Report to the United States Congress

The 2002 National Export Strategy

The Administration's Trade Promotion Agenda
Unlocking America's Potential

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Trade Promotion Coordinating Committee

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The Trade Promotion Coordinating Committee (TPCC) is an interagency committee chaired by the Secretary of Commerce. It was established under the Export Enhancement Act of 1992 to provide a unifying framework to coordinate the export promotion and export financing activities of the U.S. Government and to develop a governmentwide strategic plan for carrying out such programs.

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Letter from the President

The advancement of trade around the world is one of the highest priorities of my Presidency. Trade is critical to our economic growth and prosperity, and to the ability of developing countries to lift themselves out of poverty. We have launched new global trade negotiations in Doha, completed the accession of China and Taiwan into the World Trade Organization, and are moving ahead to complete negotiations for the Free Trade Area of the Americas and, bilaterally, with Chile and Singapore. The granting of Trade Promotion Authority would further allow us to recapture the initiative in opening new markets for American goods and services.

A successful trade policy also requires that U.S. companies obtain the information, expertise, and financing they need to take full advantage of trade opportunities that will benefit our workers, farmers, and communities. This report addresses a key strategy of our trade agenda and lays the foundation for what we intend to accomplish with our investment, trade promotion, and trade finance programs during my Administration.

This is the first National Export Strategy of my Administration. It sets our course toward a world-class system of Federal programs that are coordinated, leveraged, and focused on the tools small and large U.S. companies need most to take advantage of emerging trade opportunities. I commend Secretary Donald Evans for reinvigorating the Trade Promotion Coordinating Committee (TPCC) as a management tool dedicated to achieving world-class trade programs by addressing customer needs and concerns. This effort is also part of my Administration's Management Agenda which seeks to shift the emphasis of Government toward results, responsiveness, and leveraging of resources across agencies to better accomplish our objectives. Our Export Strategy, beginning with this report, provides our exporters and investors with the tools they need to compete as we negotiate agreements that create new opportunities for U.S. goods and services. These recommendations are built on a solid base of direct input from the customers we serve, with particular attention given to small businesses – the backbone of the American economy.

The great strength of the American economy is the spirit of innovation, entrepreneurship, and competitiveness that drives our industry, agriculture, and service businesses. Government can play a crucial role in fostering a supportive environment for trade that will unlock this potential and provide opportunities for American companies. This report sets a strong course and empowers and commits the TPCC agencies to follow through.

George W. Bush

Letter from Key TPCC Agencies

Dear Mr. President and Mr. Speaker:

We herewith present to you the first National Export Strategy Report of this Administration. The Trade Promotion Coordinating Committee (TPCC) has a mandate to streamline and improve federal trade and investment promotion programs and to implement a strategy that will focus our efforts governmentwide. Under the President's leadership, our goal has been to take the TPCC to the next level by recommending changes that give U.S. business the tools to compete successfully in foreign markets. This report is set apart from previous efforts in that the recommendations were developed through a process that involved reaching out to U.S. firms and finding out what they need to be more competitive in today's global market. We undertook a survey[1] of more than 3,000 small and medium-sized enterprises (SMEs[2]) and met with more than 100 exporters, intermediaries, investors, and lenders. We studied how other governments assist their companies to enter and thrive in the world market. Finally, we developed recommendations that directly address our clients' needs, reflect successful practices of our trading partners, and leverage resources across the agencies.

The message from U.S. firms is clear: Companies rely on existing government programs but want these programs updated to enter the 21st century. We found that even the smallest customers have very high expectations regarding the delivery of our programs. They are aware of comparable programs in other countries. They expect seamless service across agencies and are frustrated that the U.S. Government does not always function as if it were one entity. They expect government personnel to be fully trained to take them through the maze of government programs and to understand the big picture. Finally, they want more proactive government involvement from the earliest stages of project development through the entire life cycle of a project.

These observations led to a series of recommendations that ensure we have the right tools to take a more strategic approach in the 21st century. Recommendations are grouped into three areas:

- For **major projects**, we propose a coordinated approach to identifying opportunities early enough that U.S. firms can effectively compete for them. We have expanded the tools available to exporters to address tied aid. We

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1. Jennifer Bremer, Robert Penny, and Arda Sinsek, *Report Card on Trade II: Assessing the Effectiveness of U.S. Government Support to Small and Midsize Exporters*, report no. PB 2002-105721, prepared under contract to the U.S. Department of Commerce, International Trade Administration (Springfield, Va: National Technical Information Service, 2002).
2. Small and medium-sized companies generally refers to firms with fewer than 500 employees.

plan to use aggressive advocacy and all of our policy instruments to help U.S. firms capture project opportunities. We also recommend that support for U.S. firms continue through the life of the project, with TPCC agencies working as a cohesive team to help ensure that U.S. jobs and economic interests are protected in foreign markets.

- In the area of **customer service**, we are responding to new information that even the smallest exporters have high expectations regarding services from the government. We are calling for a more intensive training effort and better cross-training among TPCC agencies. We have put a high priority on information sharing, calling for an interagency client management system, a unified Web presence, and a database of trade intermediaries to better connect these resources to small and medium-sized businesses. Where practical, we encourage agencies to more formally cooperate to leverage government resources for the benefit of U.S. business.

  In the case of trade finance, we have set a goal of coordinating the Small Business Administration's and the Export-Import Bank of the United States' working capital programs to the greatest extent possible. We want to retain the flexibility afforded by the two programs, but eliminate confusion and take advantage of efficiencies in marketing, documentation, and auditing between the two programs.

- We also need a more effective **outreach** strategy. Although we found a fairly high level of general awareness regarding government programs, too many small and medium-sized firms are not aware of the types of assistance available through the Federal Government. Those that are aware often do not understand the full scope of trade assistance available. The strategy for increasing awareness relies heavily on strengthening ties with state and local partners to reach more firms more efficiently. Public-private partnerships are also recommended as a very effective method for increasing awareness and expanding access to government programs.

These steps respond to today's global market and offer solutions and tools designed to help U.S. firms realize their full potential in foreign markets, while ensuring more effective use of limited trade promotion resources.

This report outlines the Administration's trade promotion policy. It is a crucial prong of our trade agenda as we pursue bilateral, regional, and multilateral trade agreements around the world. It sets our course toward a world-class system of federal programs that are coordinated, leveraged, and focused on the tools U.S. companies need most to take full advantage of the billions of dollars in potential trade opportunities that will emerge over the next several years. Simply put, without a coordinated trade promotion strategy that provides our exporters with the best possible information, expertise, support, and financing to follow on to these agreements, they cannot fully reap the benefits of our market opening efforts.

Our approach acknowledges that—for companies of any size—imports and foreign investment can be critical to global competitiveness and are just as fundamental to our economic prosperity.[3] In the big picture, imports can help generate exports, and without investment abroad, our export performance would be diminished.[4] Indeed, American exporters tend to be importers and international investors, because in today's global market, all of these activities are tied together. Except for those companies that are at the very early stages of global engagement, it is difficult to find a company that is just an "exporter." Most companies import at least some portion of the finished product they then export. And most exporters do not see their foreign sales really take off until they begin to invest abroad. As the company becomes more globally integrated and competitive, their employees and communities benefit.[5] "Best practice firms" that are committed to exports and investment abroad (and may also be active importers) are more efficient and productive and generate more stable and highly paid jobs than companies that do not.[6]

Not only does an integrated global strategy benefit U.S. companies and workers, it has major economic benefits to the host countries, which redound to the United States. Countries that host large amounts of U.S. and other foreign direct investment are better, more stable economic and foreign policy partners. Indeed, the missions of a number of TPCC agencies—the Overseas Private Investment Corporation, the U.S. Trade and Development Agency, the Agency for International Development, and the State Department—are dedicated to capturing the social returns that spring from the promotion of U.S. trade and investment abroad, which go beyond the purely private returns to the companies.

