices toward those areas of relative importance was seemingly weakened by unclear overall objectives.

Symptomatic of the need for stronger central direction was the variation found in the extent and quality of support given to Commerce programs and services. Commercial officers are permitted considerable latitude in deciding on the amount and degree of attention to give the range of commercial activities. This may be desirable under certain circumstances, but it can also result in inconsistent application of resources, as indicated below.

- One post assigned high priority and gave considerable support to the "Invest in the USA" program because the commercial attache believed it was important. Other commercial offices visited by GAO gave this program little attention.
- The commercial officer at one post believed strongly in doing more work out in the local business world. Most of the other posts recognized the value of out-of-office work but placed no special emphasis on it. At one Embassy the commercial officer held practically the opposite view, believing that it was fruitless to visit local businessmen without some tangible commercial offer in hand.
- Personnel in one commercial office were enthusiastic about the agent-distributor service and took extra care in selecting foreign firms and in meeting the reporting deadline. Another post gave the service low priority so that little time was spent on individual cases and many of its reports were submitted late.

CHAPTER 4

BETTER PLANNING AND EVALUATIONS

NEEDED

An important step toward improving commercial office activities would be more active and better coordinated State and Commerce efforts in planning and evaluating the effectiveness of present programs. Our review showed a need for establishing long-range objectives and strategies, as well as a system of priorities to assist posts in attending to the more important functions. Review processes do not provide information for evaluating post efforts or results.

A number of studies made over the years indicate a continuing need to improve existing programs and to seek imaginative ways of servicing export needs. The American Embassy is the focal point for the teamwork necessary to identify and carry out U.S. trade objectives abroad. An effective program depends on a coordinated plan and uses the combined judgments and perspectives of BIC country officers and in-country experts. Effective planning is contingent on a comprehensive analysis of factors impacting on sales in each country market. We are currently developing information on how a country trade strategy might be devised, using Mexico as a model.

The question of organizational control over commercial office operations has been debated over the years. Perhaps a more basic and pressing consideration is the relative status of commercial officers in the Embassy hierarchy. Some officials believe that, unless the status of commercial offices is elevated and they are staffed with business-oriented officers, their contributions to commercial intelligence that export-minded companies need will continue to fall short of their indicated potential.

PLANNING

Each year BIC routinely prepares trade and investment programs for countries commercially important to the United States. The programs identify and deal with the problems and opportunities of U.S. trade and investment in each

country. The programs (1) discuss broad aspects of commercial problems in the country and how to approach these problems, (2) discuss specific projects to reduce host government restrictions or practices that create problems for U.S. business, and (3) list Commerce activities which commercial offices are to support. At the time of our review, programs were being prepared for 55 countries.

The Department of State and its Embassies are given opportunities to participate in drafting and commenting on the programs, but their input usually is limited and directed principally to the political implications of the activities to be undertaken. These issues may be important, but they have very little impact on commercial office workloads because they normally are handled by other officials in the Embassies.

Department of State input

The need for greater State participation in planning commercial efforts was brought out in "Diplomacy for the 70's," a State internal report of November 1970, which was specifically concerned with reforming that agency's management.

"Although the unified Foreign Service thus is committed to export promotion, the Department of State has lacked an organizational means of focusing on programs and policy for commercial activities. We have bent our efforts to small pieces of the commercial function, and there we do well. *** But we have had no office specifically charged with responsibility of devising, in cooperation with the Department of Commerce, the most effective overall trade promotion and general commercial strategy. The Department in effect essentially has declined responsibility for effective implementation of trade promotion."

The report recommended that a higher priority be given to expanding foreign commercial and agricultural markets and called for closer coordination to insure maximum resources and support. It noted that the State Department's performance was inadequate in systematically and rationally defining U.S. interests overseas, establishing priorities among

them, and developing strategies to preserve and advance them. Without an overall trade strategy on a country basis, it is difficult, at best, to determine what activities should be conducted, to assess the importance of current activities, and to evaluate the effectiveness of these activities.

The Deputy Assistant Secretary of State for Commercial Affairs and Business Activities acknowledged that State needed to contribute more to planning overseas commercial affairs and stated that it intended to work more closely with Commerce.

BIC officials advised us that they welcomed these discussions but felt that the results would be unsatisfactory unless subsequent actions were coupled with mandates from State to its Foreign Service requiring full support and recognition for Commerce programs.

