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Office of Inspector General



**PUBLIC
RELEASE**

***INTERNATIONAL TRADE
ADMINISTRATION***

*Management Improvements Needed to
Better Prepare for the Export Challenges
of the 21st Century*

Inspection Report No. IPE-9904 / March 1999

Office of Inspections and Program Evaluations



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

March 19, 1999

MEMORANDUM FOR: David L. Aaron
Under Secretary for International Trade

FROM: Johnnie Frazier
Acting Inspector General

SUBJECT: Final Report: International Trade Administration
Management Improvements Needed to Better Prepare for the
Export Challenges of the 21st Century (IPE - 9904)

As a follow-up to our August 31, 1998, draft report, this is our final report on our program evaluation of Commerce's export promotion efforts. The report includes comments from your December 1, 1998, written response. Copies of your response, and those of the other Commerce agencies involved in international trade, are included in their entirety as an attachment to the report.

We primarily examined two elements of the Department's export promotion efforts: (1) how effectively the International Trade Administration manages its programs and operations, and (2) how well ITA and other units within the Department work together to expand business opportunities for U.S. companies through international exports.

Our report highlights some of the things that are working very well in ITA—including some related to (1) ITA's services and broad support for U.S. exporters and (2) the Department's collective efforts—both direct and indirect—at promoting U.S. exports. However, the report also highlights problems that hamper ITA's efforts to more effectively and efficiently carry out its export promotion responsibilities. Here we identify the need for ITA to better define, coordinate, and organize its varied roles and responsibilities. We also discuss the need to more clearly delineate responsibilities for international telecommunications trade policy and promotion between ITA and the National Telecommunications and Information Administration.

Finally, the report offers a number of other specific recommendations that we believe, if implemented, will better prepare ITA and the Department for the export promotion challenges of the 21st century.

Please provide your action plan addressing the recommendations in our report within 60 calendar days.

We thank you and the staff of ITA for the assistance and courtesies extended to us during our assessment. If you have any questions or comments about our report or the requested action plan, please contact me on (202) 482-4661.

Attachment

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EXECUTIVE SUMMARY

International trade is a vital element in the health of our nation's economy. It was reported in the Trade Promotion Coordinating Committee's (TPCC) 1997 National Export Strategy that "exports support over 11 million U.S. jobs—including one in five manufacturing jobs—and have been responsible for nearly 2 million new jobs in the past four years alone." In 1997, the U.S. exported \$933 billion in goods and services. However, the United States' 1997 trade deficit, as reported by the Census Bureau, was \$114 billion, which included a \$199 billion deficit in goods and a \$85 billion surplus in services. Thus, it is clear that much more needs to be done to reduce that deficit and further expand U.S. trade opportunities.

The Commerce Department's International Trade Administration leads the federal government's efforts to promote and increase U.S. exports. ITA has three units to principally spearhead its trade promotion efforts: Market Access and Compliance, U.S. and Foreign Commercial Service (US&FCS), and Trade Development. Import Administration, ITA's fourth unit, primarily enforces laws and agreements to prevent unfairly traded imports into the United States.

Although ITA is clearly the lead departmental agency in the area of trade promotion, it is not the only Commerce agency that plays a vital role in the advancement of U.S. exports. Several other agencies within the Department participate in export promotion activities and related trade policy discussions and negotiations.

We attempted to answer two basic questions during our review of the Department's export promotion efforts:

1. How effectively has ITA managed its trade promotion programs and operations?
2. How well has ITA worked with other federal agencies and other units within the Department to expand trade opportunities for U.S. businesses?

We observed that ITA has accomplished much in the area of trade promotion. We found that U.S. firms and potential exporters, as well as ITA's partners, are increasingly acknowledging ITA's efforts to help them increase exports and better compete in the global economy. ITA is doing this by (1) making progress towards establishing a government-wide strategy for export promotion activities, (2) providing U.S. firms with a greater awareness of export opportunities, and (3) offering improved services and support at its domestic and overseas offices. We found, for example, during our recent and frequent visits to overseas and domestic offices, that most people we interviewed spoke highly of ITA products, services, and support.

However, we also found problems and concerns in varying degrees in the internal structure of ITA and the guidance and direction provided by ITA senior managers. Fortunately, many of the internal organization and management problems facing ITA are not readily apparent to its clients and partners in the field. Nonetheless, these problems—many of them longstanding—warrant management’s attention if ITA is to more effectively help U.S. exporters.

- Many of the problems in ITA’s management of its programs and operations point to periodic voids in leadership and general direction of the individual units. Overwhelmingly, the ITA officials, managers, and employees that we interviewed spoke of these voids. We also noted that too often in the past, the Under Secretary position has been vacant and the Deputy Under Secretary has had to act as Under Secretary, while attempting to concurrently perform his job. In addition, because incoming under secretaries usually devote most of their time and effort to the Administration’s many important program initiatives, ITA has often lacked the leadership and direction to effectively provide MAC, TD, and US&FCS with broad objectives, while at the same time providing organizational boundaries to help avoid overlap, duplication, and confusion. Senior ITA officials need to recognize the importance of effectively managing the agency and assume that responsibility. Foremost, this should include providing clear guidance and direction to each unit, holding each assistant secretary accountable for achieving their broad objectives, and ensuring that adequate cooperation and coordination exist between ITA units (see page 6).
- ITA’s current organizational structure, as it has been managed, has encouraged a fragmented and often duplicative approach to providing trade promotion services and support to U.S. firms. Realizing the agency’s organizational problems, both the former Under Secretary and the current Under Secretary have prepared reorganization proposals to address these problems and, in the process, many of the concerns noted in this report. We note that any reorganization of ITA should, at a minimum, aim to (1) reduce overlapping administrative and programmatic functions, and (2) remove organizational barriers that inhibit internal coordination and cooperation. We caution, however, that although consolidating many administrative functions within the ITA’s Office of Administration is conceptually sound, the Under Secretary must ensure that the office has the capabilities and commitments to handle its added responsibilities (see page 6).
- The Omnibus Trade and Competitiveness Act of 1988 recognizes the importance of ITA in providing products and services to U.S. exporters. This is particularly true for the US&FCS since the Act specifically requires that the OIG periodically review US&FCS’s efforts in this regard. We found that the US&FCS continues to undertake a variety of efforts to comply with specific requirements of the Act. US&FCS offers a number of export promotion products and services, most of which are designed specifically for small- and medium-sized companies. For example, in its Gold Key Service, one of the

more popular services offered, trade specialists in a target country will arrange appointments for a U.S. exporter with prescreened contacts whose interests and objectives match those of the client (see page 12).

- The Act also details specific reporting requirements for assessing the effective efficient management of the US&FCS foreign personnel system. This is the subject of a separate audit to be issued soon. We did, however, look at one key personnel management issue—commonly referred to as “integration.” Although US&FCS’s policy of better integrating its domestic and overseas personnel is sound, we and many US&FCS staff were disappointed with how the initiative was originally developed and implemented. The initiative was not well planned and did not adequately consider employees’ concerns. To address these and other concerns, US&FCS recently conducted a study of its integration efforts and revised the integration initiative based on the results. This revised approach to integration appears to effectively address a number of employee concerns expressed to us during our review, though it does not go as far as some believe is necessary to encourage integration of other parts of ITA headquarters units with the field structure (see page 15).
- US&FCS’s “Teams Initiative” could be a major tool in improving the effectiveness and coordination of ITA operations worldwide. This initiative has given its domestic staff a vehicle to help carry out trade promotion activities in a cooperative manner. Teams could be even more effective by routinely leveraging staff resources from other ITA units to address a specific trade-related issue. In order to achieve the highest degree of success, teams should not only coordinate their activities within US&FCS, but also work more effectively with ITA’s offices of Trade Development and Market Access and Compliance, where appropriate. Additionally, we believe that the position of Teams Initiative manager should be moved from the field back to headquarters to increase the initiative’s visibility and effectiveness (see page 19).
- ITA should make greater use of advances in information technology to improve both its in-house operations and programs, and the delivery of its products and services to U.S. firms. Some efforts currently underway in US&FCS appear to be headed in that direction, but more is needed (see page 23).

With regard to ITA’s interaction with other federal agencies and other units within the Department, we found that:

- The TPCC has made some progress toward establishing a government-wide strategy for export promotion activities. In our 1993 report, *“Assessment of Commerce’s Efforts in*

Helping U.S. Firms Meet the Export Challenges of the 1990s,” we reported concerns about the lack of adequate interagency coordination. Since that review, ITA has established a TPCC Secretariat to improve the coordination between U.S. government agencies on federal trade promotion efforts and to also provide a permanent point of contact for federal or private sector representatives seeking information on TPCC activities. The TPCC still does not have the authority or clout to direct coordination or eliminate duplicative trade promotion efforts among the TPCC agencies. However, in fiscal year 1998, the TPCC Secretariat was tasked with reviewing the strategic plans of each TPCC agency and reporting to the Office of Management and Budget (OMB) on which agency programs are most effective and consistent with the policy goals articulated in the National Export Strategy. The TPCC Secretariat will now also report where there is duplication between agencies for OMB’s consideration in developing the President’s budget (see page 30).

- Too often, there is inadequate cooperation and coordination between the various U.S. agencies operating there to promote U.S. exports. For example, during several reviews of overseas posts, we found instances where the U.S. Agency for International Development and US&FCS staff did not effectively communicate on major USAID projects. A lack of coordination among TPCC agencies at posts can result in missed trade opportunities, inefficient operations, and embarrassing overlap and duplication. The TPCC, as well as ITA, should encourage greater interagency coordination overseas because it can be a valued asset to U.S. exporters (see page 32).
- Commerce’s Economic Development Administration often provides grants to state and local governments and non-profit organizations to help them diversify the economies of, and create quality jobs in, communities impacted by various economic conditions. During this review, we examined several of these grants that were directly related to international trade and, more specifically, export promotion. Unfortunately, we found that EDA and ITA had not coordinated well on several EDA grants to fund local world trade centers. This situation creates confusion for ITA’s partners and could potentially embarrass the Department. EDA and ITA should improve their coordination to prioritize and maximize the use of EDA funds for trade promotion efforts (see page 35).
- Through our discussions with officials at the Bureau of Export Administration and ITA, it appears that both agencies are working well together to assist U.S. firms in defense-related industries to develop new business opportunities in growing international markets. BXA officials stated they found both ITA’s Advocacy Center and US&FCS to be very helpful and cooperative. In addition, BXA representatives attend US&FCS’s annual senior commercial officer conferences in an effort to keep the officers informed about

BXA's activities to promote American defense company sales overseas and ways that US&FCS can be of assistance to the U.S. defense industry (see page 39).

- The Minority Business Development Agency and ITA should better coordinate their export promotion activities throughout the nation to provide more effective service to their clients. MBDA should work with and use US&FCS and other components of ITA as a primary source of trade assistance for MBDA's clients. Together with US&FCS's U.S. Export Assistance Centers, we believe that MBDA-funded minority business development centers and other funded organizations could help minority-owned businesses become an integral part of the U.S. exporting effort (see page 42).
- During our reviews of several overseas US&FCS posts, we noted the value, or potential value, that representatives from the National Institute of Standards and Technology (NIST) add to increasing the competitive position of U.S. exporters. NIST officials want to place additional standards representatives in other countries, such as developing nations needing guidance and assistance in their industry standards development. While we did not assess the need for such permanent versus temporary duty overseas assignments, we do encourage NIST to work closely with ITA and continue Commerce's efforts to provide assistance to developing nations, where NIST's advice and direction can help shape those nations' industry standards (see page 45).
- The National Marine Fisheries Service (NMFS), a major component of the National Oceanic and Atmospheric Administration, and ITA appear to be working well together on fisheries-related trade issues. To ensure that the two agencies maintain their positive working relationship, ITA and NMFS officials are moving to update their memorandum of understanding on the fisheries trade program (see page 46).
- Both the National Telecommunications and Information Administration and ITA are involved in promoting international market access and trade opportunities for U.S. telecommunications companies. Unfortunately, neither agency is coordinating its activities very well with the other (see page 47).

On page 52, we offer a number of recommendations to the Under Secretary for International Trade, the assistant secretaries for EDA and NTIA, and the Director of MBDA. Our recommendations are aimed at improving ITA, departmental, and federal export promotion efforts to assist U.S. companies meet the export promotion opportunities and challenges of the 21st century.



In ITA's December 1, 1998, written response to our draft report, the Under Secretary for International Trade generally agreed with all but one of our recommendations. The Under Secretary disagreed that improved coordination is needed between ITA and EDA. We found, as cited in the report, several instances of poor or misdirected communications between ITA and EDA that caused or had the potential to cause problems between US&FCS domestic offices and their partners. The Assistant Secretary for Economic Development, in his response, indicated his willingness to improve coordination with ITA on international trade related projects.

The Under Secretary also stated that "the report fails to recognize recent improvements" in ITA coordination since the prior 1992 report on the Department's export promotion efforts. Although we do, indeed, cite several examples in the report of improvements in internal ITA coordination, we have made some appropriate modifications to the final report in response to the Under Secretary's comments.

In addition, both the Assistant Secretary for Communications and Information, and the Under Secretary for International Trade both agreed with our observation that the two agencies do not effectively cooperate, at least at a headquarters level. Neither response, however, indicated that the two agencies would, as we recommended, (1) come to an agreement as to the respective roles and responsibilities of their agencies, (2) institutionalize their respective roles and responsibilities by revising the relevant DOOs, and (3) formalize their operating relationship in an interagency agreement. We reiterate our strong belief that the overlap and duplication, coupled with poor coordination at the headquarters level, are not the most efficient and effective ways to promote U.S. exports in the telecommunications industry.

Responses from the Director of the Minority Business Development Agency and Assistant Secretary for Economic Development each generally agreed with the observations and recommendations contained in our draft report. Each agency's response has been included as an appendix to this report.

INTRODUCTION

Pursuant to the authority of the Inspector General Act of 1978 and the requirements of the Omnibus Trade and Competitiveness Act of 1988, the Office of Inspector General conducted a program evaluation of the export promotion efforts of the U.S. Department of Commerce. The Omnibus Trade and Competitiveness Act of 1988 mandates that the Office of Inspector General conduct periodic reviews of the activities and effectiveness of U.S. and Foreign Commercial Service (US&FCS) operations.

Program evaluations are special reviews that the OIG undertakes to provide agency managers with information about operational issues. One of the main goals of a program evaluation is to eliminate waste in federal government programs by encouraging effective and efficient operations. By asking questions, identifying problems, and suggesting solutions, the OIG hopes to help managers move quickly to address problems identified during the program evaluation. Program evaluations may also highlight effective programs or operations, particularly if they made be useful or adaptable for agency managers or program operations elsewhere. This program evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

During the review and at its conclusion, we discussed our findings with the Deputy Under Secretary for International Trade; the Acting Director of the Minority Business Development Agency; the Under Secretary for Export Administration; the Assistant Secretaries for Economic Development, and Communications and Information; and the Director of the National Institute of Standards and Technology (NIST).

PURPOSE AND SCOPE

To assess the Department's export promotion efforts, we drew upon (1) our relatively recent inspection and audit work, including OIG reviews at 14 US&FCS offices worldwide¹, (2) selected General Accounting Office (GAO) reports, and (3) other relevant materials. We visited US&FCS domestic field operations in Baltimore, Chicago, San Francisco, Atlanta, and Miami. We interviewed many ITA officials, managers, and staff, as well as representatives from the Department and other government agencies, at the federal, state, and local levels. We also interviewed many individuals from the private sector, both actual and potential exporters, to see what they believe the Department can and should do to help them export, as well as to obtain their impressions of the actual services provided by the International Trade Administration.

¹Five of these reviews are reports that have been issued in final (see Appendix D). The remaining nine are either in draft or are currently being drafted.

We focused on two key questions about the Department's export promotion efforts: (1) how effectively ITA manages its programs and operations, and (2) how well ITA and other units within the Department work together to expand international business opportunities for U.S. companies. As such, we did not review in detail the operations of the Import Administration. Our resulting observations, conclusions, and recommendations are contained in this report.

BACKGROUND

International trade is a vital element in the health of our nation's economy. It was reported in the Trade Promotion Coordinating Committee's 1997 National Export Strategy that "exports support over 11 million U.S. jobs—including one in five manufacturing jobs—and have been responsible for nearly two million new jobs in the past four years alone," paying on average 15 percent more than jobs not related to exports. In 1997, the U.S. exported \$933 billion in goods and services. There is, however, much work left to be done. The United States' 1997 trade deficit, as reported by the Census Bureau, was \$114 billion, including a \$199 billion deficit in goods and a \$85 billion surplus in services. The importance of exports to the economy of the United States is clearly stated by the President in the 1997 National Export Strategy:

"To continue to grow and prosper, we must look increasingly to business opportunities beyond our borders. To maintain our standard of living, we must continue to work for greater access to foreign markets—not retreat to the sidelines and leave the playing field to others. America's future economic prosperity and security demand nothing less. . . . Good jobs, sustained economic growth, and stronger communities all depend on our ability to compete successfully in the global marketplace."

The Department's International Trade Administration leads the nation's efforts to (1) encourage, assist, and advocate U.S. exports; (2) ensure U.S. companies have equal access to foreign markets; and (3) enable U.S. businesses to compete against unfairly traded imports and to safeguard jobs and the competitive strength of American industry. ITA accomplishes its mission by (1) supporting and providing services to new-to-export and new-to-market businesses through domestically located U.S. Export Assistance Centers² and overseas offices and commercial centers; (2) advocating on behalf of U.S. exporters who are competing for major overseas contracts and by implementing major trade agreements, such as the General Agreements on Tariffs and Trade and the North American Free Trade Agreement; and (3) enforcing antidumping and countervailing duty laws and agreements that provide remedies for unfair trade practices.

ITA is comprised of four units. **Market Access and Compliance** (MAC)³ staff help U.S. businesses to overcome barriers to trade and investment. With country specialists on nearly 200

²U.S. Export Assistance Centers (hubs) are usually located in major exporting cities and have smaller Export Assistance Centers (spokes) reporting to them.

³Formerly known as "International Economic Policy."

countries, they develop current and long-term market access strategies and provide information that enables U.S. firms to benefit from market access openings from the over 200 trade agreements that the United States has concluded over the past five years. **US&FCS** is a global network of business specialists assisting U.S. exporters in more than 220 cities located worldwide in the United States and in 78 foreign countries. Markets in the countries where US&FCS staff are posted reportedly represent more than 95 percent of the world market for U.S. exports. In the United States, US&FCS operates a “hub-and-spoke” network of 100 Export Assistance Centers, which offer companies a range of export facilitation services in one location. **Trade Development (TD)** industry specialists work with manufacturing and service industry associations and firms to identify trade opportunities and obstacles by product or service, industry sector, and market. To assist U.S. businesses in their export efforts, TD supports trade missions, trade fairs, and marketing seminars. Industry specialists are organized into six major sectors: Technology and Aerospace Industries; Basic Industries; Textiles, Apparel, and Consumer Goods Industries; Tourism Industries; Service Industries; and Environmental Technologies Exports. **Import Administration (IA)** enforces laws and agreements to prevent unfairly traded imports and to safeguard jobs and the competitive strength of American industry. Unfair foreign pricing and government subsidies distort the free flow of goods and adversely affect American business in the global marketplace. The antidumping and countervailing duty laws, administered by IA, provide remedies for these unfair trade practices.