An important reason why we need world-class trade promotion programs, however, is to grow our small businesses into the most competitive companies in the world. Small businesses create three out of every four new U.S. jobs and are responsible for much of our economy's innovation and generate over half of our private gross domestic product. Although 97 percent of U.S. exporters are small and medium-sized companies, and 40 percent of U.S. exporters have between one and 19 employees, fewer than 1 percent of our small businesses export. Proportionately far

3. Howard Lewis III and J. David Richardson, "Why Global Commitment Really Matters!" Institute for International Economics, October 2001.
4. Exports to a foreign affiliate of a U.S. company accounted for 25 percent ($173 billion) of total exports in 1999. (p. 38, *Survey of Current Business*, March 2002).
5. Some states and communities are especially dependent on imports. Seven percent of Washington State's employment depends on imports. It is no coincidence that Washington is one of the Nation's leading states in exports per capita.
6. See Lewis and Richardson. In addition to the United States, the comparison held for firms in Belarus, Russia, Ukraine, Turkey, Chile, Bulgaria, Australia, and Mexico.

more small businesses export in other countries, where governments dedicate far more resources to export promotion,[7] but more importantly, take a more strategic and holistic approach. Even countries such as Korea, that have traditionally relied on chaebols, or conglomerates, to lead their export promotion efforts, now focus many of their programs on developing the export potential of their small businesses. Most of our trading partners offer more comprehensive support for small companies, providing assistance from beginning to end of the export process and combining their trade and investment services.

Many countries understand that small businesses that integrate a global strategy into their business plan at the outset are more likely to succeed and become major exporters (and employers) down the road. Clearly, many of our own small businesses understand the importance of a global strategy, and these firms should be illustrative of successful practices demonstrating the benefits of global trade for small business. Our data indicate that the number of small and medium-sized businesses that export is on the rise, increasing more than 200 percent over the last decade. In our most competitive sectors such as high-technology products, small and medium-sized businesses are at the cutting edge, accounting for more than 90 percent of our exporting companies.

Many small firms lack the resources and the know-how to compete internationally. Nearly two-thirds of small and medium-sized exporters sell to just one market, and one-fourth sell to two to four markets. Yet there is a core group of competitive small businesses that are active in even the most challenging emerging markets, like China. In fact, the fastest-growing markets for small and medium-sized businesses over most of the last decade were Brazil, Mexico, and Malaysia. A key objective of this report is to provide those companies selling to a limited number of markets with the boost they need to sell to several. By using targeted and improved government services, we can address the current market failure and unleash the potential for these firms.

Finding the right solution for some issues will require us to go through a formal benchmarking process over the next year to systematically compare our programs to other "best practices," measure our effectiveness, and adopt methods that improve our programs. These issues include improved training for our smallest exporters, improved information flow within and between the trade promotion agencies and our clients, and serving American customers in a more timely fashion.

It is important to emphasize that this report is but a first step toward building world-class export promotion programs that are coordinated, leveraged, and strategically targeted so that our exporters can make the most of trade opportunities. As emphasized by the President's Management Agenda, the next step must be to hold

7. Last year, Canada spent 13 times more on export promotion than the United States per dollar of gross domestic product (GDP); France and the United Kingdom—with economies one-seventh the size of the United States—outspent and outstaffed the United States in absolute terms.

ourselves accountable for what we have said we are going to do and to measure our progress. The TPCC will move quickly to define a set of specific measures against which we can gauge our progress in the report next year. This will include follow-up surveys to measure the results of the changes that we are implementing now.

We are fully committed to this process, and believe the recommendations in this report set us on a path that will make a difference to the quality of service we provide our clients and the contribution our programs make to our economic future.

Sincerely,

Colin L. Powell
Secretary of State

Donald L. Evans
Secretary of Commerce and
Chair of the TPCC

Ann M. Veneman
Secretary of Agriculture

Paul H. O'Neill
Secretary of the Treasury

Andrew S. Natsios
Administrator, USAID

Robert B. Zoellick
United States Trade Representative

Hector V. Barreto
Administrator, Small Business
Administration

Peter Watson
President, Overseas Private
Investment Corporation

Eduardo Aguirre
Vice Chairman of the Export-Import
Bank of the United States

Thelma J. Askey
Director, U.S. Trade and
Development Agency

Using the TPCC as a Management Tool

Since its inception, the TPCC has worked to bring multiple agencies and their varied missions together for the common purpose of promoting U.S. exports. In so doing, the TPCC has helped to eliminate duplication and overlap, coordinate policies and programs, and develop a unifying framework and strategic vision. While the TPCC must continue to serve these vital functions, this report takes the first step toward using the TPCC as a tool for systematically improving performance and efficiency, i.e., ensuring that U.S. exporters have access to world-class export promotion programs and services and that these programs are effective.

As management scientists warn, there are no quick fixes to solving all of an organization's problems at once. This would hold particularly true for an entity such as the TPCC that crosses multiple agencies and jurisdictions. Rather, what is called for is a systematic and continuous benchmarking process of "identifying, understanding, and adapting outstanding practices from organizations anywhere in the world to help your organization improve its performance." (American Productivity and Quality Center, *Benchmarking Pure and Simple*, 1996)

The efforts described in this report lay a solid foundation for using such management tools to benefit the TPCC agencies. We are gaining a better understanding than ever before of the needs of our customers and the competitive environment they face. We are gathering more information than ever before on how our most formidable trading partners meet the needs of their exporters. As reflected in the recommendations in this report, we are moving aggressively in the short- and medium-term to improve programs and services based on what we are learning.

At the same time, there are certain processes and programs that call for a more deliberate, quantitative approach. Our surveys and focus groups indicate that the areas where this approach is most needed include training of new exporters, improving information flows within and between the trade promotion agencies and our clients, and speeding the delivery of service to our customers. These areas lend themselves to measurement, quantification, and comparison to processes in other governments, nonprofit organizations, and the private sector.

Summary of Recommendations

Part I: Strategic Approach to Trade Financing and Project Development

Early Project Development

- Commerce, Ex-Im Bank, TDA, OPIC, and State will formalize cooperation to proactively develop project opportunities in pilot countries
- Agencies will build system-wide cross-training and personnel infrastructure
- In one year, agencies will evaluate "Early Project Development Teams"

Tied and Untied Aid

- Use the War Chest to leverage cooperation of untied aid donors (especially Japan) for OECD agreement on untied aid disciplines
- TDA will begin a pilot program of financing front-end engineering and design studies until multilateral rules can be negotiated
- Explore the design of a pilot project that could finance selected commercially nonviable and developmentally sound projects in certain middle-income countries
- Use the War Chest to defend U.S. exporters against the unfair use of tied aid

Coordination in Crisis Regions

- TPCC will serve as a coordinating entity available to national security policymakers for post-crisis situations
- TPCC will coordinate a commercial approach to Afghanistan reconstruction

Market Windows

- Commission a study of the impact on U.S. exporters of competitor country market windows

Advocacy for the Life of a Project

- Establish a process for delivering coordinated U.S. Government support throughout the life of viable projects

Coordinated Strategy for Agriculture

- FAS will evaluate adopting a variable reimbursement rate for the Market Access Program to encourage entry into high growth markets
- FAS will pursue long-term capacity-building efforts
- FAS will implement a biotech strategy aimed at coalition building and resolving market access issues
- TDA will develop public-private partnerships supporting USDA biotech capacity building programs

Part II: Better Customer Service for Small, Medium, and Large -Sized U.S. Companies

Strong Cross-Promotional Efforts Across All Agencies

- Certify trade specialists in TPCC agency programs to act as account managers for exporters and investors
- OPIC and CS will leverage resources through training of commercial officers
- OPIC and SBA will implement a cooperative agreement to streamline approval processes
- Cross-train TPCC agency personnel, including joint training agreements
- Coordinate technology procurement to eliminate duplication and deliver more seamless services
- Create on-line registration form (one stop/one form) for use by all TPCC agencies
- Explore MARAD technical modifications to address competitiveness concerns
- CS will provide complete solutions focused on enhancing a firm's global competitiveness
- Develop customized packages of interagency services
- Create a shared client database

Promote Exports of Services

- Ex-Im Bank will adapt its programs for exporters of services
- Commerce's Advocacy Center in Trade Development will redesign its questionnaires for service exporters
- Commerce's Office of Travel and Tourism in Trade Development will develop public/private partnerships
- TDA will work with service sector companies and associations