Long-range objectives and strategies

Cohesive long-range objectives and strategies are not set forth in the annual programs; they are essentially limited to matters anticipated for the coming 1-year period. The planning, even for these 1-year periods, is based on judgments and perspectives of BIC desk officers and in-country staffs, because comprehensive market intelligence on the countries concerned is not generally available. Many commercial office activities are not evaluated for appropriateness in the various countries, e.g., whether identification of investment opportunities is preferred over export sales to a given country.

The importance of comprehensive planning for export promotion has been emphasized by other study groups. In 1967 the National Export Expansion Council observed that Commerce appeared to have dealt with trade situations on a crisis basis and concluded that there should be a long-range plan supported by a detailed program projected over 10 years. The Council recommended that the program contain specific objectives keyed to individual countries and product categories.

The Council's specific recommendations were never fully implemented, but Commerce did establish an export-planning

activity in fiscal year 1969 for developing a long-range national export plan. Its first major tasks were to assess the outlook for U.S. foreign trade through 1973 and to study the export potential for specific categories of products. At the conclusion of our field review, the planning staff had made some progress on these tasks but was unable to estimate when long-range programs and objectives acceptable to BIC officials would be developed.

Priorities not established

A system of priorities has not been established for the many functions required of commercial officers. Commerce's annual trade and investment programs and its supplementing airgrams and letters seldom clarify for the commercial offices the relative importance of individual tasks. Although some tasks are stressed, the commercial officers have no clear priorities to guide them.

Commercial officers generally felt that they should assign priorities to their work but were reluctant to judge the relative importance of the various programs they supported. They thought that Commerce should establish general priorities within which the overseas representatives could assign relative priorities on the bases of factors peculiar to their posts.

Although scheduled reports and other routine work can be anticipated with some degree of accuracy, most of the commercial officer's time is spent responding to unscheduled or sporadically occurring requests. Commercial officers are also expected to support Commerce programs by such efforts as seeking trade opportunities or analyzing market trends. However, they do not have enough time to satisfy all the requests.

EVALUATIONS

Commerce measurements of the success of its programs have been weighted heavily by first-year export sales made by U.S. firms participating in Commerce-sponsored promotional events, such as trade center exhibitions and trade missions.

In 1971 we reported¹ that short-range, cost-to-benefit ratios were not the best indicators of the success of trade exhibitions programs. Commerce agreed and advised us that their measurement criteria would be revised July 1, 1972.

Although BIC should be concerned with sales figures, many efforts of commercial offices cannot be measured by short-term sales. Some of these efforts might provide benefits over a longer period; conversely, others might be of only marginal value.

Possibly more important than immediate sales, in the long run, are the formal business relationships established between U.S. and foreign firms, which commonly take the form of agent or distributor appointments. Commerce recognizes the importance of this and, for many years, has offered services designed to help U.S. businessmen locate foreign representatives. The trade promotion and trade opportunity programs also seek to increase the number of foreign representatives of U.S. firms. World Trade Directory Reports are used to compile trade lists grouping prospective representatives or customers by country and product categories. Commercial officers also assist U.S. businessmen visiting their offices.

BIC accumulates data on the number of agents appointed through some of its services. Data were not kept, however, on foreign representatives located under the agent-distributor service, trade contact surveys, World Trade Directory Reports, and trade lists.

Insufficient program evaluation has hindered Commerce's planning for and management of commercial offices. Without a system of values assigned to commercial functions, allocation of resources must necessarily be based on subjective judgments. Thus, the decisionmaking process at all levels--from congressional or budget considerations to commercial officers' implementing efforts--is not susceptible to objective analysis. A comprehensive reappraisal of the role of commercial offices might well result in redirection of commercial operations.

¹"Opportunities for Increasing Effectiveness of Overseas Trade Exhibitions" (B-135239, Nov. 1971).

Consultant's study

Early in 1971, BIC hired a consulting firm to study services being provided to U.S. businesses by Commerce and by overseas commercial offices. The study was to include interviews with businessmen, Commerce and State officials, U.S. Ambassadors, and Foreign Service personnel; but State decided against the study and instructed its overseas posts not to participate in the survey.

BIC officials wanted to have a study of commercial services completed prior to congressional hearings, so they proceeded with a modified approach and restricted the survey to businessmen and to Commerce officials assigned in the United States.