ITA had \$287.866 million in fiscal year 1998 funding, including \$4.8 million in carryover funds, to accomplish its mission. This was a 4.98 percent increase over the prior year’s appropriation. Congress directed that these funds be allocated to the line organizations and functions as outlined below in Table 1.

Table 1: ITA Appropriations and Carryover, Fiscal Years 1993 - 98 (dollars in 000s)

	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
US&FCS	\$113,396	\$136,598	\$158,298	\$162,800	\$168,200	\$171,070
IEP/MAC	17,325	19,748	27,808	18,400	17,100	17,340
TD	54,707	59,903	67,574	56,485	59,400	58,986
IA	28,423	32,341	30,368	29,200	29,500	28,770
Administration						11,700
Carryover			(17,955)	(2,000)	(4,200)	(4,800)
Total	\$213,851	\$248,590	\$266,093	\$264,885	\$270,000	\$283,066

*Note: Congress added the line item “Executive Direction and Administration” in fiscal year 1998.

Although ITA is clearly the lead departmental agency in the area of trade promotion, it is not the only Commerce agency that plays a vital role in the advancement of U.S. exports. Several other agencies within the Department participate in export promotion activities and related trade policy discussions and negotiations. NIST assists U.S. firms to become more competitive in the global marketplace through its work on foreign and domestic measurement and standards issues. MBDA seeks to involve a greater number of minority-owned businesses in the international arena, in part, through its network of business development centers across the country. EDA provides funding to U.S. communities to enhance their international trade activities and further their economic development. Other Commerce agencies, such as the Bureau of Export Administration, National Telecommunications and Information Administration, Patent and Trademark Office, Census Bureau, Office of General Counsel, and the National Oceanic and Atmospheric Administration, also provide varying degrees of support and assistance in the area of international trade policy and promotion.

OBSERVATIONS AND CONCLUSIONS

I. ITA Senior Officials Need to Better Define the Missions and Responsibilities of Its Units and Encourage Greater Cooperation and Coordination

Management deficiencies have historically hindered the effectiveness and efficiency of the Department's export promotion efforts. Many of the problems—previously identified by this office, GAO, and various consulting firms hired by ITA—continue to hamper ITA's efficient promotion of U.S. exports. In a time where diminished federal resources require a more strategically focused effort, (1) voids in ITA leadership and direction have led to ineffective coordination and cooperation among MAC, TD, and US&FCS, and (2) ITA's current organizational structure—as it has been managed—encourages a fragmented and often duplicative approach to providing trade promotion services and support to U.S. exporters.

Voids in leadership

Many of the problems we identified during this review point directly to a lack of general direction from ITA senior managers. It has been argued to us by many ITA officials, both political and career, that because of frequent vacancies in the Under Secretary position, ITA often lacked effective leadership and direction to provide MAC, TD, and US&FCS with broad objectives and organizational boundaries to help avoid overlap, duplication, and confusion. Theoretically, the Deputy Under Secretary (DUS), a career position, should take the lead in that area. Too often, however, the DUS has had to act as Under Secretary in the absence of an appointed one. As a result, with programmatic initiatives as the greater priority, the agency has not consistently devoted sufficient time and attention to ITA management and organizational issues. Table 2 highlights the number of times when the under secretary position was vacant and an acting under secretary was in charge.

Table 2: Under Secretaries for International Trade: Acting Versus Appointed

Under Secretary	Status	Dates	Months
David Aaron	Appointed	11/14/97 - Present	15
Timothy Hauser (DUS)	Acting	06/06/97 - 11/13/97	5
Stuart Eizenstat	Appointed	04/05/96 - 06/05/97	9
Timothy Hauser (DUS)	Acting	01/96 - 04/04/96	3
David Rothkopf (DUS)	Acting	10/14/95 - 01/96	2
Jeffrey Garten	Appointed	11/09/93 - 10/13/95	23
Timothy Hauser (DUS)	Acting	05/30/92 - 11/08/93	17

As shown above, the agency has had the benefit of an officially appointed under secretary for only 47 of the last 74 months—or 63 percent of the time. In ITA where political positions have traditionally been so pervasive—from the assistant secretaries down, in some instances, to office directors—it is inherently difficult for a career acting under secretary to maintain management control over such subordinates.

Unfortunately, it has been our observation over the years, as well as the consensus of many of the ITA staff that we interviewed, that under secretaries usually spend the bulk of their time and effort developing and implementing major initiatives—too often at the expense of providing the leadership and direction necessary to guide and manage ITA and its often autonomous units. We spoke with more than 50 senior officials within the various units of ITA, including the Under Secretary’s office. Many of them acknowledged that each unit essentially determined its own mission and direction without great regard for guidance from ITA—the parent organization—or for what the other units were already doing.

We also found that although problems with territorial battles between export promotion and export development units within ITA have improved somewhat over the last five years, some longstanding conflicts persist. In part because of the programmatic priorities and lapses in leadership, ITA senior management has not effectively (1) implemented an organizational structure that best supports the agency’s roles and responsibilities; (2) ensured that coordination between operating units is effective and duplication is minimized; or (3) ensured that each unit is working on the specific areas it was assigned.

It is imperative that senior ITA officials take on the responsibility of effectively managing the agency, to include providing clear guidance and direction to each unit, holding each assistant secretary accountable for achieving the tasks so assigned, and ensuring that adequate cooperation and coordination exist between the units within ITA.

ITA reorganization efforts

As noted in our 1993 report on the Department's export promotion efforts⁴, the current organizational structure "is not conducive to successful coordination and is, itself, a major impediment to ITA's ability to carry out export promotion programs efficiently and effectively." We recommended that ITA "concentrate the principal export promotion activities—including counseling, trade event recruitment, and trade information centers under the direction and leadership of the US&FCS." We also recommended that ITA "specify as primary roles for TD and [MAC], the analysis, formulation, and implementation of trade policies affecting the global competitiveness of U.S. industry." Unfortunately, the functional and organizational structure of ITA has not changed dramatically since we made that observation in 1993. Hence, although there have been some improvements in the level of cooperation, our findings and recommendations remain basically the same. ITA must reorganize, at least functionally, to enable it to more effectively focus its services to U.S. exporters, hold individual units accountable for the tasks assigned to them, and encourage greater cooperation and coordination between ITA units.

After meeting with nearly all of the deputy assistant secretaries, assistant secretaries, and other key officials within the agency and the Department, we developed criteria to help the agency as it designs an organizational structure to best accomplish ITA's mission. It is important to emphasize that the most critical aspect of any reorganization of ITA is having a strong management team that will define the agency's priorities and associated tasks, communicate them to employees, and hold the various units accountable for accomplishing their assigned tasks. In addition, it is crucial that management direct its employees to work in concert with each other in order to achieve ITA's overall goals.

Realizing the agency's organizational problems, both the former Under Secretary and the current Under Secretary have prepared reorganization proposals to address these problems and many of the concerns noted in this report, as well as concerns noted and recommendations made in our 1993 report. The Under Secretary's stated key objectives of this proposed reorganization plan are to (1) clearly assign functions to the ITA units, (2) transfer the predominance of "export promotion" activities to US&FCS, (3) focus TD's activities on industry sectors, outreach, and

⁴U.S. Department of Commerce, Office of Inspector General, *Assessment of Commerce's Efforts in Helping U.S. Firms Meet the Export Challenges of the 1990s*, (IRM-4523, March 1993).

advocacy, (4) focus MACs efforts on trade agreements compliance, analytical work, and policy support, and (5) centralize duplicative administrative functions within ITA's Office of Administration. The Under Secretary recently held an "all-hands" meeting with ITA employees to present his proposal.

The reorganization plan includes a proposal to move the Trade Information Center and the functions of the Office of Export Promotion Coordination, TD's primary export promotion offices, to US&FCS's Export Promotion Service (EPS). The Advocacy Center, however, will remain in TD. The plan proposes to move the Business Information Service for the Newly Independent States and the Central and Eastern European Business Information Center, MAC's primary export promotion offices, also to EPS. With regard to US&FCS, it is proposed that many foreign service officers based at headquarters will be sent to the domestic or foreign field offices. Another major change proposed by the plan is to move duplicative administrative activities, such as information technology, selected aspects of personnel, and worldwide security to ITA's Office of Administration.

Because the reorganization proposal lacks specificity in key areas, it is not possible to comment on the substantive merits of the proposal. (The difficulty will be in the details.) However, we concur with the general concepts of (1) clearly defining the agency's objectives and each unit's specific tasks in accomplishing those objectives, (2) consolidating export promotion activities within US&FCS, (3) moving duplicative administrative functions to ITA's Office of Administration, and (4) holding senior managers accountable for achieving the tasks as directed by the Under Secretary.

In order to institutionalize these measures, the Under Secretary should revise the current Department Organization Orders (DOOs) 10-3 and 40-1 to more effectively define the agency's and its individual units' roles and responsibilities in relation to exporters' needs. This will allow ITA senior managers, including those in the Office of Administration, to be held accountable for accomplishing their assigned tasks in a competent, cooperative, and coordinated manner. The revised orders should, at a minimum:

- reduce overlapping administrative and programmatic functions;
- remove organizational barriers that inhibit internal coordination and cooperation;
- create a more coordinated focus on ITA's core missions; and
- centralize cross-cutting administrative functions in the ITA Administration unit, eliminating duplicate units in individual program areas.



In his response to our August 31, 1998, draft report, the Under Secretary for International Trade stated that: “ITA generally concurs with recommendations contained in this section of the report. However, the report fails to recognize recent improvements.” Although we cited several instances of improved coordination in the draft report, we have adjusted our final report in response to the Under Secretary’s comments.

The response also quotes a portion of a sentence in the draft report that read: “ITA has not changed dramatically since observations made in the 1993 report.” ITA officials noted that “many of ITA’s business processes and approaches to trade promotion have changed since 1993.” The response highlighted their efforts at reducing trade barriers, the advancements in Internet use, and their general reinvention of the way trade promotion services are rendered to its customers. ITA officials took our statement almost completely out of context. The complete sentence actually read “Unfortunately, **the functional and organizational structure of** ITA has not changed dramatically since observations made in the 1993 report.” This statement is true.

The Under Secretary did agree with us that better communication among ITA units is desirable and needs improvement in some areas. He asked for specific examples where we found that communications had a deleterious effect on specific trade promotion activities. We are available to meet with ITA officials to discuss any details that continue to be considered ambiguous.

II. US&FCS Is Pursuing Several Initiatives to Help Achieve Its Congressional Mandate

US&FCS is a global network—unique among federal agencies—strategically located in more than 220 cities worldwide to assist U.S. exporters. Overseas, the US&FCS has offices in 78 countries, which reportedly represent more than 95 percent of the world market for U.S. exports. In the United States, US&FCS operates a “hub-and-spoke” network of EACs, which offer companies a comprehensive range of export facilitation services in one location.

As shown below, US&FCS offers a number of core export promotion products and services, most of which are designed specifically for small- and medium-sized companies. Some domestic and overseas offices offer other products or services that are specific to their location.

Matchmaker Trade Delegation Program. This service links U.S. firms with trading partners abroad to help U.S. business expand sales to markets around the globe.

Gold Key Service. US&FCS trade specialists in a target country will arrange appointments for a U.S. exporter with prescreened contacts whose interests and objectives match those of the client.

International Buyer Program. This service helps U.S. companies achieve their international marketing goals through participation in domestic trade shows. Each year the Department selects more than 20 leading U.S. trade shows to promote worldwide through US&FCS’s global network of offices. Commercial specialists at U.S. embassies and consulates abroad conduct promotion campaigns for each International Buyer Program show. Qualified buyers and prospective representatives and distributors are recruited from all over the world to travel to the show and see U.S. products firsthand.

Industry Sector Analyses. These are in-depth, structured reports on a broad range of industries that include information on: market potential and demand trends; market size and import statistics; competition; market access; regulations and standards; and best sales prospects.

International Market Insights. IMIs report on specific foreign market conditions and upcoming opportunities for U.S. business. They cover a variety of topics, such as: competition, trade laws and regulations, trade show opportunities, recent market developments, upcoming major projects and purchases, and economic/trade statistics.

Customized Market Analysis. CMA reports provide clients with an assessment of how their product or service will sell in a given market.

Trade Opportunity Program. This service provides prescreened leads that are gathered and transmitted to the U.S. every work day by commercial specialists in U.S. embassies and consulates abroad. Exporters respond directly to the contacts listed for the leads of interest.

Agent/Distributor Service. An ADS provides information on up to six prequalified potential agents or distributors of a client’s product in a particular market.

Consistent with the requirements of the Omnibus Trade and Competitiveness Act of 1988, US&FCS is also making efforts to improve the interaction between its foreign and domestic staff to offer improved service to U.S. exporters. These efforts are being accomplished, in part, through the agency's revised integration initiative and its Teams Initiative.

A. US&FCS is working to comply with requirements of the Omnibus Trade and Competitiveness Act of 1988

In several of our recent inspections and audits of US&FCS overseas operations, we noted that the US&FCS was generally delivering services effectively, despite facing some management constraints internal to ITA and US&FCS. The Trade Act of 1988 requires that US&FCS carry out several specific activities, such as the following seven tasks included in the Act:

"(1) Identify the United States businesses with the potential to export goods and services and providing such businesses with advice and information on establishing export businesses;"

US&FCS publishes and disseminates guides on how to establish export businesses and trading companies. US&FCS offices also coordinate and participate in "how to export" seminars with the Small Business Administration, state and local agencies, and others. US&FCS is concentrating its resources on identifying and assisting small and medium sized "export ready" firms rather than on assisting firms that are interested in establishing export businesses in the future. Hence, the Congress can expect US&FCS to provide its clients with more advice on expanding an export business than on establishing one. ITA also provides information to U.S. exporters through its Trade Information Center, the Central and Eastern European Business Information Center, and the Business Information Service for the Newly Independent States.

"(2) Provide United States exporters with information on economic conditions, market opportunities, the status of the intellectual property system in such country, and the legal and regulatory environment within foreign countries;"

US&FCS collects and disseminates a vast amount of information to help U.S. firms. The National Trade Data Bank is one tool used by US&FCS to disseminate valuable trade

information to a wide audience. US&FCS is also trying to have an active Internet site for each of its field offices. These efforts, if done effectively, should assist in getting relevant information to those that need it.

The information that is being disseminated is valuable to U.S. firms in weighing the opportunities and risks associated with a particular market. For example, ISAs, prepared by US&FCS posts overseas, examine a particular industry sector, the size of the market, its growth prospects, and its potential for market penetration by a U.S. exporter. In conjunction with the embassy's economic section, US&FCS prepares assessments of the host country's economy and its future prospects.

"(3) Provide United States exporters with information and advice on the necessary adaptation of product design and marketing strategy to meet the differing cultural and technical requirements of foreign countries;"

US&FCS provides information on adapting products and marketing strategies to a country's unique requirements through a variety of methods: seminars and briefings, individual counseling and response to direct company inquiries, periodic publications, customized market research, and referrals. Our recent overseas inspections have confirmed that the overseas posts are most helpful in responding to individual requests for specific information, since the range of products varies widely. US&FCS also relies on other Commerce bureaus to support its efforts to provide information to potential U.S. exporters seeking to position their products for foreign markets. NIST, for example, provides information on standards and certification procedures.

"(4) Provide United States exporters with actual leads and an introduction to contacts within foreign countries;"

US&FCS fulfills this requirement in a variety of ways, most notably through its Gold Key Service, Agent/Distributor Service, Matchmaker Program, and International Buyer Program. During this review and prior OIG reviews of USEACs and overseas posts, many individuals noted that the Gold Key Service is the most valuable product or service provided by US&FCS.

"(5) Assist United States exporters in locating reliable sources of business services in foreign countries;"

The overseas arm of US&FCS helps exporters locate reliable sources of business services in foreign countries. Overseas staff develop contacts with local providers of business services, such as bankers, attorneys, customs facilitators, and conference facility managers. In addition, through its corps of knowledgeable foreign service nationals, US&FCS can provide its own translator services to U.S. business representatives. US&FCS's commercial centers overseas provide short-term office space and business services to U.S. businesses.

"(6) Assist United States exporters in their dealings with foreign governments and enterprises owned by foreign governments;"

Commercial specialists overseas develop working relations with foreign governments as a matter of course. They also have contact with ministers of commerce and other local government officials. Additionally, with the added attention being given to export promotion by other U.S. government agencies, such as Agriculture, USAID, and State, overseas embassies often help U.S. businesses by providing contacts with their counterparts in the host country's government.

"(7) Assist the coordination of the efforts of state and local agencies and private organizations which seek to promote United States business interests abroad so as to maximize their effectiveness and minimize the duplication of efforts."

US&FCS has created a "one-stop-shop" in its domestic export assistance center network to address this requirement. These centers collocate US&FCS trade specialists with representatives from the Small Business Administration and Export Import Bank to provide export counseling and assistance in the areas of finance and to actually help clients get their product or service

overseas. US&FCS also fulfills this requirement through its formal and informal arrangements with external organizations--often referred to as partnerships. US&FCS partner organizations include chambers of commerce, trade associations, state and local governments, and other public or private international trade development groups. These organizations work in partnership with US&FCS to endorse, promote, or deliver programs, services, and initiatives that help expand U.S. exports. In addition, US&FCS's domestic offices and overseas commercial centers often partner with and, in some cases, collocate with state offices of economic development, other federal trade-related agencies, and federal grant recipients, such as the grantees in ITA's Market Development Cooperator Program⁵.

B. US&FCS's implementation of integration has had mixed results

US&FCS is striving to integrate its domestic and foreign personnel by providing opportunities for international staff to serve domestically and for domestic staff to serve internationally. This combined experience is viewed as key to delivering high-quality counseling and other services to U.S. companies, increasing organizational productivity and effectiveness, and strengthening the capacity of staff to use the entire global network to meet client needs. The purpose behind the integration of the two services is to enhance client servicing, promote "seamless" organizational operation and service delivery, and build staff skills. To quote the 1994 National Export Strategy:

"The US&FCS network is composed of two distinct work forces: domestically, civil service trade specialists who counsel U.S. businesses in their local communities; and overseas, foreign service officers who assist visiting firms. This division has two major shortcomings. First, domestic staff often lack opportunities to gain 'hands-on' work experience in foreign markets—essential to counsel clients authoritatively. Second, foreign service officers typically spend most of their careers abroad, and have fewer opportunities to work in the United States, where most business is generated."