Agricultural Exporters

- FAS will implement a new processed foods division that will interface closely with CS
- FAS will improve coordination of outreach activities in the United States with other TPCC agencies
- FAS will revise criteria for the branded promotion program to allow participation of medium-sized firms
- FAS will establish new customized fee-based services

More Available and Effective Trade Finance

- SBA and Ex-Im Bank will agree on joint performance measures for their working capital programs
- Ex-Im Bank and SBA will develop a joint marketing program, including publications and lender training
- CS trade specialists will be trained to promote one U.S. Government working capital program
- SBA's Export Express will be expanded to cover loans up to $250,000 as a pilot
- TPCC working group will work to further integrate Ex-Im Bank's and SBA's working capital programs

Streamline Trade Finance and Investment Processes

- Ex-Im Bank and OPIC will streamline processing times, where appropriate
- Ex-Im Bank will work to expand and broaden electronic access to export credit insurance services
- Ex-Im Bank will continue to expand its information database for repeat customers
- Ex-Im Bank will implement a transparent approach for evaluating the additionality of transactions
- FAS will assess changes to improve customer service and management of the Commodity Credit Corporation
- FAS will investigate benefits of changing foreign content requirement for USDA financing
- FAS will provide guarantees on electronic payment mechanisms and support non-traditional letter-of-credit forms
- OPIC will develop new additionality policy
- OPIC and Ex-Im Bank will develop a cooperative agreement

Better and More Timely Information to the Customer

- Commerce will improve market research using technology solutions for collaboration between agencies
- Commerce will make access to export information easier through improved search capacity and interagency portal
- Gather on-going feedback from user groups on efforts to improve access
- Link foreign affiliates of U.S. multinationals with SME exporters using BuyUSA.com
- Ex-Im Bank will use the Internet to improve access to government working capital programs
- Commerce's TIC will improve responsiveness to customer inquiries using advanced customer relations technology

Part III: Education and Partnering to Expand Use of Our Services

State and Local Partners

- Establish tighter linkages with state export promotion agencies, including packages of federal services that would allow states to leverage their resources and joint strategic planning sessions to coordinate trade promotion events
- Enhance training for state and local partners

Expand Outreach and Education

- Create unified marketing materials for core TPCC agencies
- Coordinate outreach with congressional officials
- Expand trade education efforts for new-to-export firms
- Develop outreach strategy for intermediaries and logistics firms
- Integrate export control training by BIS and other agencies

More Strategic Approach to Trade Financing and Project Development

One of the greatest concerns of experienced U.S. exporters, large or small, is the success major trading partners have—with their government's support—winning projects and procurements in key growth markets. The general perception among U.S. firms is that their competitors often have the upper hand, even before a project is tendered. They attribute this advantage to the long-term commitment of competitor country governments to project development in strategically important markets. In the agriculture sector, competitor governments have responded aggressively to increasing demand in developing countries. Comments of exporters and a look at our trading partners' programs point to several tactics used by other governments. Based on these insights into the competitive environment, agencies of the Trade Promotion Coordinating Committee (TPCC) will take a more strategic approach and respond to exporter needs from the outset of potential opportunities and throughout the life of a project.

Streamlined Early Project Development

Foreign Competitive Practices[8]

Major competitors have become very adept at strategically and proactively pursuing major projects in their earliest, formative stages. The essential components of their approaches appear to be a long-term commitment to relationship-building with procuring officials in target markets, and an early indication for procuring officials that government financing or technical assistance will likely support a project. Success depends on the ability to concurrently master both tasks via seamless cooperation between the elements of government responsible for market intelligence, technical assistance, and trade financing. Some of our trading partners have accomplished this by empowering agencies, such as Export Development Canada (EDC) and Germany's Kreditanstalt für Wiederaufbau (KfW), to provide financing through market window[9] lending activities that offer flexible terms and conditions that fall outside of the disciplines of the Organization for Economic Cooperation and Development (OECD) Arrangement for Official Export Credit Agencies. Other governments rely on the planning and coordination strengths of an umbrella agency (e.g., France and the United Kingdom).

8. The descriptive information on foreign competition in this report is based on information gathered by U.S. embassies abroad, including interviews with foreign government officials. It was supplemented by anecdotal information from exporters interviewed for this report.
9. A market window is a government-owned or directed institution claiming to operate on a commercial basis, but that benefits from some level of government support.

Canada: Many U.S. exporters are impressed by the Canadian approach to project development. Canada's export credit agency, EDC, essentially develops shopping lists with foreign buyers that are then offered to Canadian exporters. On the foreign buyer side, EDC reportedly offers exceptional customer service and flexibility. This customer orientation helps EDC's industry-focused teams build strategic relationships and develop business with foreign buyers. An example of EDC's customer orientation is the use of pre-approved lines of credit to foreign buyers and banks—intended to make purchases from Canadian exporters more attractive. Examples of EDC's flexibility include its use of the latest financing techniques and flexible application of domestic content restrictions. On the domestic front, EDC proactively seeks out and offers Canadian exporters market intelligence and financing to help them take advantage of market opportunities, including help with deal facilitation.

Germany: Germany provides its exporters with export credit support through both official and market windows, thereby providing flexible support for major projects and capital equipment procurement. Through the official window, Hermes provides export insurance cover as Germany's traditional export credit agency. KfW, which operates both an export credit market window and the German development assistance program, has quickly become one of Germany's largest providers of financing for capital goods exports and international projects. Its strength in winning business for German firms in developing countries appears to be its combined mandates to promote German exports and finance investments and project-related consulting services in developing countries. Under these mandates, KfW has aggressively used its skills in both official export credit guarantees and official developmental assistance (ODA) to steer much of its ODA financing toward energy, environment, and transportation projects. KfW has given German industry in these sectors a considerable competitive advantage. As in Canada, the rapid growth of exports supported by KfW can be attributed to its embrace of market windows.

France: Strong cooperation in France follows from the centralization of government export and investment promotion, trade policy development, and trade financing under the overall aegis of the Direction des Relations Économiques Extérieures (DREE). DREE is an increasingly influential entity within the French Ministry of Economics, Finance, and Industry, itself a "super-ministry" with responsibilities including trade policy, trade and investment promotion, customs, taxation, and export finance.

United Kingdom: The United Kingdom recently strengthened and streamlined interagency cooperation through the creation of British Trade International (BTI) in May 1999—a merger of the export promotion functions of the Department of Trade and Industry (Commerce Department equivalent) and of the Foreign and Commonwealth Office (State Department equivalent). BTI offers technical assistance programs for training potential international clients. The Export Credits Guarantee

Department (ECGD), the United Kingdom's export credit agency, reports to the Department of Trade and Industry.

Japan: Japanese exporters benefit from the strong central role of the Ministry of Economy, Trade, and Industry (METI), and Japan's status as the world's largest ODA donor. METI plays a key role in setting trade policy, has jurisdiction over the Japan External Trade Organization (JETRO), and shares jurisdiction (with the Ministries of Finance and Foreign Affairs) over the newly created Japan Bank for International Cooperation (JBIC). JBIC was the result of the 1999 merger of Japan's lead export finance agency, Japan Export Import Bank, and lead ODA agency, the Overseas Economic Cooperation Fund. METI is also involved in implementing ODA technical assistance projects of the Japan International Cooperation Agency (JICA). As discussed later in this chapter (see "Tied and Untied Aid"), there is growing concern that Japanese companies unfairly benefit from untied aid that is *de facto* tied to the purchase of Japanese goods and services.

Exporter Suggestions and Concerns

Exporters have told us that it would enhance their ability to secure individual projects if agencies could work together to discover projects sooner. Exporters emphasized that if U.S. Government agencies could more proactively demonstrate early in the bid process that official financing is likely, foreign procurement officials would more seriously consider U.S. bidders and U.S. exporters would be more interested in pursuing these opportunities. They point to their biggest competitors, whose governments proactively seek out opportunities and present them with "shopping lists" of the most lucrative projects.

Exporters also warned of the long-term opportunity costs of not pursuing projects more aggressively. Competitors target projects in their early stages not only to win the deal at hand, but to strategically lay groundwork for future business. Once a competitor establishes its business model, standards, and specifications in a new market, newcomers may have a more difficult time entering that market. The longer a competitor's early lead in a new market goes unanswered, the more likely the competitor will become the dominant player.