The consulting firm interviewed officials of 200 American-owned companies, 94 in the United States and 106 in eight foreign countries. It also sent questionnaires to 1,135 U.S. firms and received 613 responses. The consultant recognized that there were weaknesses in the survey results because of limited coverage. However, earlier studies by other groups and our own examinations corroborated the consultant's conclusions that:

- The U.S. business community was, on the whole, critical of the quality of service provided.
- Businessmen generally evaluated the overseas commercial officers' abilities to perform as adequate for routine services but marginal for major services.
- Commercial officers' lacked initiative, business experience, and knowledge of local conditions overseas.

The report stated that most executives had only a vague idea of the type and range of commercial services available or of the organizational structure through which these services flow.

BIC officials told us that they did not learn anything new from the consultant's report.

RECENT DEVELOPMENTS

The question of what organizational arrangement is best for managing commercial office operations has, over the years, been raised many times; it is once again under active consideration by the Congress. The Subcommittee on Foreign Commerce and Tourism, Senate Committee on Commerce, held hearings in January 1972 on this and other trade expansion proposals. A description of the commercial office organizational changes is detailed in appendix I.

The three suggestions which have received the most attention are to:

1. Continue the present system of economic/commercial integration within the unified Foreign Service in which commercial positions are filled primarily by Foreign Service officers subject to frequent rotation.
2. Establish a commercial specialist corps within the Foreign Service which would allow Foreign Service officers and other personnel to spend their careers in commercial work.
3. Establish a commercial specialist corps outside the Foreign Service--most likely under the direct control of Commerce.

As indicated in appendix I, considerable study and attention have been focused on the organizational structure most suitable for our overseas commercial activities. We also sense growing support for the Government to be more active in assisting U.S. businesses, by identifying useful market intelligence that can be acted on. However, as stated in chapter 2, many commercial officers lack the business or technical backgrounds needed to effectively assist export-oriented companies. Another observation is that commercial officer operations presently impact only marginally on export expansion efforts.

Any decision on the organizational structure needs to focus on the question of how export expansion efforts might best be served. An important and, we believe, a necessary

corollary question is whether these objectives can best be met by elevating the status of commercial officers. Proper recognition of the importance of these functions would likely contribute toward assigning higher level and technically better qualified representatives abroad.

The Department of State in recent months has recognized that much more can and should be done in U.S. Government commercial programs. In December 1971 a detailed questionnaire was sent to all U.S. diplomatic posts, plus Hong Kong and Algiers, to obtain their views on (a) management of foreign commerce, (b) effectiveness of trade promotion programs and operations, (c) export performance of American business, and (d) recommendations for expansion of exports. Thoughtful and constructive replies were received from all addressees--a total of 118.

On February 15, 1972, the Secretary of State sent a personal cable to each American Ambassador, reaffirming the Department's high-priority commitment to trade promotion and asking each mission to seek new and increasingly imaginative ways to help U.S. businesses to increase exports. The Ambassadors' responses identified a number of major impediments to export expansion and made a number of imaginative recommendations for strengthening American export performance. Some of the innovative proposals contained in appendix II leave little doubt that the latent potential for increasing exports can be realized by a more vigorous search for effective export programs.

The Office of Management and Budget, at the President's direction, undertook a study of overseas commercial and economic representation. Three study teams were studying these operations at selected U.S. missions in Latin America, Europe, and East Asia in April 1972. Their study was scheduled for completion in the fall of 1972.

CHAPTER 5

CONCLUSIONS, RECOMMENDATIONS, AND

AGENCY COMMENTS

CONCLUSIONS

Commercial offices abroad are an important resource in Commerce's export expansion programs. Their present role, however, is primarily of a service-response nature and does not encompass an active and aggressive search for the kind of commercial intelligence that export-minded companies seek. Because of continuing U.S. trade deficits and the emergence of highly efficient foreign competition, the United States should undertake more vigorous, innovative, and imaginative efforts to assist American exporters.

The effectiveness of commercial offices can be improved with increased coordination of State and Commerce efforts in planning and evaluating present programs. Annual trade and investment programs can be improved if State and Commerce undertake comprehensive analyses of factors impacting on sales in individual markets, devise strategies for accomplishing the goals, and establish priorities for program execution.