The Congress also recognized the importance of an integrated service to promote U.S. exports both domestically and internationally. In a report by the House Committee on Foreign Affairs, the Committee elaborated on the expected benefits of increased integration:

"The Committee believes that the effectiveness of and utility of the [U.S. and Foreign Commercial] Service in promoting U.S. exports and in protecting U.S. business interests abroad would be enhanced by a rotation of domestic and foreign

⁵The Market Development Cooperator Program was established in ITA to provide grants to organizations to develop, maintain, and expand foreign markets for nonagricultural goods and services produced in the U.S.

field personnel. While one objective of Commerce district offices is to provide continuity in service to the local community, in the Committee's view, the end-users of the Department of Commerce's export promotion services would benefit more from more frequent rotation in tours among Foreign Commercial Service Officers, senior district office trade specialists, and senior trade specialists from ITA Headquarters."

Beyond the basic objective of exchanging both domestic and overseas staff, the integration of US&FCS domestic and foreign personnel faces practical hurdles, such as coordinating differing assignments and resource allocation processes, providing adequate training to staff who make domestic/international transitions, and coordinating personnel practices of the foreign and civil service systems. Although several employees from MAC, TD, and IA have moved to US&FCS domestic or overseas field offices, integration, thus far, has focused primarily within the US&FCS field and headquarters operations

In the past, US&FCS officials have stated that they expect the integration of the domestic and foreign services to take many years. The change involves the integration of two different "corporate cultures," involving individuals who have different expectations as to the type of work they are to perform and where they will be expected to live.

In our March 1996, report on U.S. Export Assistance Centers⁶, we recommended that the Director General develop a clear and concise strategy aimed at simultaneously (1) promoting US&FCS's foreign and domestic "integration" initiatives, and (2) developing a plan to staff the USEACs with personnel having significant overseas trade experience, e.g., by providing incentives to encourage foreign service officers to bid on domestic tours, making directed assignments of foreign service officers (FSOs) to domestic positions, and offering excursion tour opportunities to USEAC staff members.

In our discussions with staff in the field, many indicated that the integration initiative required additional management attention and some reevaluation. Although a number of US&FCS staff with whom we met agree with the philosophy of integration, many were disappointed with how the initiative was originally implemented, citing poor planning and insufficient consideration of the many domestic staffers who were viewed as high-performing but who may not want to or cannot easily pick up and relocate at this point in their career. In addition, many staff we spoke with noted that integration has not always been beneficial to FSOs' career advancement.

⁶U.S. Department of Commerce, Office of Inspector General, *U.S. Export Assistance Centers Offer Reason for Optimism, but May Fall Short of Expectations*, Inspection Report Number IPE-7130, March 1996.

As reported by US&FCS, as of February 1998, the foreign service has 23 people on limited appointments from the civil service (seven from export assistance centers and 16 from US&FCS headquarters). There are 21 FSOs located domestically (11 in domestic field offices and 10 in headquarters positions). At the time of our review, there were also nine new foreign service officers assigned under the integration program to export assistance centers for their first tour. Consequently, the total number of officers located in domestic field offices is 20. We learned from data prepared by US&FCS officials that no FSO located in the domestic network received a promotion, presidential meritorious service award, executive schedule pay adjustments, senior foreign service performance pay, or performance award in fiscal year 1997. Only one FSO located in the domestic field received a meritorious step increase. Out of a total of 103 awards and promotions given to US&FCS FSOs, only one was given to those located in EACs and eight given to those located at headquarters in fiscal year 1997.

Recognizing the problems with the implementation of the integration initiative, in May 1997, the Acting Director General initiated a review of the integration program and concluded it had become “too complicated, and increasingly bound by new rules and processes that would be extraordinarily difficult to administer, and, in some cases, would cause unnecessary budget liabilities and disruption to programs.” The review included an extensive dialogue throughout the organization over a six-month period on how to effectively integrate its staff without such disruption. We also shared with the review team our concerns with the initial integration initiative.

In its ensuing February 1998, bulletin incorporating the findings and recommendations from the Director General’s study, US&FCS affirmed the importance of integration but outlined some significant changes. US&FCS stated that “the goal of the integration program is to create a single globally-minded export promotion workforce equipped with the skills and combined domestic and international experience to support and assist U.S. business throughout the world.” In part through integration, US&FCS hopes to “provide an institutional and systematic means to ensure (1) domestic-based field staff obtain the ongoing ‘hands on’ international experience needed to counsel U.S. firms effectively, and (2) international-based field staff have the opportunity to bring their experience to bear in the U.S. and to acquire the client’s perspective from working with firms in the United States.” The agency also hopes to foster a common corporate and career vision for domestic and international trade specialists and FSOs focused on promoting U.S. exports at companies’ place of business both domestically and internationally. Table 3 illustrates a comparison (based on material provided by US&FCS) of major elements of the previous integration program and the revised program as a result of the agency’s recent study.

Table 3: Comparison of Original Integration Initiative and Revised Integration Initiative

Original Integration Initiative	Revised Integration Initiative
<u><i>Overall Approach</i></u>	
! Adopt foreign service (FS) system for all senior field positions—domestic and overseas.	! Continue to use both foreign and civil service systems.
! Convert all senior field EAC/USEAC positions from civil service (CS) to FS as they become vacant; discontinue senior CS-based positions.	! No wholesale conversion of CS to FS. Instead, create structured opportunities for FS to serve domestically and for CS to serve internationally.
<u><i>Planning</i></u>	
! No strategic plan to guide hiring and position management.	! Conduct “flow-through analysis” annually to determine number of FSOs needed at each grade, need for new officers/positions, and options for managing the initiative. Create strategic hiring/placement plan accordingly.
<u><i>Hiring</i></u>	
! Ad hoc FS hiring (unpredictability prevents employee career planning).	! Conduct FS hiring “assessment” every two years, based on results of flow-through analysis.
	! Revise hiring criteria for senior domestic jobs to value importance of overseas experience.
<u><i>Position Management</i></u>	
! Convert all CS 13/14/15 field positions to FS. FS career will include ongoing domestic and overseas postings.	! Establish opportunities for FS and CS staff to obtain both overseas and domestic experience. For FS, reserve limited number of domestic positions to be filled by FS. For CS, continue to provide opportunities to serve overseas under non-career limited appointment to FS.

Other major requirements of the previous integration program relating to assignments and advancement, including requirements that (1) FSOs must serve a domestic and international tour to be eligible for tenure, (2) domestic field positions at the GS-13 level will be placed in the FS, and (3) FSOs must serve a domestic assignment to be eligible for the senior foreign service, were either terminated or replaced with less stringent requirements.

Although there will continue to be detractors to US&FCS's integration efforts, primarily because change is inherently disruptive and threatening, the agency's revised approach to integration addresses many concerns that we had and that were expressed by US&FCS employees during our review. We believe that the mid-course correction US&FCS has adopted is appropriate because it removes a number of seemingly unwavering restrictions and requirements. We recommend US&FCS periodically evaluate the integration initiative to ensure that it is delivering the desired results.

C. The "Teams Initiative" could be a major tool in improving the effectiveness of ITA's trade promotion efforts

US&FCS's Teams Initiative was implemented to provide its domestic staff an effective vehicle to help carry out its trade promotion activities. Teams can be characterized as self-managing work units that have common goals and mutual accountability for attaining those goals. Within US&FCS, teams are generally made up of trade specialists located throughout the nation whose common goals are centered around promoting exports for a particular industry sector or to a specific geographic region. Some teams also include staff from overseas offices, industry specialists from TD, and country specialists from MAC. Team membership is determined by mutual agreement between team members and their management with the goal of serving a targeted client base and providing training in the trade specialist's area of industry and/or region of interest.

Proponents of the Teams Initiative believe that teams have the potential to contribute to (1) expanded opportunities for leadership, enabling US&FCS trade specialists to become team leaders, (2) expertise in specific countries and industry sectors by encouraging its members to share their industry and regional knowledge with each other, and (3) the integration process, given that the domestic and overseas staff work together on teams and thereby gain a better appreciation and understanding of each other's functions.

According to US&FCS's Team Initiative mission statement:

"Teams exist within the US&FCS as a complement to their traditional management structure and as a way to organize resources in support of their efforts to increase U.S. exports. By leveraging the expertise and knowledge of all

its resources, US&FCS Teams support ITA trade promotion priorities and offer a way to deliver services to its clients.”

In its mid-year *Team Highlight* report, US&FCS states that its trade specialists attribute 49.6 percent of all their export actions for the first half of fiscal year 1997 to their work on teams. The report also states that, “One of the most significant accomplishments cited repeatedly [about teams] was the increase in event coordination and cooperation between the teams and overseas posts, as well as with Trade Development, [Export Promotion Service], and other partners.” For instance, senior commercial officers (SCOs) from the Western Hemisphere, Asia Pacific, Europe, and South Africa met with team members to discuss coordination of events, new initiatives, and improved communication between the domestic and overseas staff. Although we are not aware of the actual substantive results, the meeting was at least successful in opening greater dialogue between the involved parties. In addition, the overseas posts are now able to target their market research and trade opportunity leads to the appropriate industry or regional team—leading to faster distribution of this information to the appropriate US&FCS clients.

In an effort to increase their client databases and support outreach efforts, several teams participated in seminars and conferences with other trading partners. For example,

- The Services team organized a seminar with a large consulting firm on architecture/engineering services that included speakers from Export-Import Bank, the Trade Development Agency, and ITA’s Advocacy Center.
- The Western Region Environmental Technology team organized a conference with the U.S.-Asia Environmental Partnership Program in Taiwan for an environmental technologies delegation visiting Ontario, California. Both US&FCS and TD’s Office of Environmental Technologies Exports assisted with the conference.

US&FCS officials have stated that teams need to continually evolve in order to best support ITA priorities and, more importantly, its clients. For example, last year the former Central Eastern European and Newly Independent States team merged with the Western Region Europe team to better coordinate its activities with Showcase Europe (a US&FCS initiative designed to promote exports to European nations). In addition, the former South Africa team has now expanded to form an Africa team in order to support the President’s Africa Initiative to promote U.S. trade with other key markets throughout the continent. US&FCS’s teams for fiscal year 1998 include:

Table 4: US&FCS Country and Industry Teams

<u>Country Teams</u>	<u>Industry Teams</u>	
Africa	Aerospace and Defense	Information Technologies
Asia Pacific	Apparel	Minority
Europe	Environmental Technologies	Rural Export
Western Hemisphere	Healthcare Technologies	Services

We agree with US&FCS that teams can foster streamlined communication, help coordinate event planning, and target flows of market research to US&FCS clients. We believe that effective team building in US&FCS could continue to be beneficial to ITA, especially in promoting more effective cooperation among the key units and players. However, we also believe that the full potential of teams remains untapped. In order to achieve the highest degree of success, teams should not only coordinate their activities within US&FCS, but also more effectively with TD and MAC. Although there are some teams now that routinely coordinate their activities with these units, we found that this was not a consistent practice among all of the teams. Since US&FCS teams are built around regions or specific industries, we believe that it is not only logical, but valuable to coordinate team activities with ITA's regional (MAC) or industry experts (TD).

The Services team is a prime example of how coordinating with other in-house experts can help develop new programs and services for US&FCS clients. In fiscal year 1997, the Service team focused its efforts on improving market research from overseas posts to better support U.S. service companies. They teamed with EPS and TD's Office of Service Industries to develop a methodology for assisting posts in assessing the market potential for service exports.

Additionally, we believe that a trade specialist's membership on a particular team should be consistent with the priorities of his or her domestic office. We conducted a team membership analysis of two of the larger US&FCS teams: Environmental Technologies and Healthcare Technologies. Both of these teams are broken down into four regional teams: Eastern, Mid-Eastern, Western, and Mid-Western. With two minor exceptions, we found that the team membership for these two teams appears to be consistent with the target industries of each office. Specifically, all of the team members on the Healthcare Technologies team matched the locations of the targeted industries including, but not limited to: biotechnology, healthcare services, laboratory instruments, medical equipment, pharmaceuticals, animal health, laser technology, and dental equipment.

In the case of the Environmental Technologies team, we found that team membership in three of the regions (Eastern, Mid-Eastern, and Western) was consistent with their offices' target industries including, but not limited to: environmental products, pollution control equipment, waste water treatment equipment, water resources equipment and services, environmental engineering services, and industrial chemicals. However, in the Mid-western region's Environmental Technologies team, we found two instances (Milwaukee and Minneapolis) where the team members' office did not include environmental technologies as a priority industry. We encourage US&FCS management to periodically conduct an analysis of its teams membership to ensure that trade specialists membership on a particular team is consistent with the priorities of his or her domestic office.

We also have a concern regarding the location of the Teams Initiative manager. Although US&FCS has a designated position for a Teams Initiative manager, the physical location of this position is in San Francisco—not Washington D.C. Consequently, the importance of the initiative is sometimes not clearly noted by managers in the field because they do not see the initiative stemming from headquarters. This is a concern because some USEAC/EAC managers may be less likely to accept that a staff member is working on a team project that might not directly or clearly contribute to that individual office's statistics and accomplishments, but might more effectively contribute to the overall objective of expanding U.S. exports. In addition, since the success of this program relies on participation from both the domestic and foreign side of US&FCS, we believe that the position of Teams Initiative manager, and in turn the initiative itself, would have more visibility and credibility if it were moved to headquarters. This move should also enhance the opportunities to expand the participation of TD and MAC in the Teams Initiative, where appropriate.



In their response, ITA officials generally agreed with the observations made in this section. The response pointed out a few clarifications and minor corrections. ITA also noted that it is “undertaking a review of its product line to encourage the development of new products and services to better serve our clientele.”

III. ITA Needs to Improve Its Planning and Oversight of the Agency's Information Technology

Information technology is becoming more integral to ITA's ability to improve the quality and timeliness of the export counseling and trade information it provides to its clients. Information technology is serving as an essential tool in today's business environment. Electronic Commerce⁷ alone is making it easier for businesses to expand their operations domestically and internationally. With the Department being one of the lead agencies in technological advances and Electronic Commerce, ITA, as it moves to the 21st century, must be able to use the available technology to effectively communicate and interact with clients and amongst its own staff.

In order to best serve its clients, ITA—both in the United States and overseas—must be able to effectively and efficiently (1) make available current export counseling and market information, (2) communicate between its network of overseas, domestic, and headquarters operations, and (3) track and follow-up with its clients. Recent advances in information technology, such as "groupware"⁸ and the Internet, can enhance ITA's ability to provide these services by facilitating in-house information sharing and new methods for delivering products and services to clients.

US&FCS, comprising about 60 percent of ITA staff, has recently taken steps to lay a foundation for leveraging information technology to better serve U.S. exporters. At the start of this review, we found extremely limited information technology capabilities at US&FCS headquarters and its domestic and foreign field offices. In the past year, however, US&FCS, and in particular its Office of Domestic Operations, brought together US&FCS's many consultants to modernize its technological capabilities. More specifically, in its efforts to upgrade its office automation infrastructure, improve client tracking, and develop a standard system platform for sharing information, US&FCS:

- reports that by the end of fiscal year 1998, its domestic field offices will have office automation capabilities comparable to those of the American business community, including capabilities such as modern desktop computers connected to local area networks, a high-speed telecommunication network connecting domestic sites and headquarters, and Internet access;

⁷In basic terms, Electronic Commerce is a means of conducting business transactions through the use of information technology, primarily the Internet.

⁸Groupware is a platform for developing information systems that helps geographically dispersed groups collaborate and coordinate work activities. Key components are a shared centralized database and networked communications.

- is in the process of replacing its older system for managing its client contact lists, the Commercial Information Management System—which trade specialists were reluctant to use because it was reportedly too time consuming and complex—with a new client tracking database—Client Management System (CMS). The initial version of CMS has been deployed to domestic field offices and it is being adapted for overseas posts and the EPS; and
- adopted a groupware package called Lotus Notes for building information systems. Lotus Notes, already used by the other ITA units, should make it easier, from a technology standpoint, to share information and integrate the various databases across ITA.

Despite this progress, we found several information technology-related problems during our review such as: (1) US&FCS did not have a permanent office with leadership responsibilities in the area of information technology, (2) US&FCS did not have an adequately structured system development methodology, and (3) US&FCS did not adequately plan or budget for its information technology modernization. Although our concerns focus primarily on US&FCS's efforts to modernize its information technology, we address a number of our recommendations to ITA because, as discussed below, the Under Secretary plans to centralize overall responsibility for information technology in ITA's Office of Administration.

Office with leadership responsibilities in the area of information technology is needed

US&FCS does not have a permanent office to manage its information technology projects. US&FCS's Office of Information Systems (OIS) has historically managed US&FCS's information technology requirements. However, OIS's leadership responsibility in this area recently shifted to a small team within ODO. ODO took it upon itself to initiate the much-needed modernization of the US&FCS's office automation infrastructure. Because of the perceived success of the domestic field modernization, which is not yet completed, US&FCS management has now directed this team to also modernize the information technology systems of the foreign field offices within ITA's Office of International Operations (OIO).

Despite its noted achievements, ODO does not have a permanent mandate to manage US&FCS's information technology projects, and we do not believe that OIS is currently prepared to assume this role. During our review we heard many complaints about OIS's perceived inability to fulfill the needs of the US&FCS field offices. Several individuals have complained that OIS's focus has historically been only on headquarters operations and the office lacks expertise in new technologies. US&FCS management appears to have recognized OIS's limitations and is planning to update the skills of its in-house and contractor staff. OIS's responsibilities have been revised to include: (1) continuing to operate the US&FCS's communication network, (2) sharing responsibilities for procurement, training, and technical support with regional and field offices,

and (3) developing some information systems, e.g., an asset management system. However, OIS's new mandate does not include taking a leadership role in managing information technology projects. The Under Secretary's proposed plan for reorganizing ITA recommends that this leadership role for US&FCS, and other ITA units, be placed in ITA's Office of Administration, specifically, merging OIS with the Office of Administration's Office of Information Resources Management (OIRM).

Conceptually, the Under Secretary's proposed plan appears to be a good idea. Centralized management would promote ITA-wide development of more effective cross-cutting solutions for information systems⁹ and Electronic Commerce. Elimination of duplicate functions and economies of scale in the future could reap economic rewards. When ITA replaces its two different headquarters networks with a single network, operations and maintenance can be consolidated.