Recommendations

To ensure U.S. companies have the same opportunities as their foreign competitors, the U.S. Commercial Service (CS), State Department, Export-Import Bank of the United States (Ex-Im Bank), Overseas Private Investment Corporation (OPIC),[10]

10. It is important to understand in the context of this report that OPIC's mission is to facilitate the mobilization of U.S. private capital in support of U.S. development priorities. OPIC does not finance exports; rather it provides political risk insurance and project finance to eligible U.S. companies investing in developing countries. At times, OPIC may be able to further TPCC's export objectives as OPIC implements its development mandate.

and the U.S. Trade and Development Agency (TDA) will more proactively and strategically coordinate the development of project opportunities, especially in key markets. As demonstrated by our competitors, combining project opportunities with early indications of financing better serves both potential buyers abroad and U.S. industry at home. Ex-Im Bank will consider modifying existing letter-of-interest procedures to issue letters of interest to foreign buyers.

In the near term, the TPCC will institutionalize cooperation for early project development in a small group of pilot countries (Brazil, China, South Africa, Mexico, Russia, and Turkey) and build the cross-training and personnel infrastructure needed to pursue projects more effectively in these countries and throughout the world. In one year, the TPCC will evaluate the effectiveness of the "Early Project Development Teams" and consider whether examples of co-located agencies abroad (e.g., Ankara, Zagreb) have demonstrated unique and measurable benefits commensurate with their costs.

Formalize Cooperation in Pilot Countries: The CS, State Department, Ex-Im Bank, OPIC, and TDA will institutionalize closer interagency links in Brazil, China, South Africa, Mexico, Russia, and Turkey via "Early Project Development Teams."[11] These countries have been chosen because they represent a diversity of regions, opportunities, and levels of current interagency representation. Agencies agreed that even in regions where many of them are currently represented, such as the Caspian Finance Center in Turkey, new processes for interagency communication and cooperation are needed. Focusing coordination at the country level also responds to the trend among multilateral development banks to devolve procurement decision-making responsibility to project host governments.

In each pilot country, U.S. Government agencies will work together at the earliest stages of development of government procurement to identify opportunities, indicate a strong likelihood of U.S. financing, and provide U.S. firms with the information and advice they need to aggressively pursue projects. While agencies will work as a team, each agency will have different responsibilities. Once potential suppliers are identified, "Early Project Development Teams" will continue to work together to ensure that any U.S. exporter bidding for the project has coordinated, effective government support. Such support could include proactive trade financing, associate financing, tied aid financing, or advocacy efforts, even after the contract is signed. Recent coordinated activities by Ex-Im Bank, OPIC, and TDA can serve as a useful reference point for this new, more comprehensive effort.

> ***Commerce Department:*** At the front end, the CS will use its in-country contacts and expertise to develop relationships with officials of foreign government ministries, to identify projects at an early stage, and to market

11. OPIC is not open in China and, at this time, can only provide small business loans in Mexico.

potential U.S. exporter interest. A priority will be finding project opportunities in sectors where Ex-Im Bank or other finance agencies have expertise, such as telecommunications, transportation, and energy. Once opportunities are identified, CS will work with Ex-Im Bank, OPIC, and TDA to determine interest in supporting the project. Once the Commerce Department has an indication of financing support from one of the agencies, it will actively use its industry experts in Trade Development, the domestic field network of CS, and specialized teams to broadcast the opportunity as widely as possible to U.S. industry and to find U.S. companies interested in becoming bidders on or suppliers to a project.

State Department: Under the direction of the Secretary of State and country team posts abroad—including some 60 posts where the State Department leads the commercial function—State Department officers will work with key foreign decision-makers and businesspeople to help identify projects in their early phase and then work with others on the interagency team to develop information which can be used by potential U.S. project bidders.

Ex-Im Bank: Building on strengths such as its 100 percent coverage for medium- and long-term guarantees and Sub-Sovereign Program, Ex-Im Bank will actively market its programs in target countries and educate potential project sponsors about available financing options and deal facilitation services. Ex-Im Bank will consider modifying existing letter of interest procedures to issue letters of interest to foreign buyers.

OPIC: For project sponsors looking to longer term investment options in eligible countries, OPIC will actively work to market its finance and insurance products, which include direct loans to small business; loan guarantees for larger projects; and political risk insurance for equity and debt investments to cover currency inconvertibility, political violence, and expropriation. As a subset, OPIC's Contractors & Exporters Insurance can be an important element of U.S. Government support available for major international projects. This program insures against wrongful calling of bid, performance, and advance payment guarantees/bonds; custom bonds; and loss of physical assets related to equipment at a work site.

TDA: Building on its trust funds to multilateral development banks, TDA will work more closely with CS's international posts and commercial liaison officers assigned to the banks to take better advantage of the annual $40 billion procurement market of projects funded by the multilateral development banks. TDA will work more closely with CS and other trade finance agencies in the pilot countries to facilitate project development where feasibility studies or technical assistance would be useful. TDA will also continue to build upon its relationships with a variety of other U.S.

Government agencies, including the Department of Energy, Federal Aviation Administration, the Office of the U.S. Trade Representative (USTR), and USDA, to support project opportunities and capacity building initiatives in the pilot countries as well as around the globe.

Build the Needed Training and Personnel Infrastructure: For this pilot project to work, and before it can be expanded to other countries, agencies must provide in-depth training in each others' programs, policies, and processes. In particular, CS domestic and international staff must be well-versed in U.S. Government financing programs and in the essentials of project finance. The goal is to more effectively leverage CS to bring buyers and sellers together. CS is well-positioned to market the programs of U.S. Government trade financing agencies to foreign procurement officials abroad and to market early project opportunities to U.S. industry domestically.

Training: CS will incorporate Ex-Im Bank, OPIC, and TDA instruction as part of the required training of CS officers, both domestically and internationally. Agencies will also form tighter linkages between their human resource offices to facilitate and encourage agencies to exchange personnel on a regular basis to promote on-the-job training.

Contact: During visits to Washington, CS officers will visit Ex-Im Bank, OPIC, and TDA regional experts as part of their consultative program prior to new assignments abroad and regularly thereafter.

Integration: Ex-Im Bank, OPIC, and TDA will identify personnel to be included in the Commerce Department's domestic industry and regional team network (e.g., environmental, Western Hemisphere) so that they can become more familiar with potential U.S. suppliers and their issues. The Commerce Department will continue to include these agencies in its conferences and outreach efforts. These agencies will include the Department of Commerce's industry experts, field representatives (domestic and international), and teams as part of their outreach or project-specific efforts.

Evaluate "Early Project Development Teams": In one year, the TPCC will evaluate the effectiveness of the "Early Project Development Teams" in pilot countries in terms of strategic objectives, market trends, and project opportunities presented to U.S. exporters. Examples of successful cooperation will be introduced in the other pilot countries. The TPCC will also evaluate whether examples of agencies co-located abroad (such as the Caspian Finance Center in Ankara, Turkey, and a regional office in Zagreb, Croatia) have demonstrated unique and measurable benefits commensurate with their costs. Ineffective approaches will be discontinued.

Tied And Untied Aid

A major ongoing concern for U.S. exporters is the effectiveness with which our major trading partners use aid financing to promote their firms in major project and capital goods procurements in developing countries. A primary issue is that competitors benefit from tied aid and untied aid that is *de facto* tied, i.e., aid from their governments for public sector projects that is in some manner conditioned upon the purchase of equipment from suppliers in the donor country. They would like to see the U.S. Government: (1) take a more active role in countering and discouraging market distorting uses of tied and untied aid, and (2) otherwise take a more positive approach toward using tied aid that is consistent with OECD guidelines to fund capital projects.