Commercial office effectiveness can also be improved by assigning better qualified personnel and by elevating the status of commercial office activities.

Commerce's planning and management over commercial office efforts have been hindered by weak program evaluation. Objective analyses of resources and their allocations would be improved if a system of values were assigned to commercial office functions. Such a system would have to take into account the relative priorities in each country.

RECOMMENDATIONS

To improve the effectiveness of overseas commercial offices, we recommend that the Secretaries of State and Commerce:

- Formulate long-range export expansion plans with specific goals and strategies for individual countries or major market areas.
- Establish priorities for accomplishing the many commercial programs and services.
- Implement a system of reporting and evaluating program results.
- Strengthen procedures for recruiting, assigning, and training commercial officers to obtain better qualified commercial staffs and consider upgrading the commercial office staffs.

AGENCY COMMENTS

Copies of our draft report were sent to Commerce and to State for comments, and they generally agreed with our findings and recommendations.

State advised us that this report, and others that GAO had made on trade expansion reviews, had been particularly useful and timely and that it was engaged with Commerce in a comprehensive effort to improve export promotion. They are collaborating in a series of joint working groups to implement improvements in personnel management, budgeting, the specific tools used in export promotion, and other aspects. (See app. III.)

Commerce advised us that it was in general agreement with the report and its recommendations and that it had taken action to improve program effectiveness. (See app. IV.)

ORGANIZATIONAL CONTROL OF COMMERCIAL OFFICES

The question of what organizational arrangement is best for managing commercial office operations has been addressed many times over the years and is currently being considered in the Congress and at high levels of the executive branch.

Following is a description of organizational changes and some observations made by various study groups.

1. Until 1914 the Foreign Service provided Commerce with information on foreign markets. In 1914, as U.S. industrial interests overseas increased, Commerce was authorized to send its own commercial attaches abroad to supplement the work done by the Foreign Service.
2. The Hoch Act in 1927 established a Foreign Commerce Service in the Department of Commerce to promote foreign commerce, investigate and report on commercial and industrial conditions abroad, and perform such other related duties as the Secretary of Commerce directed. Its officers had reporting tasks but did not have representative authority. Personnel recruitment and selection was carried out jointly by Commerce and the Civil Service Commission. Post assignments were flexible, with some officers remaining at the same post for as long as 10 years.
3. In 1939, Presidential Reorganization Plan No. II transferred and consolidated the Foreign Commerce Service into the Foreign Service of the United States, under the direction and supervision of the Secretary of State. The consolidation reflected recognition of the increasing interdependence of political, economic, and commercial matters in foreign affairs and of the cross-purposes that could develop through operating separate services abroad. Under the unified service, which still exists, Commerce retained considerable influence in program matters and administration, by specifying the information to be furnished and by handling its dissemination in the United States. Also, Commerce was authorized to designate personnel to render temporary services abroad as specialists or technicians.

4. The emergence and recognition of the U.S. balance-of-payments problem in 1959 pointed up the inadequacy, in both numbers and capabilities, of Foreign Service personnel engaged in trade promotion work. An interagency task force, composed of Bureau of the Budget, Commerce, and State representatives, was organized to survey U.S. trade promotion techniques and personnel requirements. The Congress subsequently approved additional funds enabling State to increase the number of commercial officers from 101 in fiscal year 1959 to 128 in fiscal year 1961.
5. About the same time, the Senate considered re-establishing a separate commercial service. Senate Commerce Committee hearings from June 21 to July 24, 1961, discussed, among other items, establishing a Foreign Commerce Corps within Commerce. The Senate Commerce Committee report indicated that the post-1939 arrangement was inadequate compared with that of our competitors and that, if the United States seriously intended to compete, a professional commercial service should be established in Commerce. Legislation passed the Senate in August 1961 but the Senate bill was not introduced for House consideration.
6. State and Commerce opposed the Senate plan to have a separate Foreign Commerce Corps. Both stressed the desirability of a unified Foreign Service in which the U.S. Ambassador to a country would be the spokesman for U.S. Government interests in that country. Rather than establish a separate service, Commerce and State compromised, creating a Commercial Specialist Corps within the Foreign Service. Under an agreement of November 1961, Foreign Service officers were allowed to devote their career to commercial specialization. Efforts to implement the program were short lived because it attracted neither the essential financial support from the Congress nor the interest of career Foreign Service officers.
7. In 1965 State and Commerce decided to try a different approach by integrating their economic and commercial

functions within the Foreign Service. After a joint task force studied the proposal, State and Commerce agreed in January 1967 to establish a separate economic/commercial career ladder in the Foreign Service. This was a significant departure from the 1961 agreement which called for a separate career specialization for commercial officers. The integrated approach adopted in 1967 has continued to the present time.