However, ITA should be aware of the significant effort involved in transforming OIRM's culture and improving its technology and management capabilities so that it can adequately assume an agency-wide leadership role. First, OIRM has traditionally focused on headquarters operations to the detriment of the field. OIRM will have to make a concerted effort to become involved in field operations in order to learn its requirements. It should work closely with ODO and its staff who have effectively spearheaded much of US&FCS's IT modernization. By taking over OIS's maintenance and support functions, which are shared with the field, OIRM should be able to become familiar with field operations. Second, OIRM will have to develop expertise with the technology that US&FCS is using and with the technology ITA needs for the future (e.g., Electronic Commerce). Lack of familiarity with these two issues is the same problem that hindered OIS's ability to lead.

If indeed ITA assumes the leadership role in the area of information technology for the entire agency as suggested in the proposed reorganization, ITA must ensure that OIRM has the expertise to address agency-wide information technology issues, to include (1) planning and managing system infrastructure development projects, (2) identifying, understanding, and adequately servicing the needs of ITA field offices and assisting in their support and maintenance needs, (3) keeping abreast of advances in technology to enhance internal operations and client servicing, (4) developing information technology policies and standards for the entire agency based on its strategic plan, and (5) holding the individual components accountable for complying with established policies and directions. Finally, it is important that OIRM, with its new

⁹In a 1995 study, a consulting firm recommended that ITA and US&FCS create a strategic marketing information system that would link data collected from business processes conducted throughout ITA. This cross-correlated information could be used to better understand clients, tailor and target products and services, and measure effectiveness of these products and services.

centralized authority, allows US&FCS to complete the modernization of its field offices and implementation of CMS within US&FCS.

A more structured system development methodology is needed

As ITA assumes greater responsibility for agency-wide information technology, it should put into place a more structured system development methodology to control the evolution of CMS and the development of other information systems. The initial version of CMS that was deployed to domestic field offices was developed using a small, three-person team from STAT-USA.¹⁰ Small, cohesive teams are sometimes advantageous for developing new systems and require minimal controls. However, as products mature and development demands increase, controls over the development process, such as configuration management of system code and programming standards, are required to avoid confusion and incompatibility and to reduce the complexity of system maintenance. Currently, neither ITA nor US&FCS has these elements of a development methodology in place.

Demands on US&FCS's development capabilities are increasing. Currently, US&FCS is maintaining one fielded version of CMS, adapting two versions for OIO and EPS, and planning a version for use by other ITA agencies. In the future, US&FCS plans to develop other Lotus Notes information systems (e.g., the Trade Event Management System) and Electronic Commerce capabilities. To manage larger and possibly multiple development teams¹¹ and to ensure that systems are compatible and maintainable, ITA should define a more structured system development methodology that includes configuration management for controlling working and released versions of systems; standards for programming, documentation, and using Lotus Notes and Electronic Commerce; and a process for defining system requirements based on end-user participation.

Budget and planning for information technology upgrades have been insufficient

US&FCS states in its November 1997 information technology strategic plan that it needs to establish a process for planning information technology investments. Historically, management has been reluctant to allocate funds for major information technology initiatives. For example, at the time of our review, no funds had been in the budget for the modernization of the US&FCS's

¹⁰STAT-USA is a component of Commerce's Economics and Statistics Administration and is working on a cost-reimbursable basis for US&FCS.

¹¹For example, currently OIS is developing an asset management system and EPS is developing Internet sites.

office automation infrastructure; the recent upgrades were financed using fiscal year 1997 end-of-year funds.

US&FCS's current strategic plan does not justify new information technology investments. The plan does not clearly describe current or future information system or Electronic Commerce projects. US&FCS does not have a strategy for leveraging its new groupware capabilities nor has it been able to define Electronic Commerce priorities. Now that information technology is becoming more important to US&FCS's ability to improve its client services, the agency must place more emphasis on information technology planning and budget for its needs.

Such planning is especially important if US&FCS is going to be able to complete building its new information technology foundation as soon as possible, providing modern office automation technology to its trade specialists. At the end of our field work, plans called for completing the modernization of foreign field offices in the first quarter of fiscal year 2000. The modernization team told us that it hopes to accelerate this process after it has evaluated the lessons learned from modernizing the first 29 foreign field offices (out of 160).

We also reviewed ITA's information technology plan. We found it to be well organized and containing useful information concerning system projects. However, in their plan, ITA officials admit that they too must improve their information technology planning. We believe that ITA's information technology plan should contain more information about information technology projects within ITA's subordinate units, including US&FCS. A more detailed and integrated information technology plan would provide greater direction for ITA, US&FCS, and ITA's other units, and help convince management to allocate funds for necessary information technology projects. ITA should work closely with US&FCS and its other units in developing the agency's overall information technology plan. Specifically, US&FCS and other ITA units should provide ITA with their information technology requirements for maintaining and enhancing client services.



In his response to our draft report, the Under Secretary stated that "ITA is in basic agreement with the findings and recommendations contained and associated with Section III of this draft report." The response indicated that ITA has proposed an organization realignment that, in part, will address these and other structural problems.

The Under Secretary also requested in ITA's response that we elaborate on our recommendation that ITA "[d]evelop a more structured system development methodology and staff capability to manage the evolution of US&FCS's Client Management System and the development of other information systems and Electronic Commerce capabilities." In our report, we describe in detail three capabilities of a structured system development methodology and the reasons ITA needs

them to meet its current and future system requirements. To further clarify, ITA needs a configuration management plan and appropriate automated support tools to control the development of multiple versions of CMS possibly across multiple development teams so that versions are compatible and developers do not interfere with one another. ITA needs standards for the development of information and electronic commerce systems and the use of Lotus-Notes, to, for example, provide a consistent look-and-feel to web sites and electronic commerce capabilities and to reduce variations in techniques, products and protocols used to build ITA systems. ITA needs a policy for defining and managing the growth of requirements. End-user participation is essential to developing system requirements, but ITA will also have to temper users' desires with cost, schedule, and technical constraints. In addition, to effectively manage development projects, ITA should also define a process for tracking project costs, schedule, and system performance based on milestone deliverables and reviews.

In the agency's response to our recommendation to improve their information technology planning and budget process, the Under Secretary stated that "[w]e believe ITA has a strong IT planning and budget process and that responsibilities are well-delineated and the planning process is coordinated throughout ITA." The response also requested that, in our final report, we be "specific about recommended improvements." The Clinger-Cohen Act of 1996 requires federal agencies to take a more objective, results-oriented approach to selecting, managing, and evaluating technology investments. Both ITA and the US&FCS have recognized that they need to improve their technology planning process. We agree and recommend that an important first step would be for ITA to provide more information in its technology plan for making technology investment decisions.

Specifically, the plan should describe how Lotus-Notes and electronic commerce and ITA's core business systems (such as CMS) will be used to improve the delivery of services and products. At the project level, the plan should describe each project's purpose, justification, and benefits. To understand technical details, the plan should provide an overview of the system's composition, interfaces, and commercial-off-the-shelf products and protocols being used. Finally, to manage and track project development, the plan should describe the project's schedule, costs, and risks.

Since the date of ITA's response and the completion of this final report, we have learned that contrary to their response, ITA officials have amended their reorganization plan and will not make the organizational changes indicated in the response. We reiterate that we believe it is most effective for ITA's Office of Administration, once it is sufficiently proficient in global information technology issues, to provide the broad guidance and parameters for structuring the agency's information technology platform. Regardless of the ultimate organizational alignment ITA chooses to address its information technology needs, we emphasize the need for a permanent office that has the responsibility for IT planning and management.

IV. Although TPCC Has Had Some Noteworthy Accomplishments, Some Improvements Are Needed

The Trade Promotion Coordinating Committee (TPCC) was first created, via a Presidential Memorandum, in May 1990. The Secretary of Commerce was designated as chairman of the TPCC, which included senior-level representatives from 18 federal agencies (see Appendix C for a list of the 20 current TPCC member agencies). The TPCC's mission is to ensure that the federal government is doing all that it can to help U.S. companies, especially small and medium-sized firms, take advantage of the opportunities the global marketplace affords.

Soon after TPCC was first created, both our office and GAO expressed concern about its lack of authority to set a government-wide strategy or interagency program and budget priorities. Subsequently, the Congress, through the Export Enhancement Act of 1992, directed the TPCC to, among other things: (1) unify and streamline federal export promotion activities, (2) develop a government-wide strategic plan for carrying out such activities, (3) propose appropriate levels and allocation of resources among agencies for these activities, and (4) provide the President with recommendations on improving Federal export promotion efforts. The statute also required the Secretary of Commerce, as TPCC chairman, to submit an annual report to the Congress on the status of the implementation of its strategic plan.

In our 1993 report on Commerce export promotion efforts, we noted that TPCC needed to develop an action-oriented mission statement and strategic plan for accomplishing an effective federal export promotion effort. Specifically, we recommended that the TPCC should:

- Establish a set of priorities for federal export promotion programs, review the programs, and develop a plan to bring them in line with the priorities established;
- Identify areas of overlap and duplication in federal export promotion programs and propose actions to eliminate them; and
- Develop and propose a unified government-wide export promotion budget that supports funding of established program priorities and eliminates funding for areas of overlap and duplication.

Although we did not conduct a detailed evaluation of TPCC activities during our current review, we did meet with TPCC officials to discuss the status of these recommendations. We found that although the TPCC has made some progress in developing a government-wide strategy for export promotion activities, further work is needed to encourage greater interagency coordination both in the United States and overseas.

A. TPCC has made some progress toward establishing a government-wide strategy for export promotion activities

Since our 1993 report, the Department established a TPCC Secretariat in ITA to provide a permanent point of contact for U.S. government agencies or private sector representatives seeking information on TPCC activities. The Secretariat's main function is to coordinate the development and monitor the implementation of the National Export Strategy.¹² In addition, the current Secretary of Commerce appears to be taking an active interest in his role as chairman and is meeting with his counterparts in the key TPCC trade agencies every few months. The last group meeting, held in March 1998, dealt with the Secretary's recent trip to Asia. It also appears that the current Under Secretary for ITA is taking an active role in TPCC by meeting with his counterparts every four to six weeks.

During fiscal year 1997, TPCC focused a great deal of its efforts on forestalling deep congressional budget cuts that threatened the viability of the Export-Import Bank and the Overseas Private Investment Corporation (OPIC). Both of these agencies are considered by TPCC to be key components in ensuring export success for small and medium-sized U.S. firms. In addition, TPCC established a set of priorities for federal export programs that focused on foreign markets, centralized export services, and unfair barriers to export.

Regional working groups

TPCC officials informed us that because most of its agencies were not organized around specific countries (e.g., OPIC), it abandoned the idea of giving agencies the responsibility to develop a strategy by country. Instead, in an attempt to make better use of its resources, the TPCC decided to reorganize itself around regions. During fiscal year 1997, six interagency regional working groups were created: Asia (chaired by Export-Import Bank), Latin America (chaired by Commerce), Central and Southern Europe (chaired by State), Africa (co-chaired by OPIC and Commerce), and the Newly Independent States (chaired by Commerce).

These regional working groups, chaired at the Deputy Assistant Secretary level, are tasked with analyzing U.S. export performance in each of the six regions, identifying the most important commercial barriers in each region, and developing strategies to address them. The stated aim of the working groups is to increase interagency communication, identify trade promotion barriers, coordinate interagency trade promotion activities, and reduce overlapping and duplicative efforts.

¹²The "National Export Strategy" is the TPCC's annual report to the Congress that (1) establishes a framework for improving the nation's export promotion efforts and (2) provides information and updates on current federal programs and activities supporting U.S. trade expansion.

The regional working groups meet on an ad hoc basis. However, we were told that currently both the Asia and Africa working groups are meeting frequently. The Asia working group, in particular, is working to develop a commercial strategy to address the region's financial crisis.

TPCC officials believe that these groups provide the perspective necessary to develop region-specific solutions to cross-cutting issues, such as bribery and standards, and to allow for greater coordination on advocacy. Because not all issues apply to every region to the same degree, we hope that this regional focus will enable TPCC to better target its resources on those priority sectors within each region where U.S. products and services have the greatest market potential and where concerted U.S. government action would help address unfavorable foreign government practices and other trade barriers.

Allocation of resources among agencies

Through our discussions with TPCC officials, it appears that the committee still does not have the authority or clout to adequately address the budget priorities or duplicative trade promotion efforts amongst its member agencies. In October 1997, the Secretary of Commerce stated that "...the TPCC must play a role in the budget process to ensure that our budget priorities are fully aligned with our commercial policy goals."¹³ Consequently, at the beginning of fiscal year 1998, the TPCC Secretariat was tasked with reviewing each TPCC agency's strategic plan with an "eye toward duplication." According to the TPCC's Secretariat, it has completed its review of strategic plans and subsequently developed a set of budget-focused recommendations aimed at enhancing the commercial policy recommendations made in the 1997 National Export Strategy. These recommendations were forwarded by the Secretary of Commerce to the Office of Management and Budget in January 1998 for consideration in developing the President's fiscal year 1999 budget. This action appears to be TPCC's first attempt to move beyond simply reporting budget data and actually impact OMB budget decisions based on its strategic objectives. We believe that this action is a step forward in identifying budget priorities and reducing areas of overlap and duplication in federal export promotion programs.



According to ITA's response to our draft report, the TPCC has made progress toward establishing a government-wide strategy for export promotion activities. Specifically, it cites that the Secretary of Commerce chaired six TPCC meetings in fiscal year 1998 including one full principals meeting, two steering committee meetings, and three issue roundtables with the private sector. The response also indicates that due to this high-level attention, as well as frequent

¹³Testimony of Secretary of Commerce before the Banking, Housing, and Urban Affairs Committee, United States Senate, October 24, 1997.

meetings by all levels in TPCC agencies, the TPCC was able to aggressively respond to the financial crisis in Asia and undertake a number of new initiatives in the area of small businesses.

With regard to a unified budget on export promotion programs, ITA states that the TPCC has been collecting unified trade promotion data since 1994. However, it will not be in a position to make recommendations on allocations across agencies until it has performance measures for export promotion programs from all agencies. The response also states that the United States is the only country that does a separate accounting for its export promotion spending. The TPCC is supposed to prepare a second memo to OMB during fiscal year 1999 that will focus on fiscal year 2000 priorities. According to the response, by focusing on next year's budget, the TPCC hopes to have a greater impact on setting priorities in the year 2000 budget process.

B. TPCC should encourage greater interagency coordination overseas

Since the fall of 1996, we have conducted reviews of US&FCS overseas posts in Belgium, Germany, Japan, Indonesia, Malaysia, Poland, Portugal, South Korea, Spain, Taiwan, and Thailand.¹⁴ During these reviews, we found that coordination and cooperation between US&FCS and other embassy components, such as the U.S. Agency for International Development (USAID), Foreign Agricultural Service, Office of Defense Cooperation, the Department of State's Economic Section, U.S. Information Service (USIS), and U.S. Trade and Development Agency, varied among the individual posts.

We believe that interagency coordination and communication at overseas posts can be a valued asset to U.S. exporters. A lack of coordination among TPCC agencies at posts can result in missed trade opportunities, inefficient operations, and embarrassing overlap and duplication. For instance, during our 1996 inspection of US&FCS Poland, we found that Commerce and USAID representatives at post did not interact well with each other on a programmatic level. For instance, USAID funds numerous development projects, has hundreds of contractors who visit developing countries every year, and frequently talks with foreign businesses and government entities. Unfortunately, USAID was not routinely sharing this information about potential business or U.S. trade leads and contacts with US&FCS. This was also true at other posts we visited. We believe that US&FCS posts—especially those within the big emerging markets—would be in a better position to inform U.S. businesses about potential trade leads if a greater effort was made to increase the interaction between U.S. agencies working in the same country on business, trade, or development-related matters.

¹⁴See *US&FCS Post in Germany* (IPE-9287, August 1997), *US&FCS Post in Indonesia* (IPE-9285, May 1997), *US&FCS Post in Malaysia* (IPE-9284, April 1997), *US&FCS Post in Poland* (IPE-9288, April 1997), and *US&FCS Post in Thailand* (IPE-9286, April 1997). The remaining reports are either in draft or being drafted.

Lack of coordination can also result in inefficiencies. In both Germany and Thailand, US&FCS was either unaware or simply did not pursue opportunities to share space and resources with USIS. US&FCS officials were not familiar with all that USIS could provide, including assisting US&FCS library customers in Thailand with on-line and walk-in access to CD-ROM information, collocated reference material, support for an Internet site, and other library services. Similarly, US&FCS has not taken advantage of meeting space, trade information, and possible joint efforts with USIS staff located in the USIS center in Frankfurt.

It appears that coordination at the posts often depends on the personality and style of the SCOs and their counterparts in other federal agencies. Unfortunately, personal conflicts can lead to animosity between agency officials and less than fully productive working relationships. Historically, we have repeatedly cited problems with "turf" battles between US&FCS's commercial section and State's economic section. In Germany, the conflict over responsibilities for trade policy and promotion had been aggravated further by the personalities of the officials involved. Based on our most recent work in Belgium, Japan, Poland, Portugal, Spain, and South Korea, we are pleased to report that the US&FCS commercial sections seem to have adequate working relationships with State's Economic Section at these sites. However, considering the long history of problems in this area and the trade benefits that can be reaped from improved cooperation between US&FCS and USAID, USIS, or other U.S. agencies operating overseas, we recommend that the Under Secretary use TPCC as a tool to encourage greater cooperation, and to increase the synergy between federal agencies overseas to expand trade opportunities.



ITA's response generally concurs with our finding that there are additional steps the TPCC can take to increase exports through better cooperation. While the response indicates that US&FCS has addressed the problems we found specific to Thailand and Germany, it recognizes that better coordination with the other agencies in the embassies and posts, in particular State Economic Officers, USAID contractors and employees, the Foreign Agriculture Service, USIS, and the Office of Defense Allocation, can lead to more effective use of resources and more U.S. exports.

The response indicates that ITA will work with the other TPCC agencies to develop a plan to improve coordination at posts. ITA stated that this plan may include expansion of the GTN¹⁵ initiative to include additional sectors and agencies; better communication between USAID

¹⁵USAID has developed the Global Technology Network. The GTN is a vehicle whereby AID; State Economic Officers; and Commercial Officers in Asia, parts of Latin America, and Africa can submit trade leads to AID's Office of Business Development. These leads are then E-mailed to Export Assistance Centers and SBA clients who have registered to receive the leads. This program has been operating in California this summer and has reportedly gotten great reviews from the domestic officers and their clients.

consultants and US&FCS offices on commercial leads; encouraging better commercial reporting by State economic officers; increased training of post personnel in business counseling and export promotion; encouraging TDY's by other agencies to US&FCS posts for two to three weeks of hands-on exposure to trade promotion and commercial outreach programs; and upgrading State's communications capabilities to make E-mail systems compatible. The Under Secretary's response points out that ITA and the TPCC have taken some actions in this area since our draft report was issued. Specifically, the Secretary of State sent a cable to all embassies stressing the importance of export promotion. The cable provides guidance to officers at overseas post on what they should do to advance commercial interests. The cable sets out criteria for evaluating State officers on their cooperation with US&FCS personnel on commercial issues. Some specific examples are joint client visits and sharing sectoral reporting responsibilities and contacts.