Discouraging Trade-Distorting Tied and Untied Aid

In 1991, negotiations advanced by the U.S. Government within the OECD to limit the provision of trade-distorting tied aid (i.e., aid tied to "commercially viable" projects) yielded the "Helsinki Package." To complement the Helsinki Package, in 1992 Congress established within Ex-Im Bank the Tied Aid Capital Projects Fund (TACPF)—or War Chest—to permit matching foreign tied aid offers when the longer-term economic interests of the United States would be damaged despite the tied aid meeting the OECD rules. The Administration has implemented this matching program so as to maximize the possibility of discouraging any remaining trade-distorting tied aid from being offered in the first place. Following aggressive implementation of the tied aid rules, the export value of Helsinki-type tied aid dropped from its 1991 high of roughly $9.5 billion to $3.4 billion in 2001. Non-Japanese tied aid, $9 billion in 1991, has declined to $1.5 billion in 2001, the lowest level on record. The benefit to the U.S. economy is estimated at an additional $1 billion of U.S. exports a year by allowing U.S. companies to compete fairly for contracts without expensive tied aid subsidies.

Japanese "untied aid" that is *de facto* tied: Of great concern is the likelihood that Japan is using untied aid credits to distort trade and circumvent the tied aid rules. While Japan's untied aid dropped from $12 billion during 1993–1997 to $4 billion in 2000, much of this aid appears to be *de facto* tied. In one well-documented case (the Severnaya gas-fired power plant in Azerbaijan), a Japanese consortium was awarded the contract after a Japanese/U.S. bid was disqualified on technical grounds based on criteria not present during the pre-qualification process and despite the bid with U.S. equipment from the world-class supplier of such equipment being 10 percent lower in price. Press reports later revealed that Japanese officials actively lobbied for the Japanese bidder even though Japan had provided untied aid. Discussions of this bidding process in the OECD later concluded that this project was de facto tied. Given the volume of untied aid provided by Japan over the last 10 years (an average of $10.3 billion per year) and the fact that Japan seems to be able to switch between its tied and untied aid programs with great ease, untied aid has become an issue of concern equal to tied aid prior to the Helsinki Package of disciplines. In early 2001, the United States challenged three Japanese tied aid financed power projects in China. Japan argued that the transactions were commercially nonviable. When an OECD Tied Aid Consultations Group found the projects to be commercially viable, Japan changed its support from tied to untied aid to allow the projects to be financed with aid financing and avoid the tied aid rules. Such switching of financing sources creates powerful pressures on other tied aid donors to create untied aid programs to be able similarly to avoid the tied aid rules.

Therefore, undisciplined untied aid not only provides the direct opportunity for trade distortions but also threatens to undermine the tied aid rules. If these rules unravel, trade-distorting financing faced by U.S. exporters is likely to be $20 billion annually, based on historical averages. U.S. budget resources necessary to protect the U.S. market share of this amount of exports would be more than $1 billion annually on top of existing levels of Ex-Im Bank appropriations.

Recommendation

Use the Ex-Im Bank War Chest to leverage OECD negotiations to achieve multilateral disciplines for untied aid. Use War Chest resources to secure the cooperation of untied aid donors (primarily Japan) in agreeing to untied aid disciplines by competing for key projects that they finance with their tied or untied aid. The idea would be to match or counter through initiation for projects of high priority to these governments for which it has offered either tied or untied aid or otherwise is prepared to support its exporters, and for which there is U.S. exporter interest. Negotiated disciplines are required because these countries' aid programs are far too large, and tied aid is too expensive, for the United States to compete with them on an ongoing basis in the absence of disciplines. Therefore, the War Chest would be used to conclude OECD negotiations for untied aid disciplines. These negotiations could take several years to complete.

We would inform U.S. exporters of this new policy. We would also institute an interagency consultation process to prioritize projects that are being considered for matching or countering through initiation. Different tools and different methods would be used, appropriate to the case at hand. This effort would draw on U.S. Government personnel in both donor and recipient countries to identify projects of strategic interest to these donors so as to both support U.S. negotiators and effectively utilize the War Chest to maximize our overall leverage in the negotiations process.

Front-End Engineering and Design (FEED) Studies

Another major means by which Japan appears to steer untied aid to their exporters is via concessionary financing of FEED studies. Exporters have pointed to Japan as having perfected grant engineering for projects such as turnkey power plants. Exporters also gave examples of Germany and Spain providing concessionary funds–including pure grant financing–for engineering studies in support of projects funded by multilateral development banks (MDBs).

Recommendation

Begin a pilot program where TDA would fund FEED studies until there are multilateral rules that prevent governments from using these studies to promote exports. TDA, the Commerce Department, and Ex-Im Bank would help to identify projects for such activities. For several years and through various proposals, the United States has unsuccessfully tried to convince other OECD members to prohibit the use of concessional financing for FEED studies. Therefore, the pilot program would have TDA (in creditworthy countries) follow up its feasibility studies for select projects with funding for FEED studies. The intent of this program is to counter the advantages currently enjoyed by some exporters until such time as OECD rules against such practices are agreed.

Small-Scale Capital Projects for Development Assistance

The TPCC is proposing to design a pilot project to enhance the capacities of the U.S. Agency for International Development (USAID) and Ex-Im Bank to support developmentally sound capital projects (commercially nonviable) in creditworthy developing countries. It would include an element in which USAID grants could be combined with Ex-Im Bank standard financing when the U.S. Government determines that a capital project in a specific sector is the most effective way of achieving a development partner's economic and social goals. Such mixed credits could consist of a minimum of 35 percent USAID grant, with the remainder financed by Ex-Im Bank. The pilot project would create the synergy in U.S. development - trade policy whereby U.S. Government agencies can finance bona fide development needs while expanding the scope for U.S. exporters and businesses to participate in development programs. The initiative would need to be consistent with the President's Development Agenda. It could not use development resources to fund commercially focused projects.

Many OECD members already offer mixed credits. However, the TPCC is not proposing to finance capital projects or use mixed credits to the extent our competitors do. The development projects for which this initiative would be available are in sectors considered under OECD guidelines to be "commercially non-viable," i.e., those for which pure commercial financing would not normally be available on the basis of the project's financial performance (e.g., environment, renewable energy, health care, education, water, and sewerage) and in middle-income countries where the use of grants alone may not always be appropriate (e.g., the Philippines, Egypt, Jordan, and Guatemala).[12] In the sectors and countries meeting these criteria, OECD statistics indicate other governments' aid agencies financed 151 projects valued at $3.6 billion in 2000.

The mixed credit facility could strengthen our bilateral assistance program. Financing these capital projects would allow USAID to leverage its ability to expand the scope and magnitude of capital projects in target countries. Capital projects such as schools, health centers, and potable water are integral elements of a poverty alleviation strategy. The ability, under the right circumstances, to use mixed credits in these particular sectors would have the added advantage of advancing our developmental agenda by leveraging USAID grants 3-to-1 with standard Ex-Im Bank financing, enabling our developmental dollars to go farther to support a broader array of projects. It could be used as a flexible tool that would make the U.S. Government more effective where our aid and trade agendas intersect, and would have the added benefit of directly responding to concerns of the exporting community that the U.S. Government lacks a comparable program.

This new policy initiative also would add a new dimension to our ability to implement the trade capacity building commitments of the Doha Development Round agenda by strategically targeting our resources in a focused and controlled way to projects in countries deemed eligible. Policy parameters determining appropriate projects would be set by the National Advisory Council; projects would largely originate from USAID missions; and financing would be managed primarily through Ex-Im Bank.