8. In April 1967 the National Export Expansion Council, a group of leading business and professional men appointed to advise and assist the Secretary of Commerce, completed a review of the U.S. Government's export expansion efforts. Its report cited the importance of having competent personnel fill commercial officer positions and suggested that an integrated program be established to exchange personnel among the Foreign Service, Commerce, and field office staffs.
9. In 1970 the President's Advisory Council on Executive Reorganization studied the organizational structure of the executive branch. One of its proposals was to transfer most of Commerce's functions, as well as the commercial attache function, to a new Department of Economic Development.

A Commerce official advised a Regional Economic and Commercial Officers Conference in February 1971 that Commerce supported the reorganization program because consolidating the functions would focus policy formulation and decisionmaking on international economic and commercial matters. A Department of State official, in a regional conference in February 1971, announced that State opposed transferring the commercial attache function, maintaining that a unified Foreign Service was more efficient and effective.

10. In 1970 the President established the Commission on International Trade and Investment Policy to examine the principal problems of U.S. foreign trade and investment and to make appropriate policy recommendations. A wide scope of topics was covered in the Commission's report dated July 1971. The

Commission observed that, in the past, there may have been some justification for staffing commercial offices with diplomatic personnel who had received special training, but, because of the increased complexities of international business, these services now must be provided by specialists with intimate knowledge of markets and products. It recommended that the overseas commercial services be staffed by experts in commercial activities who were willing to devote their careers to such work.

11. On October 27, 1971, a bill entitled "The Export Expansion Act of 1971" was introduced in the Senate. Title I of this bill would, among other things, create a new international commercial service in the Department of Commerce and substantially strengthen the foreign commercial service. The bill was sent to the Subcommittee on Foreign Commerce and Tourism of the Commerce Committee and was still under study when our review was completed.

NEW IDEAS ON TRADE PROMOTION

SUGGESTED BY OVERSEAS POSTS

IDEAS EMPLOYED BY POSTS

Some techniques and ideas currently employed by posts for consideration and possible use by other missions are:

- Develop current economic indicators in countries with delayed published economic data; e.g., electric power generation as an indicator of overall economic activity for use by the resident U.S. business community.
- Use to the extent possible all special import quotas allowed for participation in local trade shows and fairs and publicize such special quotas to U.S. business.
- Establish U.S. commercial information libraries within local chambers of commerce, government offices and agencies, libraries, and trade associations at little or no cost to the U.S. Government.
- Organize Embassy-American Chamber of Commerce receptions at which U.S. products are displayed for local importers and buyers, with participating firms financing the costs of the receptions.
- Provide American resident businessmen with information not otherwise published on projects or other trade opportunities.
- Adopt between show trade center techniques at posts which have space available. Rome reports that it uses this technique successfully.

PROPOSED IDEAS

Some of the new and imaginative ideas for improving trade promotions are:

1. Information and advertising

- Use visual aids, such as films with local-language sound tracks, for U.S. products, trade assistance, and information offered to local importers by posts and by the U.S. Government.

- Publish a local-language directory, listing local importers of U.S. merchandise by product category, for distribution to host government agencies, local banks, chambers of commerce, and trade associations, as well as to the U.S. business community.

- Compile prime contact trade lists on U.S. firms, by sector, which are genuinely interested in exporting. Such lists would yield enormous returns in customer confidence and goodwill and would help to curb the unanswered mail problem.

- Distribute worldwide catalogs and price lists on microfilm from broad segments of American industry. This would give many posts information they now lack.

- Devote more U.S. Information Service material to trade promotion, especially in developing countries. The superiority of American products and services and technological breakthrough could be the subject of both direct sales efforts and an indirect softsell approach.

- Initiate an institutional advertising campaign abroad, stressing the quality and advance design of U.S. goods and focusing on particular industrial sectors in specialized trade journals.

- Utilize U.S. businessmen, resident overseas, while in the United States on home leave to explain to nonexporting U.S. businesses the methods and procedures of doing business in a particular market. Also, make greater use of commercial officers on home leave.