V. Better Coordination Is Needed Between the Commerce Agencies Involved in Export Promotion

The primary mission of the Department of Commerce is to promote American economic security by helping U.S. businesses become more competitive. The Department seeks to fulfill this mission, in part, by improving the international trade climate for American business and industry, promoting the expansion of industrial research and development, providing accurate census data and useful economic forecasts; and effectively managing the nation's oceanic and atmospheric resources.

In the Department's fiscal year 1999 Budget in Brief, the Secretary stated that:

"We are a Department with a vast array of programs and operational units. Yet even as the responsibilities of the Commerce Department's nine major bureaus and agencies . . . become more and more varied, the various parts of the Department are increasingly tied together through a shared vision and a shared mission: to ensure that we utilize and manage our nation's resources and infrastructure to promote greater economic opportunity and a higher standard of living for all Americans."

While ITA clearly has the lead on helping U.S. business expand its exports, other Commerce agencies are also involved in the opportunities for U.S. trade and business expansion. We believe it is important that ITA work closely with these other Commerce agencies to leverage its resources and to draw on the unique expertise available elsewhere in the Department to enhance the support that can be given to U.S. firms seeking to expand their business overseas. In that vein, the following sections report on the trade-related activities of several relevant Commerce agencies, including EDA, BXA, MBDA, NIST, NMFS (part of NOAA), and NTIA and the effectiveness of their interactions with ITA. There are still other Commerce agencies—such as PTO, which is involved in important intellectual property rights and other international issues, and the Office of General Counsel, which administers a commercial law development program—which we have not addressed in this report.

A. EDA export promotion grants should be better coordinated with ITA

The Economic Development Administration was established under the Public Works and Economic Development Act of 1965¹⁶, as amended, to generate new jobs, help retain existing

¹⁶42 U.S.C. 3121.

jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States. EDA assistance is available to U.S. rural and urban areas that are experiencing high unemployment, low income levels, or sudden and severe economic distress. Based on locally- and regionally-developed priorities, EDA works in partnership with state and local governments, regional economic development districts, public and private non-profit organizations, and Indian tribes to address the economic challenges of particular communities.

One way EDA accomplishes its mission is through its economic adjustment grants. These grants enable EDA to fund local projects identified by communities impacted by military base closures, contractor cutbacks, and Department of Energy reductions, in an effort to help them diversify their economies and create quality jobs. During this review, we examined several of these grants that directly relate to international trade and, more specifically, export promotion, as shown in Table 5.

Table 5: Examples of EDA Trade Related World Trade Center Grants (*dollars in 000s*)

Project	Start Date	End Date	EDA Funding	Grantee Match	Total
St. Louis World Trade Center	7/93	7/96	\$820	\$329	\$1,149
World Trade Center Assoc. of Florida	7/97	11/98	1,200	500	1,700
LA Trade (Los Angeles)	2/95	7/97	2,600	867	3,467
Bay Trade (San Francisco)	10/96	9/98	2,690	897	3,587

Although these awards appear to meet the criteria for economically distressed communities and high unemployment, we are concerned that two of these awards—the St. Louis World Trade Center and the World Trade Center Association of Florida—were not properly coordinated with ITA. We found no indication of problems with the other awards.

St. Louis World Trade Center

According to a 1993 grant proposal from the County of St. Louis, Missouri, the largest employer in the region laid off about 10,000 employees due to cuts in defense spending and cancellation of defense contracts. The proposal called for the establishment of a Revolving Loan Fund and a World Trade Center. Among other things, the World Trade Center funding included operating expenses and acquisition of equipment for a video conference center. The World Trade Center project cost totaled \$1.149 million, of which \$820,000 was funded by EDA.

The St. Louis World Trade Center's primary purpose was to promote exports from St. Louis companies. The city envisioned that the center would work with companies interested in exporting by providing market research, a video conference center, translation services, export seminars, documentation services, trade missions, and other related services. According to the proposal, the establishment of a World Trade Center would address the most important issue identified by the defense industry in the St. Louis region: access to new markets.

In this particular case, EDA did send a request for comments on the St. Louis proposal to ITA in accordance with the Department's grant review requirements.¹⁷ Unfortunately, EDA sent the request (1) only one week in advance of the award, and (2) to ITA's TD unit, not to US&FCS, which oversees ITA's domestic network of export promotion offices, including the one in St. Louis.

Officials in the US&FCS USEAC in St. Louis stated that they were not notified about the grant until it had already been made. One US&FCS official stated that, at a minimum, the EDA regional office responsible for the grant should have notified them in the early stages of the grant review process to determine what, if any, impact this award would have on its very similar operation. We agree.

The USEAC Director stated that the two organizations (St. Louis USEAC and the St. Louis World Trade Center) do work together on some projects and try to coordinate their activities as much as possible. However, there is inherent competition between the two groups because, in an effort to recover costs, the World Trade Center must charge a higher fee than US&FCS for similar services. Thus, the USEAC Director believes that the World Trade Center may not inform its clients about the USEAC's products or its presence in St. Louis because if the World Trade Center's clients learned that it can receive the similar services at a lower rate, they might turn their business over to the USEAC. This type of competition may ordinarily be healthy in a business environment if it were not for the fact that both the St. Louis USEAC and the St. Louis World Trade Center were primarily funded by the same entity—the U.S. Department of Commerce.

World Trade Center Association of Florida

In 1997, EDA awarded a grant to the World Trade Center Association of Florida totaling \$1.2 million for technical assistance to implement and administer a "Trade Center of the Americas" program in five locations throughout Florida—Orlando, Tampa, Jacksonville, Ft. Lauderdale, and Miami—due to Defense base closings in these areas and the impact of cuts in the

¹⁷Department Administrative Order 203-26.

Defense budget on local contractors. The World Trade Center Association of Florida stated that its goal was to complete approximately 400 new-to-export or new-to-market export transactions within 18 months of the grant award.

The Association proposed expanding export opportunities for targeted industries by (1) establishing TRADE AMERICAS, a statewide public-private partnership for policy development and program implementation related to export promotion; (2) developing a comprehensive, coordinated program linking Florida's five World Trade Centers; (3) coordinating, integrating, and leveraging public and private resources to cost effectively promote exports and expand international trade through counseling, technical assistance, information services and marketing support; (4) targeting defense-impacted industries for export assistance; (5) enhancing trade information services in the State of Florida to make international market research more easily accessible to impacted defense-related firms; and (6) generating new jobs and economic growth by facilitating millions of dollars in new export sales.

Although the grant was not awarded until late July 1997, the application was approved at the EDA regional level in May 1997. However, according to US&FCS officials, it was not until the grant had already been awarded that either US&FCS headquarters or the Miami USEAC knew about it. In April 1997, the Director General of the US&FCS, reportedly unaware of the pending EDA grant at the time, signed a memorandum of understanding (MOU) with Enterprise Florida, Inc. (EFI),¹⁸ to ensure that Florida's export promotion programs maximize available resources, avoid unnecessary duplication, and are accessible throughout the state. The MOU provided for (1) the training of US&FCS and EFI trade specialists, (2) the marketing and promotion of US&FCS programs and services, and (3) the representation by EFI of US&FCS programs and services in the Florida cities represented by the WTC.

With the World Trade Center Association of Florida now a key player, and the fact that it had financial backing from the Department through an EDA grant, US&FCS decided to revise its original MOU with EFI to include both EFI and the World Trade Center Association of Florida as partners. US&FCS officials were very concerned about the lack of coordination with EDA that led to this confusion, making for an embarrassing situation for the Department. When we questioned EDA officials concerning the apparent lack of coordination of this grant with ITA, the only explanation we received was that the EDA regional office in Atlanta, which was responsible for administering this grant, did coordinate its efforts—only it worked with the Atlanta USEAC, not the Miami USEAC, which would be much better positioned to comment on the export promotion needs of that community.

¹⁸Although not a state agency, EFI is designated by the Florida state legislature as the official state economic development organization. EFI receives funding from the legislature as well as the private sector.

Although in both of these cases EDA attempted to coordinate its grant awards with ITA, its actions were misdirected. We believe that EDA and ITA need an MOU specifying each agency's roles and responsibilities in the area of international trade, and how they will better coordinate their future activities. More specifically, EDA should notify designated officials in ITA as soon as possible of potential awards dealing with international trade in an effort to get the appropriate ITA unit's assessment of such awards.



In ITA's response to our draft report, agency officials took exception to our recommendation that "EDA should notify designated officials in US&FCS as soon as possible of potential awards dealing with international trade in an effort to get the appropriate ITA unit's assessment of such awards." The agency's response suggests that the Chief Financial Officer should be notified rather than officials in US&FCS and that person would then route the request.

The CFO position does not appear in our view to be the most effective point of distribution for such key programmatic issues. Furthermore, we reiterate that it is important that US&FCS field offices have sufficient information on proposed EDA export promotion grants and activities in their areas. The example cited in ITA's response may have been the appropriate routing for the particular grant cited. However, the examples cited in our report clearly should have been forwarded to the appropriate US&FCS field office.

EDA agreed with our recommendation to develop an MOU between the two agencies, stating that "EDA is, of course, willing to improve the coordination of these types of projects and looks forward to working with the Under Secretary for International Trade on this matter."

B. BXA and ITA appear to be working well together on defense trade advocacy

The Bureau of Export Administration is the primary U.S. government licensing agency for the export of dual-use goods and technologies. BXA's primary mission is to enforce dual-use export control laws and regulations relating to national security, foreign policy, and short-supply requirements. According to its mission statement, BXA also plays a role in the expansion of U.S. trade and exports:

"BXA plays a key role in challenging issues involving national security and nonproliferation, export growth, and high technology. The Bureau's continuing major challenge is combating the proliferation of weapons of mass destruction while furthering the growth of U.S. exports, which are critical to maintaining our leadership in an increasingly competitive global economy."

In its 1993 report, *Toward a National Export Strategy*, TPCC recommended that the export licensing and decision-making process be streamlined to eliminate bureaucratic delay and duplication in the licensing review and referral process. In response to this recommendation, strict time limits were placed on license reviews and a “default decision process” was adopted to ensure rapid decision making; i.e., if a referral agency does not provide a recommendation back to BXA within seven days, BXA can automatically grant the license. In addition, one of BXA’s principal operating units, Export Administration, underwent a major reorganization in 1995 to restructure its existing functional offices into multi-disciplinary (policy and licensing) export control regime-based offices—Office of Chemical and Biological Controls, Office of Nuclear and Missile Technology Controls, Office of Strategic Trade and Foreign Policy Controls, and Office of Strategic Industries and Economic Security.

Within the Office of Strategic Industries and Economic Security, the defense program division is tasked with developing an assistance program for the U.S. defense industry in response to the dramatic reduction of defense spending.¹⁹ The program’s goal is to help these firms meet the challenge of the reduction in defense spending by converting to civilian production and by developing new business opportunities in growing international markets. According to BXA officials, the two current focal points of this program are (1) defense trade advocacy, and (2) international diversification and defense market assessments.

In 1994, BXA was officially designated the Department’s lead agency on defense trade advocacy in an effort to best utilize existing resources and skills and comply with statutory responsibilities. In a joint letter from BXA and ITA to the Executive Secretariat concerning defense trade advocacy responsibilities, BXA agreed to fully support and coordinate defense trade advocacy issues with ITA’s Advocacy Center, which is the central coordination point marshaling the resources of TPCC member agencies to advocate on behalf of U.S. businesses, usually to foreign governments. ITA’s Advocacy Center also agreed to provide defense trade-related information to BXA.

Essentially, BXA’s role is to serve as an advocate for the U.S. defense industry in efforts to compete for overseas procurements. According to BXA officials, they are the natural choice for this role because of their long history of working with the defense industry and the departments of Defense and State.

¹⁹According to DOO 10-10, dated February 7, 1995, BXA has the responsibility for carrying out the Department’s policies and programs necessary to administer U.S. and foreign defense conversion activities.

In addition, BXA officials informed us that even though they are a regulatory agency they do not see their advocacy efforts as a conflict of interest. In fact, they stated that the majority of projects they are involved with generally concern munition items—requiring a Department of State export license, not a Commerce export license. These officials also informed us that they ensure that a company has received an export license (or that there would not be any problem with obtaining such a license) prior to providing any advocacy efforts. We intend to review BXA’s export control, licensing, and enforcement activities in the near future and will then follow up on this issue.

Through our discussions with both BXA and ITA officials, it appears as if both agencies are working well together to assist U.S. defense firms develop new business opportunities in growing international markets. BXA officials stated it found both ITA’s Advocacy Center and US&FCS to be very helpful and cooperative. BXA informed us that it attends US&FCS annual conferences for its senior commercial officers in an effort to keep them informed of BXA’s activities and ways that US&FCS can be of help to the U.S. defense industry. In addition, according to the Department of Defense’s Defense Security Assistance Agency, it has a “synergistic” relationship with both the US&FCS’s commercial attachés overseas and BXA regarding defense advocacy.

Officials from the Advocacy Center stated that they are also pleased with BXA’s overall advocacy efforts. The Advocacy Center has provided BXA officials with on-line access to the center’s database so that BXA can continually update the system with any new or ongoing projects. Although these officials also assured us that BXA does follow the established advocacy guidelines, we did not conduct any field work to verify these assertions.

In addition to its defense advocacy efforts, BXA also prepares international diversification and defense market assessments. These assessments, compiled into four regional market guides, are intended to provide U.S. defense firms with a variety of information regarding non-traditional dual-use and defense markets in the Pacific Rim, Europe, the Middle East, and the Western Hemisphere.

After reviewing these market assessments, we generally found them to be very informative. Each of the guides provides a standard set of background information such as the role of the US&FCS and its commercial officers; the role of the Office of Defense Cooperation and the Security Assistance Office; and points of contacts for U.S. export control regulations. In addition, each guide contains specific country profiles for that particular region. For instance, the *Western Hemisphere Diversification and Defense Market Guide* provides country profiles for the following countries: Argentina, Brazil, Canada, Chile, Ecuador, Mexico, and Uruguay. The country profile sections are generally broken down into the following sections:

- Economic Overview (providing a brief description of each nation's economy).
- Defense Industry Environment (providing a brief discussion of each nation's defense budget).
- Defense Opportunities (listing general requirements for defense equipment, as well as specific trade leads).
- Defense Procurement Process (describing the contracting process of the country profiled).
- Diversification/Commercial Opportunities (highlighting dual-use or commercial opportunities—taken from the Country Commercial Guide).
- Foreign Government Points of Contacts.
- Doing Business.
- U.S. Government Points of Contacts.
- Trade Associations.

C. MBDA export promotion efforts are not always in concert with ITA

The Minority Business Development Agency, pursuant to Executive Order 11625, as amended, is responsible for developing and implementing federal policy, programs, and assistance designed to increase public and private opportunities for minority entrepreneurs. MBDA's primary mission is to promote the establishment and growth of profitable minority-owned business enterprises in the United States.

To fulfill its mission, MBDA provides a number of services and programs to help minorities succeed in business, including an international trade initiative. Although we did not conduct an in-depth review of this initiative, we found that Commerce's activities in this area could be improved.

Despite its international trade initiative, we found MBDA's trade program to be very narrowly focused. One of the initiative's stated goals is to help U.S. minority-owned businesses expand their business abroad and introduce them to new global markets by facilitating international trade missions. However, we found no evidence that MBDA's regional offices and its funded Minority Business Development Centers (MBDCs)²⁰ were provided direction or guidance with regard to MBDA's international trade related activities. The primary objective of MBDA's trade missions is to help mainly small- to medium-sized minority-owned or managed firms introduce their products or services to overseas contacts that they may not be able to reach on their own due to limited expertise or resources. It is our understanding that the main distinction between ITA's

²⁰MBDCs are organizations funded by MBDA to provide management and technical assistance primarily to minority-owned or operated businesses.

trade missions and MBDA's trade missions, besides the obvious emphasis on minority-owned firms, is that MBDA subsidizes its missions for its clients.

The former employee responsible for this initiative informed us that MBDA only led one trade mission in 1997 to South Africa. The mission was determined to be a success by both ITA and MBDA, and MBDA attributed part of its success to US&FCS's Minority Team for its recruitment efforts. We applaud this level of coordination and cooperation by two Commerce agencies and encourage its continuation.

Increased ITA and MBDA cooperation is needed at the regional office and MBDC levels

MBDA's principal program focuses on providing management and technical assistance to minority firms primarily through a network of approximately 40 MBDCs managed by its five regional offices located in Atlanta, San Francisco, Dallas, Chicago, and New York. These centers are operated by private firms, state and local government agencies, Native American tribes, and educational institutions under the supervision of MBDA regional offices. The primary mission of the MBDCs is to offer a wide range of business services to minority entrepreneurs, including assistance in writing business plans, marketing, management and technical assistance and financial planning to assure adequate financing for business ventures. It would then seem logical for the MBDCs, after helping its clients become export-ready, to refer these minority-owned firms to ITA's USEACs—the federal government's experts in the area of export promotion.

During our visit to five USEACs, we found at least two instances where MBDA was not coordinating its export promotion activities with ITA (we did not meet with MBDA or MBDC representatives in our visit to the Atlanta or Baltimore USEAC). Specifically, during our on-site field work at the Miami USEAC we learned that neither the USEAC or MBDC, both located in Miami, coordinated their activities with each other. In fact, until we brought the director of the Miami MBDC and the Acting Director of the Miami USEAC together for a meeting, the two Directors had never met. This was even more surprising to us because the MBDC Director informed us that approximately 30 percent of his clients were exporters, yet he admitted that he had never thought of referring these clients to the Miami USEAC.

In another example, during our visit to San Francisco, we met with the directors for both the Western Regional Office of US&FCS and the San Francisco Regional Office of MBDA. Again, we learned that neither director had ever met, much less discussed how the two offices could work together to better promote exports for minority-owned firms in their region. Both officials agreed that greater interaction between the two offices would be beneficial and have since met to discuss areas of mutual interest.

Due to the fact that MBDCs, which are MBDA-funded grantees, (1) must generate revenue to operate a profitable operation, and (2) have performance goals to meet in order to maintain the Commerce grant, there is a natural inclination for them to hold on to their clients and not refer them to other Commerce service providers. However, in this case, we believe it is in the best interest of the client to receive expert assistance from the USEACs in the field on trade promotion and trade finance.