Recommendation

Ex-Im Bank, USAID, TDA, USTR, and the Departments of Treasury, State, Commerce, and Agriculture will explore the design of a pilot project that could finance selected commercially nonviable and developmentally sound projects, consistent with the President's Development Agenda. These projects would be in sectors where our commercial and developmental goals intersect. Examples could include environment, renewable energy technology, health care and medical/hospital equipment, education, municipal infrastructure, trade facilitation, and capacity building. The financial structure could involve TDA-funded technical assistance, training, and feasibility studies coupled with a USAID grant or, in selected cases, a USAID–Ex-Im Bank mixed credit package, where USAID would provide a grant and Ex-Im Bank would provide a loan to meet the concessionality requirements in the OECD Arrangement for tied aid. Such a coordinated, flexible approach could provide additional policy tools to accomplish multiple objectives, where these objectives are consistent with the USAID

12. Albania, Azerbaijan, Belize, Colombia, Costa Rica, Dominican Republic, Egypt, Fiji, El Salvador, Guatemala, Honduras, India, Indonesia, Jamaica, Jordan, Kazakhstan, Macedonia, Micronesia, Moldova, Morocco, Namibia, Papua New Guinea, Paraguay, Peru, Philippines, St. Vincent, Sri Lanka, Swaziland, Tunisia, Tonga, Uzbekistan, and Vietnam. Although Ex-Im Bank is closed for routine trade finance transactions in the following countries, Ex-Im Bank will consider structured financing arrangements such as Ex-Im Bank's project finance program or other financing arrangements that offer a reasonable assurance of repayment: Bosnia and Herzegovina, Georgia, Kyrgyzstan, Mongolia, Nigeria, Pakistan, Serbia and Montenegro, Tajikistan, and Turkmenistan.

development strategy for a specific country and where U.S. exporters could develop longer term commercial market access. However, such a mechanism would likely not be used to compete with large infrastructure projects funded by some other donors (such as power projects or roads), but would instead focus on providing assistance in those sectors that the U.S. already supports. In addition, any use of mixed credits would be limited to those countries where providing credit assistance would not increase their levels of unsustainable debt, and would not contradict the President's effort to convince other donors and the MDBs to provide more of their assistance to developing countries through grants. Mixed credit proposals would be reviewed to ensure that they comply with OECD tied aid rules and U.S. development policy and priorities. The TPCC will also explore other avenues of addressing the problem of subsidized export competition.

Concerns with Some non-Japanese Donors

Non-Japanese tied aid has decreased from $9 billion in 1991 (pre-OECD tied aid rules) to a current level of $1.5 billion in 2001, an 80 percent reduction. This is the lowest level of non-Japanese tied aid ever recorded. While the tied aid rules have eliminated the systematic use of such tied aid for export promotion, U.S. exporters still encounter tied aid in some instances. Other than Japan, Spain was the leading provider of tied aid in the 1996–1999 period ($3.5 billion), although annualized 2001 tied aid (based on the first six months) was only $200 million. A more general concern is the potential use of tied aid credits by some donors to circumvent the Helsinki disciplines on commercially viable projects. While such use is not against the rules, it is against their spirit.

Recommendation

Use the tied aid War Chest to defend U.S. exporters from examples or patterns of use that effectively (whether intentional or not) form a threat to long-run U.S. market share or access in emerging markets. The idea is to respond to reasonable evidence of tied aid use that may create long-run trade advantage for foreign exporters.

Coordination in Crisis Regions

Exporters want a coordinated response to crisis regions that enables them to take advantage of emerging commercial opportunities. Exporters view the U.S. Government's lack of a coordinated U.S. Government commercial strategy in Bosnia-Herzegovina as an example of how ad hoc approaches can lead to significant opportunity costs for U.S. industry. As the world puts together a reconstruction plan for Afghanistan and its neighbors, U.S. industry is hopeful that the U.S. Government will take a more strategic approach to coordinating their contribution to these efforts.

Ex-Im Bank, OPIC, TDA, and USDA have a good record of responding to needs in post-crisis situations. These agencies have stepped forward with post-September 11 initiatives in Indonesia, Pakistan, and Afghanistan, complementing previous efforts as a result of Hurricane Mitch in Central America and the Kosovo conflict. These agencies will work closely with on-the-ground personnel from the Agriculture, Commerce, and State Departments and USAID.

The TPCC seeks to create a more coordinated process that would be available to U.S. national security policymakers in a post-crisis situation that could ultimately speed the involvement of U.S. industry in opportunities that might develop.

To jump start such a process, the TPCC has initiated an interagency dialogue on Afghanistan. The goal is to support the Administration's effort to rebuild Afghanistan while increasing trade opportunities for U.S. firms and advancing U.S. international commercial interests. TPCC agencies have been meeting to discuss their various projects and plans and how best to move forward with a coordinated U.S. Government commercial strategy on Afghanistan.

Several steps have already been taken to ensure that U.S. companies are informed and involved early in the development of commercial opportunities. The Department of Commerce has established a Web site (*www.export.gov/afghanistan*) to provide U.S. companies current information on Afghanistan and on U.S. and multilateral reconstruction efforts. Companies can now call the Commerce Department's Trade Information Center (TIC) (1-800-USA-TRADE) to ask specific questions on market entry and reconstruction. There are also plans to conduct a policy and infrastructure mission once the climate is right.

Recommendations

TPCC to serve as a coordinating entity available to national security policymakers for dealing with post-crisis situations to provide a rapid development and implementation of trade promotion and finance agency initiatives in support of U.S. economic security policy objectives.

A coordinated, commercial approach to Afghanistan reconstruction that entails (a) clearly identified points of contact within the U.S. Government; (b) easily accessible and timely information about possible opportunities to assist; and (c) a coordinated interagency effort to identify project opportunities.

Market Windows

Market windows (along with tied and untied aid) were one of the foreign competitor practices most frequently raised by U.S. businesses. A "market window" is a government-owned or directed institution that claims to operate on a commercial basis while benefitting either directly or indirectly from some level of government support. Because countries that use market windows profess that they operate on a commercial basis (i.e., not supported by annual appropriations and providing financing at commercial or market rates), they have not had to follow the OECD disciplines which apply to "official" (versus "market") trade financing. However, market windows have come under scrutiny over the years with allegations that they provide non-market financing terms that skirt the disciplines of the OECD Arrangement.

Foreign Competition

The two primary market window institutions in the world today are Canada's EDC and Germany's KfW. While neither EDC nor KfW receives an annual appropriation, both are able to borrow with the full faith and credit of their governments and do not pay dividends or taxes. As pointed out by Mendelowitz,[13] these benefits give EDC and KfW significant leeway to operate profitably while still offering financing on more attractive terms than could the private sector. However, because parties to the market windows of EDC and KfW are bound by confidentiality covenants, there is little transparency in the details of these activities.

Perspectives of U.S. Industry

U.S. businesses assert that market windows are having a major impact on their competitiveness and ultimately on their decisions about sourcing and production. Canada's and Germany's market windows are very flexible because they are not constrained by OECD rules on terms and tenures, specific content requirements, or nonfinancial policy considerations. U.S. companies also view these institutions as having attractive customer service orientations given that they are, in effect, free to compete with their own private sectors. Combined with aggressive marketing campaigns on the part of the Germans and Canadians and the possibility that these windows offer financing on preferential non-market terms, many U.S. companies have found doing business with them appealing so as to maintain their global competitiveness.

13. Allan Mendelowitz, "The New World of Government-Supported International Finance" in *The Ex-Im Bank in the 21st Century : A New Approach?*, eds. Gary Clyde Hufbauer and Rita M. Rodriquez (Washington, D.C.: Institute for International Economics, January 2001).

Market windows run counter to several long-held U.S. Government policies, including eliminating government competition with the private sector and maintaining and expanding the hard-won disciplines achieved under the Helsinki Package.

Recommendation

In response to exporter concerns regarding the competitive impact of market window financing on U.S. exporters, the U.S. Government should develop information on the nature and volume of market windows activity through the **commissioning of a detailed study on market window trade financing.**

Advocacy for the Life of a Project

In several meetings, U.S. exporters and investors expressed a need for a more predictable and transparent U.S. Government process for handling their requests for assistance when problems arise throughout the life of a project. Exporters appreciate the high caliber of help generally provided by federal agencies and international posts, but suggest that closer coordination between agencies in Washington and more consistency in the quality of assistance from post to post would greatly enhance their long-term viability and global competitiveness.

Exporters frequently cited the Commerce Department's Advocacy Center as a best practice for such a process. They especially like the consistency and transparency of Advocacy Center procedures, the professionalism and customer-service orientation of Center staff, and the timely and regular provision of feedback on U.S. Government steps taken to address their concerns. They also appreciate the Center's clear framework for interagency coordination established by the TPCC in 1992. Close partnership with the State Department and U.S. embassies has been critical to the impressive track record of U.S. Government advocacy efforts on behalf of U.S. businesses.

Given their positive experience with Advocacy Center assistance as provided up to the point of contract award, U.S. industry would now like to see this approach applied to the much broader range of post-transaction problems that can occur with existing projects, procurements, or investments. While the Advocacy Center has generally continued to serve as a point of contact on a given project after the contract is signed, it is otherwise not set up to provide post-transaction advocacy. Advocacy needs during this phase of a project can involve a wide range of problems that unfairly change the commercial environment to the detriment of U.S. companies, such as contract or payment disputes, regulatory or tax policies, and discrimination under bilateral or multilateral trade agreements. In such situations, companies would like to see a clear process for post-transaction issues that would eliminate the need for multiple contacts with several agencies. At the same time, industry does not want to see another bureaucracy and set of rules created that could duplicate what agencies are already doing.