- Cooperate with industrial trade associations in jointly financed programs to bring expertise into the trade promotion field.
- Earmark part of local currency proceeds from sales of agricultural commodities, set aside for Government purposes, for promotion of U.S. goods and services.
- Give 1-year gift subscriptions of trade journals to major importers of U.S. goods.
- Use established private information channels to publicize U.S. commercial services. Publications of airlines, intercontinental hotels, American Express, etc., could be used for this purpose.

2. Marketing

- Establish a store for testing retail sales of consumer goods in major overseas markets and for selling wholesale to any foreign retailers. Perhaps a chain-store merchandiser could be induced to try the idea. A related idea is to form a regional U.S. merchandise center in areas with small individual country markets. The center could handle sales of nonrepresented firms, arrange financing, provide market analysis, and conduct product demonstrations.
- Interest chainstore corporations, which buy from thousands of suppliers, in operating an export corporation that would seek foreign distribution for their American suppliers' products.
- Employ "packaged programming" of trade promotion techniques. Personnel equipped with selling aids, such as films, mockups, catalogs, and other documentation, could be dispatched to countries as the need arose.
- Have U.S. firms, which purchase a variety of raw materials in the United States, offer this purchasing capability to foreign firms with similar requirements.

APPENDIX II

- Promote participation of U.S. firms in triangular barter transactions involving host country commodities.
- Market noncompetitive U.S. products abroad through other U.S. companies with established sales forces. This will provide entry into markets for U.S. firms which cannot afford their own overseas sales staff or which are inexperienced in foreign markets.
- Reorient the exchange visitor program and use the leader grant principle to bring leading local bankers, businessmen, and economists, interested in doing business with U.S. firms and in U.S. investment, to the United States.

3. Support services

- Offer financial support for U.S. experts (engineers, economists, etc.) to assist in preinvestment studies of public works projects. A fund and an office should be established to facilitate and expedite locating experts and to act as a clearing house for experts. Funds should be used to equalize consultative fees of U.S. experts and the generally lower fees of non-American personnel.
- Offer visiting businessmen overseas temporary working space, secretarial services, copying machines, bilingual telephone service, and perhaps use of the post's communications facilities. The services would be especially applicable in developing areas, and the expense might be partially recouped by charging minimal fees.
- Establish the mechanics for helping U.S. businesses put together a total competitive finance package for specific projects.
- Distribute information bulletins to the field on newly formed domestic international sales corporations and their particular product lines and obtain feedback on local interest.

- Institute a "Red Ball" complaint service whereby a commercial officer could cable the substance of a complaint and be assured of receiving a reply within 10 days.
- Establish a procedure for U.S. firms to obtain credit and product certifications from the Department of Commerce so that commercial officers would be authorized to vouch for the firms and their goods.
- Establish an export promotion suggestion box, with incentive awards for export promotion suggestions.
- Have American firms consider establishing, on a profit basis, certain warehouse and service facilities to support small- and medium-size U.S. firms in overseas markets.
- Provide comprehensive consulting services for American firms entering foreign commerce. A fee could be charged, toward which the Government might contribute.
- Hold periodic export orientation seminars for U.S. businessmen interested in exporting.
- Consider using honorary consuls for commercial purposes.

4. Policies

- On a reciprocal basis, encourage foreign countries to tax our imports on a free-on-board basis, not on cost, insurance, and freight bases.
- Reduce duties on imported products using U.S. raw materials.

APPENDIX III



DEPARTMENT OF STATE

Washington, D C 20520

July 21, 1972

Mr. Oye V. Stovall
Director
International Division
U.S. General Accounting Office
Washington, D.C. 20548

BEST DOCUMENT AVAILABLE

Dear Mr. Stovall:

I wish to thank you for your letter of June 13 to Secretary Rogers and for the copies you enclosed of your study "Overseas Export Expansion Efforts Need Greater Emphasis".

As you know, the Departments of State and Commerce are engaged in a comprehensive effort to improve their performance in export promotion. The two departments are collaborating in a series of joint working groups to implement improvements in personnel management, budgeting, the specific tools used in export promotion (WTDR's, trade opportunity reports, etc.), and other aspects. One of our primary objectives is the improved market by market programming which your report so wisely emphasizes. This report, and the others that GAO has been producing on the trade opportunities program, overseas trade exhibitions, overseas market analysis, and other related subjects, is therefore particularly useful and timely. We are drawing on your work as we develop our inter-departmental action programs.