We discussed our concerns with MBDA headquarters officials about the lack of coordination between its regional offices, including MBDCs, and ITA's USEACs, and learned that they do not currently provide the regions with any guidance on international trade related activities. However, we were told that MBDA and ITA were in the process of developing a single MOU outlining each agency's responsibilities as it relates to export promotion of minority firms. Although we think this MOU is a step in the right direction, MBDA headquarters must provide direction and guidance to its regional offices and MBDCs on international trade-related activities. Specifically, we believe MBDA should work with and use US&FCS and ITA as the primary source of export-related assistance for its clients. Together with the USEACs, we believe that MBDCs could help minority businesses prepare international business plans and apply for export finance assistance.



The Under Secretary for International Trade stated in his response that ITA and MBDA have a signed MOU that is "designed to increase ITA and MBDA cooperation at the regional and district office/local level, especially on key activities like export counseling and trade finance training for minority firms." The Director of MBDA agreed with our assessment that MBDA should work more closely with ITA. His response outlined several initiatives designed to increase minority businesses' participation in international business. The response also notes areas where greater coordination is expected with ITA, such as the development of a plan by its newly created Office of Market Access for assisting minority entrepreneurs gain access to international markets.

The Director's response stated that MBDA's International Trade Office mentioned in the draft report never existed, and thereby requested that we delete our reference to that office. Consequently, we replaced all references to MBDA's "International Trade Office" with MBDA's "International Trade Initiative." It is important to note, however, that at the time of our review, the person responsible for MBDA's international trade initiative presented himself as the Acting Director for the International Trade Office.

D. NIST is contributing to U.S. export efforts by addressing international standards issues

NIST was established by the Congress to (1) assist industry in the development of technology needed to improve product quality, (2) modernize manufacturing processes, (3) ensure product reliability, and (4) facilitate rapid commercialization of products based on new scientific discoveries. An agency of Commerce's Technology Administration, NIST's primary mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards.

The mission of NIST's Office of International and Academic Affairs is to (1) provide advice on international science and technology affairs, including the management of international programs, and the interpretation of foreign policy guidelines set by the departments of State and Commerce; (2) serve as liaison between NIST and the international science and technology offices of other government agencies, foreign governments, and international bodies; (3) provide NIST representation on various committees and delegations to international meetings; (4) manage NIST bilateral and multilateral cooperative programs, and represent the Director in the negotiation of international agreements; (5) serve as the focal point for foreign visitors and guest researchers; (6) provide assistance to NIST travelers visiting foreign laboratories and institutions; (7) arrange for NIST services to users in friendly countries (15 U.S.C. 273); and (8) serve as the focal point for NIST's cooperation with academic institutions, and coordinate all academic affairs of NIST.

In addition, NIST's Office of Technology Services provides U.S. industry and trade, government and the public, with measurements, standards, and information services that increase competitiveness and facilitate trade. This is done by promoting innovation, improving quality, reducing cost, promoting the use and adoption of U.S. standards, measurement practices and technology by important trading partners, and overcoming barriers to trade. These barriers include cooperating with other departments and agencies of the federal government, and state and local governments in establishing uniform metrology practices, standards, codes, and specifications; developing, producing, and distributing standard reference materials; providing standard reference data; providing calibration and laboratory accreditation services; coordinating metric usage to the extent practical in federal government procurement, grants, and business-related activities; managing the Small Business Innovation Research Program; and providing information services in support of NIST and collaborating with NIST's laboratories in carrying out technology services responsibilities. NIST's Standards in Trade Program is administered by the Office of Technology Services.

The objective of the Standards in Trade Program is to assist U.S. industry in overcoming technical barriers to trade caused by normative standards, conformity assessment testing, and

measurement problems in major existing or developing markets; and to encourage adoption of U.S. technology and concepts to facilitate and enhance trade. The program uses two major approaches to reach its objective: (1) workshops on standards, conformity assessment, metrology, and other related subjects, and (2) placement of NIST standards representatives in foreign markets. The workshops serve as both a vehicle for making contacts with standards officials in other countries and an illustration of U.S. standards. Placing a standards representative in a foreign market provides NIST the opportunity to negotiate, collect information, and influence technical trade processes. NIST currently has representatives in Riyadh, Saudi Arabia; Brussels, Belgium; Mexico City, Mexico; Buenos Aires, Argentina; and New Delhi, India.

The NIST standards experts have reported a number of success stories. For example, in Mexico, new requirements for labeling goods did not clearly specify how the regulations would be implemented. In addition, the transition period before the regulations would become effective was considered too short to allow manufacturers time to comply by the middle of the upcoming holiday season. Since non-complying U.S. goods had already been stockpiled in Mexican warehouses, NIST's standards representative provided technical assistance as part of the team made up of US&FCS staff, other embassy staff, U.S. and Mexican businessmen, and the U.S. Trade Representative. As a result, the Government of Mexico postponed implementation of the new regulations. The timely technical information prepared and furnished by NIST's representative was reportedly a major factor in avoiding losses of sales of U.S. products during the busy holiday season. This reportedly saved an estimated \$550 million in U.S. sales.

During several overseas US&FCS post inspections, we noted the value or potential value that NIST representatives added or could add to increasing the competitive position of U.S. exporters. NIST officials with whom we spoke are interested in placing additional standards representatives in other countries, particularly in developing nations, which need guidance and assistance in their industry standards development. While we have not determined the costs and benefits of such permanent overseas assignments, we encourage NIST officials to continue their efforts to provide assistance to developing nations, where their advice and direction can help shape those nations' industry standards.

E. NMFS and ITA are coordinating on fisheries related trade issues

The National Marine Fisheries Service (NMFS), a component of Commerce's National Oceanic and Atmospheric Administration, is responsible for administering the agency's programs that support the domestic and international conservation and management of living marine resources. Specifically, NMFS provides services and products to support domestic and international fisheries development and operations, trade and industry enforcement and assistance activities, protected species and habitat conservation operations, and the scientific and technical aspects of NOAA's marine fisheries program.

NMFS's Office of Industry and Trade is NOAA's principal contact for issues related to the commercial fisheries industry. These issues include access to foreign markets, standards development and application, inspection of U.S. fisheries products exported to other countries, technological barriers to trade, trade development, and other issues related to industry competitiveness. The Office of Industry and Trade estimates that there are approximately \$3.0 billion in U.S. exports of edible fisheries products each year, the vast majority of which go to Asia Pacific Economic Cooperation countries. Conversely, there is approximately \$6.0 billion in imported edible fisheries products each year. Therefore, one of the objectives of the Office of Industry and Trade is to reduce that trade deficit through the promotion of U.S. edible fisheries products overseas.

To conduct its work, the Office of Industry and Trade has a small office (four professional staff) located at NOAA headquarters in Silver Spring, Maryland, and two commercial specialists working overseas—one in Tokyo, Japan, and one in Brussels, Belgium. The two commercial specialists working overseas are actually employed by ITA, but paid by NMFS through a reimbursable agreement. This reimbursable agreement between NMFS and ITA is codified in a 1986 amendment to a 1982 MOU between the agencies, whereby NMFS reimburses ITA for salaries, benefits, training, and travel for the two commercial specialists. In fiscal year 1997, NMFS reimbursed ITA \$325,000 to support the two overseas commercial specialists in their efforts to further the fisheries trade program. These two commercial specialists perform most of NMFS's trade promotion activities, although some export counseling and constituent outreach is performed by the staff at NOAA headquarters.

We found during our review that both NMFS and ITA are working well together on fisheries related trade issues. Officials from the Office of Industry and Trade characterized their working relationship with ITA, and specifically US&FCS, as mutually supportive. ITA regularly calls on NMFS's fisheries expertise in trade negotiations and promotion efforts. Likewise, when counseling U.S. companies interested in entering the export market, NMFS works within the US&FCS structure to provide points of contact in U.S. embassies around the world. In addition, the two fisheries commercial specialists working within the US&FCS structure has provided an ideal opportunity for coordination between both agencies. To ensure that the positive working relationship continues, ITA and NMFS officials decided to update the MOU between the two agencies on the fisheries trade program. The MOU is currently undergoing management review and the officials hope to have the new MOU in force soon.

F. NTIA and ITA promote trade opportunities for the U.S. telecommunications industry, but neither is coordinating its activities very well with the other

The National Telecommunications and Information Administration was created in 1978 by combining various functions of the White House's Office of Telecommunications Policy and

Commerce's Office of Telecommunications. NTIA is the only executive agency focused exclusively on telecommunications and information.²¹ As such, NTIA defines its role as encompassing a broad and diverse range of telecommunications issues, including domestic and international policy, advocacy, spectrum management, and research. According to Executive Order 12046, dated March 27, 1978, which implemented the consolidation of these functions,

“The Secretary of Commerce shall serve as the President’s principal advisor on telecommunications policies pertaining to the Nation’s economic and technological advancement and to regulation of the telecommunications industry.”

In addition, according to DOO 10-10, dated October 5, 1992, the Assistant Secretary for Communications and Information has the:

“...authority to foster, promote, and develop the foreign and domestic commerce of the United States in effecting, and as such commerce may be affected by, the development and implementation of telecommunications and information systems.”

NTIA's Office of International Affairs (OIA) is responsible for reviewing and formulating international telecommunications and information policies. OIA has 14 employees— including one staff member who is currently on detail to USAID's Southern Africa Regional Telecommunications Restructuring Program in Botswana.²²

The office focuses its activities on advancing competition and liberalization of telecommunications and information policies around the world. According to NTIA, its efforts to improve U.S. competitiveness in foreign markets include (1) advocating competition and liberalization of telecommunication and information technology policies around the world, (2) participating in international government-to-government negotiations to open markets for

²¹The Federal Communications Commission is considered to be an independent regulatory agency responsible to the Congress, not the executive branch.

²²The objective of the Southern Africa Regional Telecommunications Restructuring Program is to help ensure that the Southern Africa Development Community member states realize the significant economic and social benefits of a modern information infrastructure and have the technical and financial resources to develop it. The program provides U.S. and international telecommunications firms with access to current information and business opportunities in southern Africa. Other outreach activities include a quarterly newsletter, *Southern Africa Telecom Quarterly*, and presentations at conferences and trade shows.

U.S. companies, and (3) negotiating with foreign governments to ensure that there is adequate spectrum for national defense, public safety, and U.S. business needs.

OIA officials informed us that for several years, NTIA, in conjunction with the Telecommunications Industry Association (TIA), sponsored a series of regional policy and technology conferences (such as the China-U.S. Telecommunications Summit and the Latin America Telecommunications Summit) designed to give U.S. companies the opportunity to meet with foreign government telecommunications ministers and their principal staff. We were told that, generally, 20-25 U.S. telecommunications companies participate in the conferences and are given a unique opportunity to demonstrate their technologies one-on-one with the foreign telecommunications ministers. Although industry participation in the conference is managed through the Telecommunications Industry Association, membership in the association is reportedly not a requirement for participation.

NTIA sees the benefits of its joint efforts with TIA as twofold. First, by joining forces with industry, it believes the U.S. is able to make a powerful case supporting the need for and advantages of competitive telecommunications and information technology policies. Second, U.S. industry is given direct access to these decision makers, enabling them to make valuable contacts and complete a number of business deals.

Despite NTIA's active policy role on international telecommunications issues, there is relatively little cooperation between NTIA and ITA. In fact, ITA's Office of Telecommunications, located organizationally under TD's Technology and Aerospace Industries Sector, has its own staff working on many of the same issues as NTIA's staff. The Office of Telecommunications has approximately 14 employees divided into two divisions—Wireless and Wireline. According to TD, the mission of the Office of Telecommunications is to support the growth and competitiveness of the U.S. telecommunications industry by:

- promoting international trade and investment opportunities for the U.S. telecommunications industry;
- providing business counseling to U.S. telecommunications firms seeking to enter specific country markets;
- advocating on behalf of U.S. telecommunications firms; and
- conducting market research and statistical analysis of the domestic and international telecommunications industry.

Some specific activities of the Office of Telecommunications include sponsoring trade events such as trade missions and trade shows. In addition, the Office of Telecommunications publishes a variety of trade and industry reports, including telecommunications trade statistics, international competitiveness studies, and foreign market guides based on the latest reports from foreign commercial posts. The office also prepares the telecommunications chapters of the *U.S. Industrial Trade Outlook* (a TD product).

Officials from the Office of Telecommunications informed us that they also work closely with the Advocacy Center and other U.S. government agencies (e.g. U.S. Trade Representative) to provide advocacy support for U.S. bidders on large foreign public projects, and support initiatives to reduce or remove barriers that limit U.S. telecommunications firms' access to foreign markets.

Through various discussions with both NTIA and ITA officials during our review, it was evident that these two offices are not working well together. We found that there is not only an overlap of duties, but unclear definition of the roles and responsibilities of each agency with regard to the development and pursuit of telecommunications policy initiatives and the advancement and promotion of U.S. telecommunication interests abroad.

The Assistant Secretary for NTIA sent a decision memo to the Secretary of Commerce, dated February 2, 1998, proposing that NTIA spearhead a new telecommunications trade initiative. In response to this memorandum, the Under Secretary for ITA followed up with a separate memorandum to the Secretary of Commerce, dated February 6, 1998, opposing most of the NTIA proposal. Specifically, he stated that NTIA's proposal "...would simply duplicate ongoing efforts in ITA on behalf of the telecommunications and information technology sectors."

We are very concerned that there are two agencies within the Department who are involved with telecommunications trade policy, advocacy, trade associations, technical assistance, and trade missions, yet they both acknowledge that they do not do a good job of coordinating their efforts.

TD was originally formed in an attempt to create a unique repository of industry-specific information and analysis. It is generally thought of as being the natural nexus of industry and government, a conduit through which industry views could pass and, at least within the Department, TD is supposed to have the trade expertise relative to various industry sectors. However, in the telecommunications industry, where another Commerce agency has significant expertise and the congressionally mandated authority to develop national telecommunications policy, we believe ITA and NTIA should reach an agreement on their respective roles and responsibilities in export promotion and trade policy development. Both agencies should then institutionalize their respective roles and responsibilities by revising the relevant DOOs and signing an interagency agreement that spells out how they will work together. Most importantly,

the leadership of both NTIA and ITA need to make it clear that they are committed to working together and leveraging their combined telecommunications and trade expertise. They should make a concerted effort to immediately expand cooperation between NTIA and ITA offices and staff to further enhance their success in reducing trade barriers and helping U.S. companies gain a greater share of the worldwide telecommunications market.



While officials from both ITA and NTIA agreed with our characterization of the relationship between the two agencies, neither agency adequately responded to the specific recommendation that the two agencies come to an agreement as to the respective roles and responsibilities of their agencies in export promotion and trade policy development for the telecommunications industry. In our recommendation, we specifically state that they should “institutionalize their respective roles and responsibilities by revising the relevant DOOs and formalizing the operating relationship in an interagency agreement.” Both agencies attempted to justify their positions and explain why their agency should be the Department’s focal point on the aforementioned international trade related matters. We take this opportunity to reiterate that we did not suggest that one agency should be given sole responsibility for the telecommunications sector, although such a move does have its merits. Rather, we recommended in our draft report that they should work together to define their roles and document such an agreement in an MOU. We also recommended that both agency heads make a concerted effort to expand cooperation between their offices and staff. We therefore stand firm on our recommendations on this matter.

We should point out, however, that the former Chief Financial Officer and Assistant Secretary for Administration recommended in a decision memorandum, dated August 25, 1998, that “[in the absence of any credible alternative, . . . we forward a proposal to the Secretary to approve the consolidation of telecommunications functions and authorize the Department to forward the NTIA reprogramming request to OMB and Congress for review.” This is an attractive proposal because of the current leadership in NTIA and their strong commitment to expand international trade for U.S. firms in the telecommunications industry. However, we caution that a future Assistant Secretary for Telecommunications and Information may not share that same commitment. Careful consideration should be given prior to making such a decision.

RECOMMENDATIONS

We recommend that the Under Secretary for International Trade:

- 1) Refine and implement ITA's reorganization plan and, as appropriate, revise ITA's current DOOs 10-3 and 40-1 to redefine the roles and responsibilities of the agency and its individual units' in relation to exporters' needs. These revised DOOs should make ITA senior managers, including those in the Office of Administration, accountable for accomplishing their assigned tasks in a competent, cooperative, and coordinated manner. The revised DOOs should, at a minimum:
 - a) reduce overlapping administrative and programmatic functions;
 - b) remove organizational barriers that inhibit internal coordination and cooperation;
 - c) create a more coordinated focus on ITA's core missions; and
 - d) centralize cross-cutting administrative functions in the ITA Administration unit.
- 2) Designate a permanent office within ITA that has the necessary capabilities and authority to address agency-wide information technology issues, including:
 - a) planning and managing system infrastructure development projects;
 - b) identifying, understanding, and adequately servicing the needs of ITA field offices, and assisting in their support and maintenance needs;
 - c) keeping abreast of advances in technology to enhance internal operations and client servicing, and developing a strategic plan that will enable ITA to use advanced information technology to deliver customer services in the 21st century;
 - d) developing information technology policies and standards for the entire agency based on its strategic plan; and
 - e) holding the individual ITA components accountable for complying with established policies and directions.

- 3) Develop a more structured system development methodology and staff capability to manage the evolution of US&FCS's Client Management System and the development of other information systems and Electronic Commerce capabilities.
- 4) Improve the information technology planning and budget process for ITA and US&FCS. This should include strengthening their integrated information technology plan to identify IT needs and priorities, to better justify funding for the agency's information technology needs, and to outline the respective information technology responsibilities of ITA and US&FCS.
- 5) Seek to strengthen the role of the TPCC as a tool to encourage greater government cooperation and coordination on trade issues, and to increase the synergy between federal agencies overseas to expand trade opportunities.

We recommend that the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service:

- 1) Periodically evaluate the integration initiative to ensure that it is delivering the desired results.
- 2) Ensure that the Teams Initiative includes, where appropriate, industry and country specialists from TD and MAC, respectively.
- 3) Periodically review teams' membership to ensure that trade specialists are on those teams that are consistent with the targeted industry sectors of their domestic offices.
- 4) Move the position of Teams Initiative manager to headquarters to increase the visibility and priority of the initiative.

We recommend that the Under Secretary for International Trade, in conjunction with the Assistant Secretary for Economic Development:

- 1) Develop an MOU specifying each agency's roles and responsibilities in the area of international trade. This should include EDA's agreement to notify designated officials in US&FCS as soon as possible of potential awards dealing with international trade in an effort to get the appropriate ITA unit's assessment of such awards.