In developing a response to industry, the TPCC will have to develop ways of matching problems to the unique skill sets and strengths of agencies, while promoting a sense of teamwork and cooperation and the most effective deployment of resources. In addition to assistance to companies competing for foreign government contracts (as coordinated by the Advocacy Center), other types of assistance include (but are not restricted to):

- ***Transaction-driven assistance:*** Many problems U.S. companies experience in foreign markets can quickly and effectively be resolved locally by our U.S. embassies and consulates. Agriculture, Commerce, and State Department officials in foreign countries are often the first point of contact for companies experiencing difficulties. For companies that require ongoing assistance developing markets or resolving problems, CS has developed the Platinum Key Service.

- ***Compliance-driven assistance:*** The Department of Commerce’s Market Access and Compliance and Trade Development units and USDA foreign attachés coordinate assistance to companies when companies request assistance in resolving a market access or trade agreement compliance matter with a host government. Both USDA and the Department of Commerce work closely with the Department of State, USTR, and other agencies.

- ***Investment-driven assistance:*** The State Department’s Office of Investment Affairs assists U.S. investors confronted by investment disputes in foreign markets. These disputes involve host government actions that threaten the operation or value of an American investment abroad, such as cases of expropriation or other claims against a foreign government. Operating under the guidance of the State Department, OPIC provides similar services on OPIC specific investments.

In developing a solution to a particular problem, these and many other types of assistance requested by companies must be tapped in a coordinated approach. Information technology will likely be a large part of the answer. To the extent agencies can share client and issue databases, the coordination of U.S. Government assistance will be improved. Information technology can also begin to help government officials see patterns and trends in the problems experienced by U.S. companies in foreign markets. This greater awareness may lead to greater market access and more fair treatment for all U.S. companies.

Exporters have also asked that the U.S. Government revisit the issue of U.S. Government assistance in disputes where there is a judicial case proceeding. While exporters understand the limitations on U.S. Government involvement in these situations, they nevertheless see a valuable role for advocacy support on a more indirect and informal level, such as discussions with foreign agencies to fix whatever problem resulted in a dispute going to court.

Recommendation

The TPCC, working with interested agencies and exporters, will work to establish a process to provide U.S. companies with coordinated and consistent support throughout the life of viable projects in foreign markets. Such a process will adopt a team approach, integrating the expertise of all relevant bureaus and agencies and include linking databases so that they are available to appropriate U.S. Government officials involved in developing the most effective and appropriate response to company issues. A TPCC working group will be established to accomplish this objective, with the goal of having this new process in place by the end of 2002.

Coordinated Strategy for Agriculture

Trade liberalization and rising incomes are boosting demand for imports of food products by consumers in developing countries. Key to U.S. companies getting a share of these markets is USDA's ability to align its finite resources between well-developed, high-demand markets and high-risk, emerging markets. USDA's Foreign Agriculture Service (FAS) will implement a market-based global strategy for export assistance and global food security goals focused on regional performance goals. This market-based plan is currently under development for fiscal year 2003. Among the changes being considered are adopting a variable reimbursement rate for the branded and generic promotional Market Access Program. The program would pay a larger share of participant costs in riskier, but potentially higher growth markets, and retain the current 50/50 cost sharing for large, mature markets.

In addition, FAS will pursue long-term capacity building efforts. Other countries aggressively pursue long-term goals through a variety of means including use of trust funds to pay for technical advisors for multilateral organizations that provide assistance and training to developing countries. Such assistance results in our competitors having greater influence in the trade capacity building efforts supported by this activity. Conferences and other activities which support importer trade capacity building are important venues that can influence importer decisions for years into the future. The countries that support such conferences play a major role in determining the content and speakers.

Another important area for U.S. agricultural exporters is biotechnology. FAS, in partnership with other relevant U.S. Government agencies including TDA and U.S. food and agricultural industries, will implement a strategy aimed at coalition-building and resolving market access issues. This strategy will focus on building a coalition of countries that understand the importance of biotechnology to agricultural innovation and collaborating with these countries in shaping policy in international fora. Much of this effort will be directed toward developing countries. The strategy will address regulatory approval and labeling procedures that present market access challenges to exports of U.S. agricultural biotechnology products. This effort will be directed at both immediate market access issues in major markets and longer term issues in emerging markets.

Recommendations

FAS will evaluate implementation of a plan to encourage exporters to move into new and emerging markets. Under the branded and generic Market Access Program, the USDA would reimburse a greater proportion of a participant's costs where imports are growing faster than the world average.

FAS will pursue long-term capacity-building efforts such as training, technical assistance, market development, infrastructure, and regulatory policies.

FAS will implement a biotech strategy aimed at coalition building and resolving market access issues.

TDA will work, in coordination with USDA, on developing public-private partnerships to support USDA's biotech capacity building, training, and educational programs.

Better Customer Service for Small, Medium-Sized, and Large Companies

Discussions with U.S. exporters and the results of the survey revealed that their expectations and desires with regard to government support differed depending on their size, level of experience, and position in the product cycle of an export. For example, firms that are very new to exporting and investing generally require more comprehensive training and handholding. They also need a higher level of encouragement as they become aware of the benefits of exporting. On the other hand, more experienced or robust exporters with a more sophisticated understanding of trade expect more coordination between the various trade promotion programs that they use. Intermediaries such as export management companies (EMCs) are also regarded as important clients for government export promotion services, but raise additional issues in terms of the customer service that they expect.

Common to both experienced and new exporters is the problem of understanding where to go for help. It is difficult for exporters to figure out what resources are available. Even if a firm is working with one Trade Promotion Coordinating Committee (TPCC) agency, they often are unaware of the services of other agencies. Individual marketing and outreach efforts are generally concentrated on promoting a single agency, further reinforcing the potential confusion.

While the goal is to improve services for U.S. companies of all sizes, special attention has been given to the needs of small and medium-sized enterprises (SMEs). SMEs are the engine of growth and job creation in America. In addition, small companies generally face more hurdles to expanding their business presence abroad than large companies. For these reasons, we have dedicated much of our research to defining these hurdles and learning how our trading partners attempt to overcome them. While we expected to find examples of programs and services in competitor countries designed for SMEs, we were impressed by the overarching commitment of many competitor governments to coordinated SME export promotion and to the high level of assistance targeted to SMEs.

- **Korea:** The Republic of Korea is committed to a continued push to move away from the dominance of Korea's chaebols (large conglomerates) as the foundation of employment and export strength, while nurturing the innovation and positive socio-economic ripple effects that SMEs can offer. A Presidential Commission on Small and Medium-Sized Enterprises, under the direct authority of President Kim Dae-jung, works to integrate policy and coordinates various ministries' budget plans related to SMEs. Interestingly, Korea's major trade promotion agencies have adopted a number of products and even the nomenclature of Commerce Department services for SMEs, including business matchmaking that replicates the Department's Gold Key, International Company Profile, Customized Market Analysis, and International Partner Search services. Korea has also emulated the TPCC's network of domestic one-stop-shop Export Assistance Centers (EACs) with 15 export-related agencies represented at 11 EACs. In the area of trade finance, Korea gives special consideration to the needs of SMEs. In 2000, 28 percent ($2 billion) of the Korean Export-Import Bank's total lending volume and 42 percent ($13.5 billion) of the Korean Export Insurance Corporation's business went to SMEs.

- **France:** The French government has undertaken a major outreach effort aimed at the promotion of exports from SMEs. In 1999, an SME task force was created to enhance and modernize programs to assist SMEs in becoming global. The task force launched a number of initiatives in order to increase the number of SMEs that export, expand the sales of experienced exporters, and help start-ups globalize their businesses. Initiatives include appointment of a mediator for SME exporters to field complaints about French government assistance and establishment of an export assistance call center for SMEs. The French export credit agency, Coface Group, offers several insurance programs, including trade fair insurance, designed to assist companies seeking new markets. Ninety percent of the firms benefitting from these programs had turnover of less than $14 million.