Members of the State Department staff who are working in this field were able to have a fruitful informal exchange with Mr. James Kurihara to discuss an earlier draft of the report. As we mentioned to Mr. Kurihara, we are in full agreement with the thrust of GAO thinking and are, in fact, moving forward to implement many of the specific recommendations along with the Department of Commerce.

Sincerely yours,

A handwritten signature in dark ink that reads "Richard W. Murray". The signature is written in a cursive style with a large, sweeping flourish at the end.

Richard W. Murray
Acting Assistant Secretary
for Administration



THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

September 7, 1972

BEST DOCUMENT AVAILABLE

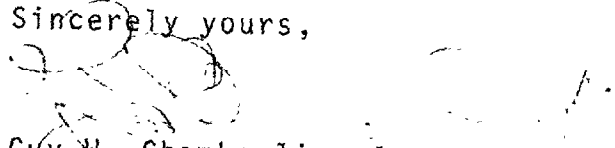
Mr. Oye V. Stovall
Director, International Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Stovall:

This is in reply to your letter of June 13 requesting comments on a draft report entitled "Overseas Export Expansion Efforts Need Greater Emphasis".

We have reviewed the comments of the Bureau of International Commerce, and believe that they are appropriately responsive to the matter discussed in the report.

Sincerely yours,


Guy W. Chamberlin, Jr.
Acting Assistant Secretary
for Administration

Attachment

U.S. DEPARTMENT OF COMMERCE

Bureau of International Commerce

Response to GAO's Request for Comments

on Draft Report Entitled:

"Overseas Export Expansion Efforts Need Greater Emphasis"

June 1972

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SUMMARY

**"Overseas Export Expansion Efforts
Need Greater Emphasis"
(GAO Draft Report)**

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Recommendation: The development of long-range export expansion plans by country.

Reply: Commerce agrees. The development of an Export Targeting System (ETS) is underway. The ETS will provide target industries for goals and strategies at the country level.

Recommendation: The establishment of priorities for overseas commercial officer workload.

Reply: Commerce agrees but notes problems of variations in U. S. economic objectives between countries. The basic problem is one of inadequate resources, which the Commerce/State working group is meeting to remedy. Actions are also being taken to improve communications between the foreign commercial officers and Washington.

Recommendation: The creation of a reporting and evaluation system on the results of overseas activities.

Reply: Commerce agrees, noting that little was known of commercial officer activity under old system. A new system is under active study.

Recommendation: A strengthened and upgraded overseas commercial officer corps.

Reply: Commerce agrees. Commerce/State working groups are currently meeting to study relevant applications of both the GAO reports and a study by Ambassador Pritzlaff.

APPENDIX IV

1. The report recommends that the Department of Commerce formulate long-range export expansion plans for individual countries or major market areas.

Commerce agrees with this recommendation and has recently designed a program called the Export Targeting System (ETS) covering export promotion activity. The basis of the ETS is an assessment of incremental exports that would result from Department of Commerce export promotion programs. Commerce efforts will then be focused on an integrated basis on the highest potential U.S. export industries determined by this assessment. Five such U.S. industries have been selected for priority treatment by Commerce during FY 1973 and five additional industries have been targeted for each of the succeeding years through FY 1975. Goals and strategies will then be defined in terms of the number of export penetrations by U.S. business firms that are either new to export (NTE) or new to the market (NTM). This could be translated into a rough measure of dollar export sales over one to two years which would not have taken place without Department of Commerce efforts. The articulated strategies will specify number and mix of promotional techniques over a three-year period.

2. The report recommends that priorities be established for accomplishing the many commercial programs and services overseas.

Commerce agrees in principle but recognizes the many practical problems involved in its implementation. Commerce has refined its efforts in this regard over the past several years and acknowledges that an optimum scheme for program priorities must be sensitive to variations in U.S. economic interests in different country markets even while it should reflect greater specificity overall.