We recommend that the Director of the Minority Business Development Agency:

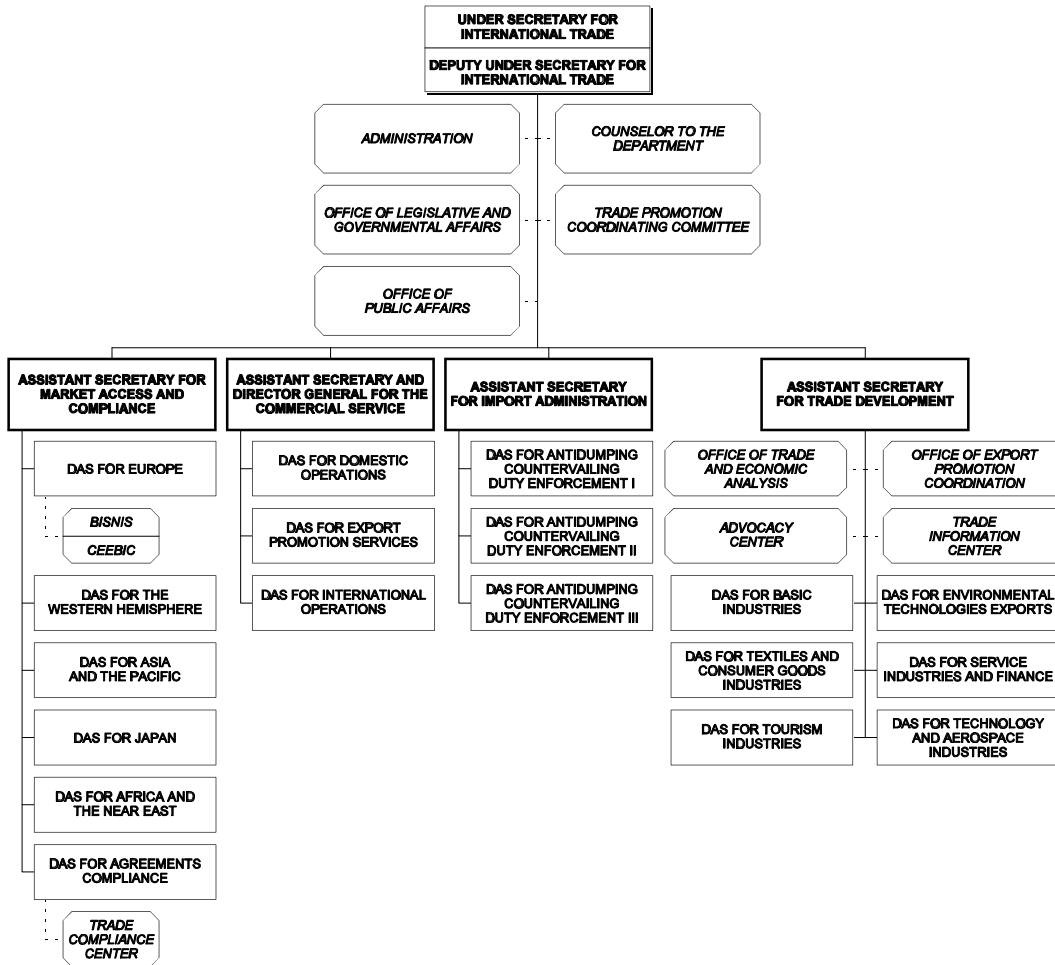
- 1) Develop—in consultation with US&FCS officials—a plan that works with and uses US&FCS’s network of USEACs as the primary source of assistance for its clients on international trade related issues.
- 2) Provide direction and guidance to MBDA regional offices and MBDCs on MBDA’s and ITA’s international trade-related activities.

We recommend that the Assistant Secretary for Communications and Information and the Under Secretary for International Trade:

- 1) Come to an agreement as to the respective roles and responsibilities of their agencies in export promotion and trade policy development for the telecommunications industry. They should institutionalize their respective roles and responsibilities by revising the relevant DOOs and formalizing the operating relationship in an interagency agreement.
- 2) Make a concerted effort to immediately expand cooperation between NTIA and ITA offices and staff to further enhance their success in reducing trade barriers and helping U.S. companies gain a greater share of the worldwide telecommunications market.

APPENDIX A

ITA Organizational Chart
(August 1998)



APPENDIX B

Glossary of Acronyms

BXA	Bureau of Export Administration
CMS	Client Management System
CS	Commercial Service
EAC	Export Assistance Center
EDA	Economic Development Administration
EFI	Enterprise Florida, Incorporated
EPS	Export Promotion Service
FS	Foreign Service
FSO	Foreign Service Officer
GAO	General Accounting Office
IA	Import Administration
ITA	International Trade Administration
ITO	International Trade Office
MAC	Market Access and Compliance
MBDA	Minority Business Development Agency
MBDC	Minority Business Development Center
MOU	Memorandum of Understanding
NIST	National Institute of Standards and Technology

NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NTIA	National Telecommunications and Information Administration
ODO	Office of Domestic Operations
OIA	Office of International Affairs
OIO	Office of International Operations
OIRM	Office of Information Resources Management
OIS	Office of Information Systems
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
TD	Trade Development
TDA	U.S. Trade and Development Agency
TPCC	Trade Promotion Coordinating Committee
USAID	U.S. Agency for International Development
USEAC	U.S. Export Assistance Center
US&FCS	U.S. and Foreign Commercial Service
USIS	U.S. Information Service
USTTA	U.S. Travel and Tourism Administration

APPENDIX C

Trade Promotion Coordinating Committee Member Agencies

Agency for International Development
Council of Economic Advisors
Department of Agriculture
Department of Commerce
Department of Defense
Department of Energy
Department of the Interior
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Environmental Protection Agency
Export Import Bank of the United States
National Economic Council
Office of Management and Budget
Overseas Private Investment Corporation
Small Business Administration
United States Information Agency
United States Trade and Development Agency
United States Trade Representative

APPENDIX D

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AGENCIES' RESPONSES
International Trade Administration



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

DEC - 1 1998

MEMORANDUM FOR Johnnie E. Frazier
Acting Inspector General

FROM:  Ambassador David L. Aaron

SUBJECT: Management Improvements Needed to Better
Prepare for the Export Challenges of the 21st Century
Draft Inspection Report No. IPE-9904/August 1998

Thank you for the opportunity to review the draft inspection report on ITA and the Department's role in Export Promotion. We appreciate your analysis of this issue. We believe the report makes some valid recommendations although it needs to acknowledge improvements ITA has made since the issuance of the earlier IG study on the same subject. ITA's pending reorganization will provide additional clarity for our program mission and will improve accountability for trade promotion activities in ITA.

Attached are ITA's comments on the report. In addition to general comments, we are providing comments to address specific recommendations and key areas in the report. If you or your staff have questions, please contact Ed Meyer at x5436.

Attachments



ITA Comments on Draft Inspector General (IG) Report

I. ITA Senior Officials Need to Better Define the Mission and Responsibilities of Its Units and Encourage Greater Cooperation and Coordination

ITA generally concurs with recommendations contained in this section of the report. However, the report fails to recognize recent improvements. The implementation of the annual National Export Strategy in 1993 did much to alleviate several issues identified in GAO reports on trade promotion, the 1990 ITA-wide study on export promotion and the 1993 IG Trade Promotion Report. Below are ITA's comments on this section.

- ❖ The draft report does not recognize the extent to which management, leadership and direction and internal communications and coordination in ITA have improved substantially since the 1993 Trade Promotion Report.
- ❖ Little robust data and few specific examples are cited to reach the conclusion that problems identified in previous reports continue to hamper ITA's efficient and effective promotion of U.S. exports.
- ❖ The report needs clarification regarding its conclusion that there are voids in leadership due to frequent vacancies in the Under Secretary for International Trade position. Given the report's focus on trade promotion, it should be noted that the majority of trade promotion initiatives are handled by career staff in ITA headquarters and field on an ongoing basis.
- ❖ We agree with the IG that better communication among ITA units is desirable and needs improvement in some areas. However, we request clear examples of where the IG found that communications have had a direct and deleterious effect on a specific trade promotion activity. The report sometimes refers uncritically to "observations" of staff without engaging in supporting verification. Data are based on opinions and are sometimes largely anecdotal rather than empirical. The report cites several circumstances where conclusions are drawn based on opinion and perception instead of testing.
- ❖ The IG concludes that, "ITA has not changed dramatically since observations made in the 1993 report" and that the IG's, "findings and recommendations remain basically the same." Many of ITA's business processes and approaches to trade promotion have changed since 1993. ITA's domestic and international field units have completely reinvented the way trade promotion services are delivered to our customers, the advent of the Internet has redirected the provision of export assistance and distribution of trade information, and the mission of ITA's Market Access and Compliance Unit has shifted the role of ITA's desk officers to focus specifically on market access and compliance issues. ITA has taken numerous steps to alleviate conflict between program units through cooperative

and crosscutting task forces like the trade events board and the trade compliance working group. We've been able to diminish internal barriers through more collective efforts which focus on ITA goals and customer service. We continue to address communication and coordination problems through more dialogue and improved business processes targeted at client need. Our network inter-operability and global communication efforts are enhancing staff communication across ITA program units. We are in the process of developing a reorganization which will give clearer focus to our promotion activities in US&FCS.

- ❖ The report states that the reorganization proposes that "many" Foreign Service Officers (FSOs) based at headquarters will be sent to the domestic or foreign field..... (Page 8). This proposal is being revisited, although the thrust of the reorganization will be to free up officers for the field.
- ❖ Ambassador Aaron's reorganization will be implemented in phases with the support of the Secretary. This reorganization will take a major step forward in addressing remaining concerns organizationally by more clearly focusing responsibility for trade promotion and trade promotion events within ITA. The reorganization will centralize cross-cutting administrative functions and enhance mission clarity.
- ❖ Table 2 on page 6 of the report fails to list DUS Hauser as Acting US for IT from 1/96 until 4/4/96. This was the period of time between Acting US for IT Rothkopf (who left in 1/96) and US for IT Eizenstat.

II. US&FCS is Pursuing Several Initiatives to Help Achieve its Congressional Mandate

This section of the report portrays a useful summary of actions taken by the US&FCS in a variety of initiatives. Below are clarifications and minor corrections. In addition, it should be noted that US&FCS is undertaking a review of its product line to encourage the development of new products & services to better serve our clientele.

- ❖ Some of the program/service descriptions listed require revision as shown below. Those not revised below are correct as shown in the report:

Matchmaker Trade Delegation Program - This program is designed to help U.S. SMEs identify qualified business partners overseas. It provides U.S. SMEs with an itinerary of one-on-one, pre-screened business appointments in two to four targeted markets. Ten to twelve industry **specific** delegations are organized a year. Each delegation targets 20 SMES. In addition to individual business itineraries, US&FCS provides extensive market research, counseling, briefings and full logistical support including interpreters for the delegation members.

Multi-State Catalog Exhibitions - This service showcases the product literature of U.S. firms by displaying it in exhibitions held in fast growing markets within a geographic region. US&FCS staff and representatives from state economic development agencies present product literature to hundreds of interested business prospects abroad and send the trade leads directly to participants. Exhibitions typically target four to five markets. US&FCS organizes three to four exhibitions yearly.

Trade Fair Certification - This service supports major international industry trade shows providing high-profile promotion of U.S. products. It encourages private organizers to recruit new-to-market/new-to-export U.S. exhibitors. US&FCS provides services ranging from advance promotion to on-site assistance for U.S. exhibitors.

Customized Market Analysis (CMA) - A custom-tailored research service that provides clients with specific information on marketing and foreign representation for their individual products in one overseas market. Foreign commercial posts conduct interviews or surveys to determine overall marketability of the product, key competitors, price of comparable products, customary distribution and promotion practices, trade barriers, possible business partners, and applicable trade events. Fees for the CMA vary from \$1,000 to \$5,100 per country.

Industry Sector Analysis (ISAs) - In-depth, structured reports on a specific product category at the sector or sub-sector level that has high export potential in a promising overseas market. ISAs include information on market potential and demand trends; market size and import statistics; competition; market access; regulations and standards; and best sales prospects. These reports are publicly disseminated electronically through the Commerce Department's Economic Bulletin Board (EBB), and the National Trade Data Bank (NTDB).

International Market Insights (IMIs). A series of short, timely notices of commercial developments overseas that might be useful to U. S. exporters. They are written by US&FCS and State posts and cover a variety of topics such as: competition, trade laws and regulations, trade show opportunities, recent market developments, upcoming major projects and purchases, and economic/trade statistics. These reports are publicly disseminated electronically through the Commerce Department's Economic Bulletin Board (EBB), and the National Trade Data Bank (NTDB).

Best Market Reports (BMRs) - Snapshots of a given market segment (or in some cases, closely related market segments) as they are described by the US&FCS and Department of State officials stationed overseas. These brief reports come from much longer reports submitted by all of the larger and most of the smaller embassies as part of their annual reporting duties called the Country Commercial Guides (CCGS) in which Posts are requested to describe the best

market segments for U.S. exporters. Further information on the commercial market in a given country can be found in CCGs and other U.S. Government reports on the NTDB, and the information can be obtained through Department of Commerce Export Assistance Centers. These reports are publicly disseminated electronically through the Commerce Department's Economic Bulletin Board (EBB), and the National Trade Data Bank (NTDB).

Country Commercial Guides (CCGs) - Provide the facts one needs to succeed in more than 100 foreign markets. Prepared overseas by the agencies of the U.S. Governments Trade Promotion Coordinating Committee, each CCG presents a comprehensive view of a selected country's commercial environment. They also provide up-to-date information on topics of crucial interest such as market conditions, economic situation, political environment, best export sectors, trade regulations, business travel, investment, financing, upcoming trade events, marketing strategies, services for exporters, and U.S. & country contacts. CCG's are publicly disseminated electronically through the Commerce Department's Economic Bulletin Board (EBB), the National Trade Data Bank (NTDB) and through the National Technical Information Service (NTIS).

International Company Profiles (ICPs) - An ICP provides background information on a targeted overseas contact and is designed to evaluate the contact's business and financial reputation and soundness as well as to confirm its locations and other special information about the principals. An exporter can obtain this information in a confidential report along with a recommendation from commercial officers at the U.S. Embassy as to the suitability of the company as a trading partner. A fee of \$100 per company is charged.

Trade Opportunity Program (TOP) - This service provides pre-screened leads from overseas end users, agents, and distributors that are gathered and transmitted to the U.S. every workday by commercial specialists in U.S. Embassies and Consulates abroad. Exporters respond directly to the contacts listed for the leads of interest. Top leads are publicly disseminated electronically through the Commerce Department's Economic Bulletin Board (EBB), the STAT-USA/Fax Retrieval System, and STAT-USA/Internet. There is a nominal annual fee to access these services. TOP leads are also printed daily in leading commercial newspapers.

Agent/Distributor Service (ADS) - A customized search service that provides information on up to six pre-qualified, interested potential agents or distributors of a client's product or service in a particular market.

- ❖ We offer the following comments/corrections (listed by page) to clarify specific statements made in the report:

Page 12

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Paragraph 1: "US&FCS is also trying to have an active Internet site.... as well as headquarters." Headquarters has an active Internet site.

Paragraph 3: "US&FCS fulfills this requirement....Gold Key Service, Agent/Distributor Service, and International Buyer Program." Add Matchmaker Program, since it also provides exporters with actual leads and an introduction to contacts.

Page 13: ITA would like more specifics on who was polled and what individuals indicated Gold Key Service was the most valuable product or service provided by US&FCS.

Page 14: We appreciate the IG's recognition of the US&FCS review of the integration program and the mid-course changes. We agree with the need to periodically evaluate the program. On page 16 of the draft report, the first line indicates that there are 16 limited appointments from US&FCS headquarters. That should indicate 16 from ITA units

Page 18, C: The first paragraph, last sentence, "Some teams also include staff from overseas offices...." should be revised to read: "Some teams also include staff from overseas offices, industry specialists from TD, trade specialists and others from headquarters organizations including EPS...."

Page 18: US&FCS actively solicits input from MAC and TD in the TEAMS Initiative. TD and MAC are integral members of many TEAMS which increases there effectiveness. The Teams FY 99 annual plans describing the export promotion activities, team member training and client outreach activities have been presented to US&FCS senior management.

III. ITA Needs to Improve Its Planning and Oversight of the Agency's Information Technology

ITA is in basic agreement with the findings and recommendations contained in and associated with Section III of this draft report. Most of these findings and recommendations have been included in earlier IG reports.

- ◆ Based partially on the findings and recommendations in earlier reports, ITA has proposed an organization realignment that, in part, will address these and other structural problems. The realignment consolidates certain administrative

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functions and centralizes authority and responsibility for: planning and managing ITA-wide information technology infrastructure; developing/coordinating IT strategic planning; establishing IT policy; and coordinating the development and deployment of ITA-wide information systems. The realignment however, recognizes the need for the operating units to retain a focal point for coordinating their IT activities.

IV. Although TPCC Has Had Some Noteworthy Accomplishments, Some Improvements Are Needed

Section IV of the Report indicates that the TPCC has had some noteworthy accomplishments, but that some improvements are needed, particularly improved coordination at overseas posts. Since the Inspector General undertook its study of various overseas posts, the TPCC agencies have made significant strides in coordination overseas. Examples are the advent of USAID's Global Technology Network - which disseminates trade leads to the Export Assistance Centers and SBA centers, and a generally more productive working relationship between the Commercial Service and State. Nevertheless, there are additional steps we can take to increase exports through better cooperation.

- ❖ **The TPCC has made considerable progress toward establishing a government-wide strategy for export promotion activities** - Both the Secretary of Commerce and Under Secretary for International Trade have been very active in overseeing the National Export Strategy. In the past fiscal year, the Secretary chaired six meetings including one full Principals meeting, two "Rump Group" -- or Steering Committee -- meetings, and three issue Round tables with the private sector. In addition, the Deputies have met regularly. High-level attention and frequent meetings at all levels have provided the interagency coordination needed to aggressively respond to the financial crisis in Asia and undertake a number of new initiatives in the area of small business. This year's strategy is put forth in the 1998 TPCC annual report.
- ❖ **Regional working groups:** The TPCC regional working groups have met frequently as does the interagency working group on small business. The TPCC responded immediately to the Asia financial crisis with a government-wide commercial strategy to maintain U.S. exports to the region. The TPCC has also moved quickly to help U.S. firms find alternative export markets by intensifying export promotion coordination and efforts in Latin America, China, and Africa.
- ❖ **Allocation of resources among agencies:** The TPCC continues to make progress toward developing recommendations for coordinating agencies' activities at the front-end. The TPCC memo to OMB (January 1998) made a number of suggestions that are consistent with the direction the Administration is moving.

Examples are the Commerce Department's current review of U.S. Export Assistance Centers in order to better serve the needs of small and medium-sized firms, a partnership with NIST's MEP program to broaden our client base, and the Administration's FY 1999 budget request for \$825 million for Ex-Im Bank (19 percent increase above the FY 1998 level).