Commerce views the basic problem in foreign commercial officer workload as one of the inadequacy both in the quantity and the quality of U.S. commercial staff resources. This underlies the compelling need prompting the establishment of Commerce/State working groups to deal with the fundamental aspects of this problem. Explicitly stated, the problem is the levy of requirements concurrently on the commercial officer by the Embassy (with the first priority), multiple program demands from Washington, an uncontrollable influx of business visitors and correspondence, and finally special projects assigned from Washington. Little time, if any, remains for the exercise of initiative for export business development.

The solution we are studying involves the following factors:

- a. A long range agreement on goals and objectives for each country.
 - b. A jointly-conceived (Embassy and Washington) country trade and investment program which lays out the major elements of the work program in advance of the period to be covered to allow for a reasonable level of advance planning and workload adjustment.
 - c. A jointly-agreed statement in the country program on the major elements of program emphasis including establishing general priorities and resolving the conflicts of competing demands on commercial officer workload.
 - d. A continuing dialogue between the commercial officer and his Washington colleagues through airgrams, cables, face-to-face discussions in Washington and at the Embassy and through formal and informal correspondence.
3. The report also recommends that Commerce/State implement a system of reporting and evaluation that will permit objective measurement of program results.

Commerce agrees and recognizes that such evaluations should be undertaken to gauge the effectiveness of the priorities established for the commercial officer as well as his performance in realizing these priorities. Under present procedures little is known by the Department of Commerce about foreign commercial officer activities beyond the scope of their written reports and any direct participation in trade fair and trade center activities. Any new reporting and evaluating system should be designed to rectify this lack.

While the relevant U. S. export factors have not yet been precisely determined for measuring these activities, the degree and number of NTE and NTM penetrations will constitute a significant indicator in a final reporting and evaluation system.

4. The report recommends considering increasing the number and stature of commercial officers abroad.

Commerce agrees there is an urgent need to increase the number of commercial officers and to upgrade the quality of the work they perform. In this regard Commerce/State working groups are examining these factors with special attention to the recommendations of the report by Ambassador Pritzlaff on overseas assistance to American business.

APPENDIX V

PRINCIPAL OFFICIALS OF
DEPARTMENT OF COMMERCE
AND DEPARTMENT OF STATE
RESPONSIBLE FOR ADMINISTRATION OF
ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE:		
William P. Rogers	Jan. 1969	Present
Dean Rusk	Jan. 1961	Jan. 1969
DEPUTY UNDER SECRETARY FOR MANAGEMENT (note a):		
William B. Macomber, Jr.	Oct. 1969	Present
DEPUTY UNDER SECRETARY FOR ECONOMIC AFFAIRS:		
Vacant	June 1972	Present
Nathaniel Samuels	Apr. 1969	May 1972
ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS:		
Willis C. Armstrong	Feb. 1972	Present
Vacant	Dec. 1970	Jan. 1972
Phillip H. Trezise	June 1968	Nov. 1970
<u>DEPARTMENT OF COMMERCE</u>		
SECRETARY OF COMMERCE:		
Peter G. Peterson	Feb. 1972	Present
Maurice H. Stans	Jan. 1969	Feb. 1972
UNDERSECRETARY OF COMMERCE:		
James T. Lynn	Apr. 1971	Present
Rocco C. Siciliano	Jan. 1969	Apr. 1971

Tenure of office	
<u>From</u>	<u>To</u>

DEPARTMENT OF COMMERCE (continued)ASSISTANT SECRETARY FOR DOMESTIC
AND INTERNATIONAL BUSINESS:

Andrew E. Gibson	July 1972	Present
Lawrence A. Fox (acting)	June 1972	July 1972
Harold B. Scott	Oct. 1971	June 1972
William R. McLellan	Sept. 1970	Aug. 1971
Kenneth N. Davis, Jr.	Mar. 1969	July 1970

DEPUTY ASSISTANT SECRETARY AND
DIRECTOR, BUREAU OF DOMESTIC
COMMERCE:

Gary M. Cook (acting)	Sept. 1972	Present
Hudson B. Drake	Apr. 1971	Aug. 1972
William D. Lee	Dec. 1969	Apr. 1971

DEPUTY ASSISTANT SECRETARY AND
DIRECTOR, BUREAU OF INTER-
NATIONAL COMMERCE:

Marinus van Gessel (acting)	Apr. 1972	Present
Robert P. Beshar	Oct. 1971	Apr. 1972
Harold B. Scott	May 1969	Oct. 1971

^aDeputy Under Secretary For Administration until July 1971

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