Regarding the unified budget, the Administration has considered trade promotion program funding in a cross-cutting manner since 1994. Since that time, the TPCC has compiled unified trade promotion data. We will not be in a position to make recommendations on allocations across agencies until we have performance measures for export promotion programs from all agencies. While this is some time away, the TPCC agencies are, nevertheless, on the leading edge of performance measurement and budgeting, as envisioned under the Government Performance and Results Act, and the United States is the only country which does a separate accounting for its export promotion spending.

Regarding the next step in these efforts, the TPCC will prepare a memo to OMB again this year which will focus on FY 2000 priorities. By focusing on next year's budget, the TPCC agencies will have a greater impact on setting priorities in the budget process.

- ◆ **TPCC Should Encourage Greater Interagency Coordination Overseas** - The report points out that coordination and cooperation between US&FCS and other embassy components need to be improved and cites problems in Thailand and Germany. The US&FCS has addressed the specific problems cited in Thailand and Germany. However the TPCC recognizes that better coordination with the other agencies in the embassies and posts, in particular State Economic Officers, USAID contractors and employees, the Foreign Agriculture Service, USIS, and the Office of Defense Allocation, can lead to more effective use of resources and more U.S. exports. Some significant steps to improve coordination have been taken since the report was issued.
 - ◆ Secretary of State Albright has sent a cable (SECSTATE 158224) to all the embassies stressing the importance of export promotion. The cable provides guidance to what officers at overseas post should do to advance commercial interests. The cable sets out criteria for evaluation of State officers on their cooperation with US&FCS personnel on commercial issues. Some specific examples are joint client visits and sharing sectoral reporting responsibilities and contacts.
- ◆ USAID has developed the Global Technology Network in which AID, State Economic Officers, and Commercial Officers in Asia, parts of Latin America, and Africa submit trade leads to AID's Office of Business Development. These leads are then E-mailed to Export Assistance Center and SBA clients who have registered to receive the leads. This program has been operating in California

this summer and has gotten great reviews from the domestic officers and their clients.

- ❖ The TPCC recognizes more can be done to increase coordination at posts on a systematic basis. The TPCC will work with the other export agencies to develop a plan to improve coordination at posts. This plan could include: expansion of the GTN initiative to include additional sectors and agencies; better communication between USAID consultants and US&FCS offices on commercial leads; encouraging better commercial reporting by State economic officers; increased training of post personnel in business counseling and export promotion; encouraging TDY's by other agencies to US& FCS posts for two to three weeks of hands-on exposure to trade promotion and commercial outreach programs; upgrading State's communications capabilities to make E-mail systems compatible.

V. Better Coordination Is Needed Between the Commerce Agencies Involved in Export Promotion

ITA concurs that we must leverage resources and draw on the unique expertise available through other Commerce bureaus. ITA continues to work cooperatively with all Commerce bureaus on several trade-related initiatives and will continue to fulfill its primary mission and mandate. We will work to ensure that any plans, MOUs and cooperative initiatives are developed. However, any actions will include all program units in ITA. Below are comments on this section.

A. EDA export promotion grants should be better coordinated with ITA

- ❖ The draft report suggests that ITA and EDA have not worked well together on grants and recommends that EDA grants with an international trade perspective should be forwarded to US&FCS. Instead, EDA grants needing ITA review should be forwarded to ITA's CFO and then will be routed appropriately within ITA.

ITA's Trade Development program has worked quite well with EDA over the years on earmarked grants, most recently on an earmarked grant to the Environmental Technology Institute in Sacramento. TD and EDA have worked cooperatively during the formative years of the Market Development Cooperator Program.

B. BXA and ITA appear to be working well on defense trade advocacy

- ❖ We concur that our working relationship with BXA is excellent and will continue to

work on defense trade advocacy, critical technology controls, and defense related market assessments. The IG failed to acknowledge the excellent level of cooperation in our field units with BXA and did not address ITA's role in assisting BXA with pre and post export license shipment checks.

C. MBDA export promotion efforts are not always in concert with ITA

- ❖ The single MOU outlining ITA and MBDA joint efforts to assist minority SME's has been signed by ITA's Under Secretary for International Trade and MBDA's Acting Director. The agreement's goals are to assist minority companies in developing their export potential through increased awareness and use of existing ITA products and services. It is also designed to increase ITA and MBDA cooperation at the regional and district office/local level, especially on key activities like export counseling and trade finance training for minority firms.

D. NIST is contributing to U.S. export efforts by addressing international standards issues

- ❖ ITA continues to work with NIST on a variety of initiatives. NIST and ITA already have clearly defined roles pertaining to international trade including activities associated with standards policy development, support for ITA on market access and agreement compliance issues and placement of NIST standards representatives in critical overseas markets.

E. NMFS and ITA are coordinating on fisheries related trade issues

- ❖ We concur that our working relationship with NOAA/NMFS is excellent and we will continue to work on fisheries related trade issues. ITA overseas posts have also provided assistance and information to NMFS in emerging aquaculture practices in overseas markets like Mexico and Costa Rica.

F. Both NTIA and ITA promote trade opportunities for the U.S. telecommunications industry, but neither is coordinating very well with the other

- ❖ We believe that ITA's mandate to participate in trade policy development and negotiations, trade agreement compliance, trade promotion and advocacy on behalf of U.S. industry, including the telecommunications industry, is very clearly set out in the ITA DOO. We do not read NTIA's DOO 10-10, which charges the agency "to foster, promote and develop the foreign and domestic commerce of the United States in effecting, and as such commerce may be affected by, the

development and implementation of telecommunications and information systems" to charge NTIA specifically with advocacy, trade negotiation and trade promotion on behalf of the telecommunications industry. Because of the difference in our responsibilities (NTIA's regulatory perspective vs. ITA's trade perspective), we do not always initially agree on overlapping policy matters. We are able to work out our differences at a staff level, however, so that we are able to present a united Commerce view, either before the Secretary or in interagency policy deliberations.

- ❖ Most industry representatives to whom we have talked believe that the difference in the two agencies' mandates is very clear: ITA handles advocacy and trade policy/promotion for the industry while NTIA is involved in domestic, bilateral and international telecommunications regulatory policy issues and spectrum allocation.
- ❖ There is compelling logic to having primary Departmental responsibility for advocacy, trade promotion and policy activities for the telecommunications industry rest in ITA. The integration and synergies achieved by covering all industry sector trade activities in one structure would be severely reduced if telecommunications trade policy and promotion were handled by NTIA. ITA's leadership role in trade advocacy, trade compliance and the TPCC would be accordingly impaired.
- ❖ We would be happy to expand cooperation further between NTIA and ITA offices and staff to promote telecommunications market access for U.S. companies. Actually, our staffs work together harmoniously on a day-to-day basis on issues where international regulatory policy is linked to market access. In fact, we were surprised to see that in the description of LATS, ITA's extensive role as the third cosigner of the MOU with NTIA and TIA was not mentioned. ITA's Office of Telecommunications provided all of the market analysis, advocacy materials for the Secretary, and liaison with US&FCS which escorted the foreign delegations to the event.
- ❖ Again, we are more than pleased to work cooperatively with Assistant Secretary Irving and his team to achieve improved market access for U.S. companies on issues where regulatory policy issues dovetail with market access concerns.
- ❖ The IG should be aware of the following information regarding cooperative efforts between ITA and other Commerce agencies in the information product area:
 - ❖ US&FCS will provide International Market Insights (IMIS) and Trade Opportunities Program (TOP) trade leads to US-AID & US-AEP for dissemination to US. Environmental Partnership related environmental technologies firms through the Environmental Technologies Network for Asia (ETNA). ETNA has a proven record of assisting U.S. firms obtain important market trade leads and

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market information and in increasing the number of firms successfully participating in environmental projects in Asia. To accomplish this, we will forward on a daily basis all IMIs and TOP reports from Asia to US-AID/US-AEP.

❖ Currently, CCGs & TOP leads are electronically disseminated via the National Technical Information Service (NTIS). US&FCS is working with them in disseminating our international market information to U.S. firms. We will provide NTIS all ISAs and IMIs received daily. ITA/US&FCS has implemented transmission procedures on our end, however, full implementation is pending NTIS' development of software to accept our information.

Conclusion

The draft report offers some useful findings and recommendations to improve trade promotion activities in ITA. Upon receipt of the final report, ITA will prepare an action plan to address those recommendations with which we agree. Listed below are our comments to address each recommendation.

Comments on the IG Recommendations

Recommendation 1-1- Refine and implement ITA's reorganization plan....

We concur with the concerns expressed in this recommendation although we do not believe that merely revising ITA's current DOOs will accomplish enhanced accountability and improved coordination among ITA's program units. As ITA proceeds with its reorganization we will evaluate and measure the impact of our efforts. The reorganization is intended to focus responsibility for ITA's core mission, consolidate cross-cutting administrative functions and enhance mission clarity.

Recommendation 1-2 - Centralized Information Technology Office

We concur with this recommendation and plan to consolidate appropriate IRM functions in ITA within the Office of Information Resources Management (OIRM) as part of ITA's reorganization. ITA believes that many of the actions outlined in the recommendations are already being done in OIRM. We believe that consolidation will enable us to perform these activities more effectively.

Recommendation 1-3 -CMS and Electronic Commerce Capabilities

In the final report, the IG should elaborate on what is meant by this recommendation and suggest or offer approaches to general statements made regarding the CMS and Electronic Commerce Capabilities. We believe that ITA's systems and electronic

commerce environment are evolving rapidly and that we have designed an effective IT structure with the ability to respond. ITA has served as the Department's leader and catalyst for several electronic commerce activities, like forms automation.

Recommendation 1-4 - Information Technology Planning and Budget Process...

We believe ITA has a strong IT planning and budget process and that responsibilities are well-delineated and the planning process is coordinated throughout ITA. We always work to improve this process. Again, it would be useful if the final report were specific about recommended improvements.

Recommendation 1-5 -The role of the TPCC

ITA will work to strengthen the role of the TPCC, although improvement is always underway.

Recommendation 2-1 - US&FCS Integration Program

As stated earlier in our comments, we agree with the need to periodically evaluate the program and will continue to review the integration program and correct deficiencies.

Recommendation 2-2 - US&FCS TEAMS Initiative

US&FCS actively utilizes MAC and TD in the TEAMS Initiative and will continue to ensure that industry and country specialists are included where appropriate. TD and MAC are integral members of many TEAMS which increases their effectiveness. The Teams FY 99 annual plans describing the export promotion activities, team member training and client outreach activities have been presented to US&FCS senior management.

Recommendation 2-3 & 2-4 - US&FCS TEAMS Initiative

The US&FCS has established a review process and will continue to apply the appropriate judgment regarding both the composition and membership of teams and the location of the Teams Initiative manager.

Recommendation 3-1 - EDA grants involving international trade

ITA does not concur with this recommendation. ITA and EDA work well together on grants involving international trade and believe that the IG's conclusions are based on a limited sample. We already ensure that EDA grants involving international trade receive the appropriate ITA review.

Recommendation 4-1 and 4-2 - MBDA and International trade

ITA and the USEAC network will work closely with MBDA to implement a plan to assist MBDA clients. ITA will be happy to provide direction and guidance to MBDA regional offices and MBDCs on trade related activities.

Recommendation 5-1 and 5-2 - ITA and NTIA roles in international trade

We concur with the view that more needs to be done to clearly delineate the roles of ITA and NTIA on telecommunication issues. We believe that the mandates of the two agencies as reflected in various operational orders--spectrum management and telecom policy for NTIA and trade promotion and trade policy for ITA--are reasonably clear. However, on several occasions, NTIA has undertaken trade promotion and advocacy without coordinating with ITA, giving an appearance of overlap and lack of DOC coordination to foreign governments and our private sector. Yet on other issues, like the various telecom summits referenced in your report and the current third generation wireless technology controversy, we have and are working cooperatively with NTIA. We agree we should work to ensure greater complementarity within our specific mandates.


National Telecommunications and Information Administration



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Communications
and Information
Washington, D.C. 20230

DEC 7 1998

MEMORANDUM FOR: Johnnie Frazier
Acting Inspector General

FROM: Larry Irving 

SUBJECT: Draft Report: International Trade Administration,
Management Improvements Needed to Better Prepare for
the Export Challenges of the 21st Century (IPE - 9904)

Thank you for providing the draft report entitled "International Trade Administration, Management Improvements Needed to Prepare for the Export Challenges of the 21st Century." I appreciate your willingness to accept NTIA's comments and regret any delays that may have resulted from our late receipt of the report.

In general, NTIA concurs with the statements in the draft report on the relationship between NTIA and ITA. However, there are changes necessary in three areas to accurately reflect NTIA's authority and method of operations. These changes are detailed below:

- (1) NTIA has clear statutory authority for both domestic and international telecommunications policy development. The following specific functions are assigned to NTIA by law:
 - "...(G) Functions which involve —
 - (i) developing and setting forth, in coordination with the Secretary of State and other interested agencies, plans, policies, and programs which relate to international telecommunications issues, conferences, and negotiations;
 - (ii) coordinating economic, technical, operation, and related preparations for United States participation in international telecommunications conferences and negotiations; and
 - (iii) providing advice and assistance to the Secretary of State on international telecommunications policies to strengthen the position and serve the best interests of the United States in

support of the Secretary of State's responsibility for the conduct of foreign affairs." 47 U.S.C. §902(b)(2)(G)

This fact needs to be clarified in the narrative on pages 43, 44, and 46 (specifically on page 46, the reference to NTIA's "...congressionally mandated authority to develop national telecommunications policy..." should be expanded to note national and international telecommunications policy).

- (2) NTIA — both myself and our international policy staff members — enjoys close, cooperative working relationships with ITA's in-country staff, particularly the U.S. and Foreign Commercial Service and the Advocacy Center here in Washington, DC. The regional policy and technology conferences referred to on page 44 (China-U.S. Telecommunications Summit and the Latin America Telecommunications Summit) as well as the South East Asian Telecommunications Summits held earlier this decade were closely coordinated between NTIA and ITA; in fact, ITA staff provided valuable input key to the success of these endeavors. NTIA's OIA staff has also involved the ITA telecommunications staff in a number of policy areas that will impact U.S. telecommunications exports such as third generation wireless standards. We believe this cooperation has been quite productive.
- (3) In my role as the Administration's representative for Communications and Information, I have made it a point to ensure that ITA staff, both here and in foreign countries, is informed of my travel schedule and I have personally requested information on both policy and trade advocacy issues that I may be able to advance in conjunction with these trips and meetings. As a result of these entreaties, we have established a clear, cooperative working relationship with in-country staff. Page 46 of the draft report should take note of NTIA's efforts to more directly coordinate international telecommunications policy and trade advocacy activities.

In conclusion, I would like to specifically address the two recommendations stated on page 49:

Recommendation 1) Come to an agreement as to the respective roles and responsibilities of their [ITA and NTIA] agencies in export promotion and trade policy development for the telecommunications industry. They should institutionalize their respective roles and responsibilities by revising the relevant DOOs and formalizing the operating relationship in an interagency agreement.

NTIA Response: A decision memorandum has been circulated within the Office of the Secretary proposing the transfer of ITA's Office of Telecommunications to NTIA. It would be premature for NTIA

to initiate any action until further guidance is received from the Department.

Recommendation 2) Make a concerted effort to immediately expand cooperation between NTIA and ITA offices and staff to further enhance their success in reducing trade barriers and helping U.S. companies gain a greater share of the worldwide telecommunications market.

NTIA Response: As I have discussed above, NTIA has worked to facilitate increased coordination with ITA. Pending further guidance from the Department clarifying the roles and responsibilities of both NTIA and ITA, NTIA will continue to work to ensure full inter-agency cooperation and coordination.

Thank you again for providing this opportunity to comment on the draft report. Overall, NTIA found it to be a balanced, thorough analysis. It obviously reflects the talent that is available within your office and I would like to see it used to improve Departmental operations. I understand that Ambassador Aaron has recently submitted a new reorganization proposal dated November 19, 1998 to the Deputy Secretary. As the Department evaluates this proposal, I hope that the Inspector General report is considered and reflected in the final decision.

Please contact me on (202) 482-1840 if you have any questions.


Minority Business Development Agency



UNITED STATES DEPARTMENT OF COMMERCE
Minority Business Development Agency
Washington, D.C. 20230

January 29, 1999

Memorandum for: Johnnie Frazier
Acting Inspector General

From: Courtland Cox 
Director

Subject: MBDA's Response to International Trade Administration
Report

One of MBDA's principal goals is to increase minority business access to domestic and international growth markets. Our strategy to accomplish this includes developing strategic alliances with Commerce bureaus. We agree with your assessment that MBDA should work more closely with the International Trade Administration (ITA).

Historically we have had projects and contacts with ITA, but these have been conducted in an unstructured manner. In fact, the International Trade Office and Assistant Director for International Trade position, which is referenced in your report, did not exist. I strongly recommend you delete any reference to those entities.

MBDA recently created an Office of Market Access. One of the goals of this Office is to develop strategies to access selected markets. One of the markets will be International Trade. This fiscal year the Office of Market Access will prepare a plan for using MBDA and other resources to assist minority entrepreneurs access international markets. This plan will be coordinated with senior staff of the International Trade Administration in order to better leverage our individual resources.

One major component of the plan will be an International Trade Virtual Business Center that will be accessible through MBDA's web site. This Center will provide information for minority businesses about international trade in an organized format. We are also using Geographic Information Systems technology to develop an Internet-based Resource Locator that will give minority businesses a tool to easily access local resources available for business development. We have already included ITA's Export Assistance Centers in our database. If you would like a demonstration of these new electronic tools please contact Richard Stevens, Chief, Office of Market Access, at 482-4671 or e-mail at rstevens@mbda.gov.


Economic Development Administration



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

DEC 21 1998

Memorandum For: Johnnie Frazier
Acting Inspector General

From: Phillip A. Singerman 
Assistant Secretary
for Economic Development

Subject: Draft Report: International Trade Administration
Management Improvements Needed to Better Prepare for the
Export Challenges of the 21st Century (IPE-9904)

The subject draft report noted that in two instances EDA-funded projects supporting export promotion had not been adequately coordinated with the appropriate ITA division. In the first instance, information on a Miami-area project was sent to the Atlanta Export Assistance Center (EAC) rather than the Miami EAC. In the second case, the information on the project was sent to ITA only a short time before the project was awarded.

The report has recommended that the Under Secretary for International Trade, in conjunction with the Assistant Secretary for Economic Development, should develop an MOU which specifies each agency's role in international trade and includes an agreement by EDA to notify designated US&FCS officials as soon as possible of potential EDA awards dealing with international trade to get appropriate ITA assessment of such awards.

EDA is, of course, willing to improve the coordination of these types of projects and looks forward to working with the Under Secretary for International Trade on this matter. Perhaps this MOU can also lead to a commitment by ITA to target some of its resources to helping firms that are located in economically distressed communities.