- **Canada:** Canada promotes SME exports in much the same way as the United States, although on a much bigger scale. For a population and economy one-tenth the size of the United States, Canada's Trade Commissioner Service is close in size and budget to that the Commerce Department's CS. Team Canada, a partnership among 23 federal and provincial agencies and departments, offers a number of market-entry services packages for companies new to exporting. Its ExportUSA program, for example, assists over 2,000 SMEs each year. Canada's export credit agency, EDC, served 5,182 customers in 1999, of which 88 percent were SMEs.

Many countries were also prepared to direct sizable subsidies to new-to-export and new-to-market SMEs.

- **The Netherlands:** The Dutch Program for Starters in Foreign Markets provides up to $110,000 in matching funds to qualifying companies with little or no export experience. This goes toward market research, travel, training, and the hiring of export staff.

- **The United Kingdom:** While the United Kingdom assigns fees for most services, several programs incorporate a grant element. The Outward Missions Scheme provides a travel grant of up to $1,500 for participation in a trade mission. Under the Support for Exhibitions and Seminars Abroad program, trade associations receive grants of up to $22,500 to organize international seminars, and exhibitors receive up to $3,450 toward the cost of an exhibit at a trade fair.

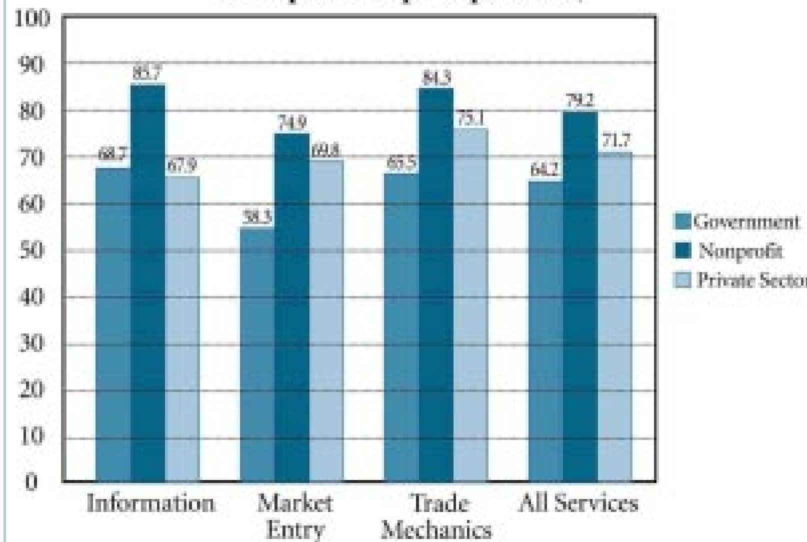
- **Spain:** As part of a drive to make exporters of 2,000 companies before the year 2000, companies participating in a Spanish government program received favorable financing conditions (80 percent of costs up to $24,300) for their export activities. The Spanish government also covers up to 60 percent of the cost of promotional activities implemented by industry associations and up to 80 percent of the cost of national pavilions at select trade fairs.

Issues Raised by Experienced Exporters

Throughout the focus groups and interviews, it became clear that experienced exporters desire a more sophisticated partnership within the U.S. Government. Increasingly, they require a holistic approach to new market penetration, encompassing more than one trade promotion program. Discussions with SMEs that are experienced exporters showed that they are generally familiar with programs offered by one or more agencies, but often experienced frustration with the lack of coordination and harmonization between the various programs. Several wondered why they had to provide very similar information to each different agency, rather than having the data shared. They expect more seamless client service than the agencies currently provide.

In the survey sponsored by the TPCC, about two-thirds of government-provided services (64 percent) are rated by exporters as having an impact on their export success. This figure is somewhat lower than that for private sector or nonprofit providers (72 percent and 79 percent respectively), but still respectable. Chart 1 shows how exporters rate services received from federal and state government, nonprofit, and private sector. Although exporters attribute nonprofit sources as having the greatest impact on their export operations, in the case of export information, the government may actually have a greater impact. Because many nonprofit trade multipliers repackage government market research and other valuable export information, exporters often do not realize the information from the nonprofit was originally from a government source.

Chart 1—Effectiveness of Service Providers According to Small and Medium-Sized Exporters
(Percent of services rated as having an impact on export operations)



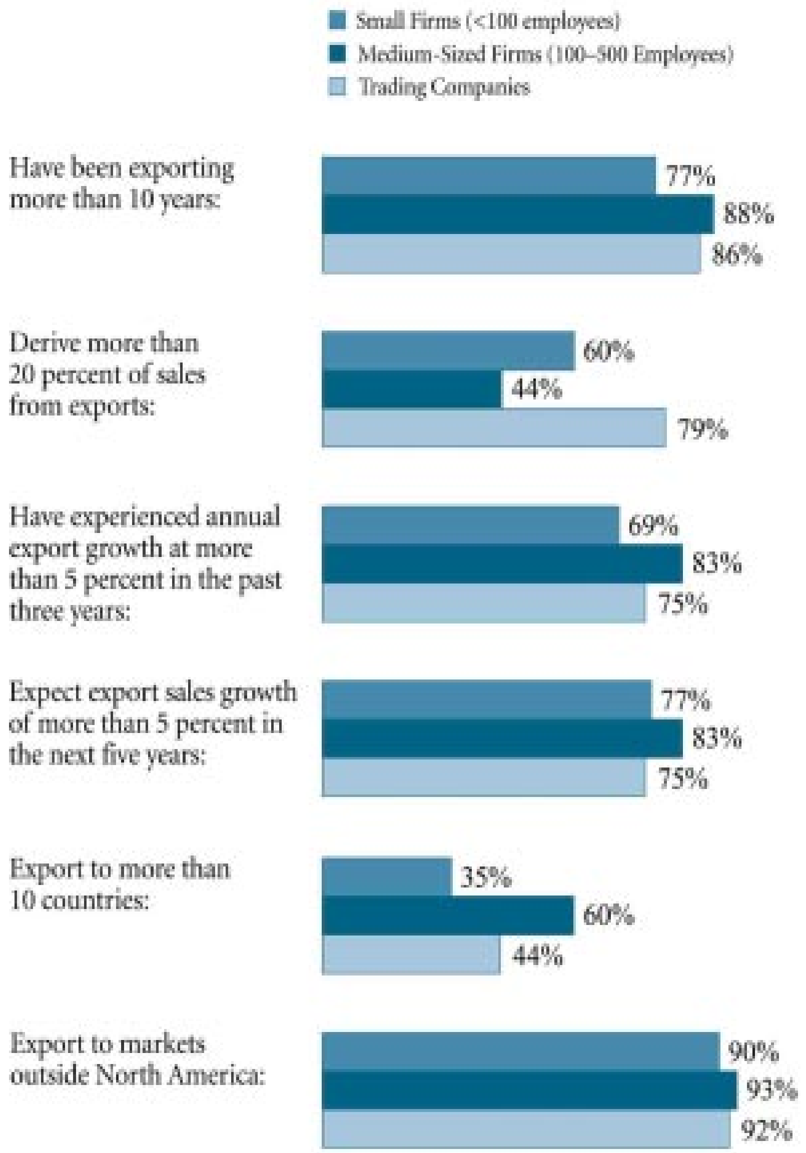
Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II: Assessing the Effectiveness of U.S. Government Support to Small and Midsize Exporters*, report no. PB2002-105721, prepared under contract to the U.S. Department of Commerce, International Trade Administration (Springfield, Va.: National Technical Information Service, 2002).

These exporters want a coordinated approach among the agencies when they have a transaction involving multiple programs. This is particularly important in the area of trade finance between the Export-Import Bank of the United States (Ex-Im Bank) and the Small Business Administration (SBA) and in the facilitation of Ex-Im Bank financing once TDA grants an exporter a feasibility study. Also at issue is the fact that agencies providing financing (Ex-Im Bank, SBA, and the Overseas Private Investment Corporation (OPIC)) conduct their due diligence in isolation, rather than streamlining the process so that a firm that has been approved by one agency could benefit from expedited approval at other cooperating agencies.

Experienced exporters also raised concerns about Maritime Administration (MARAD) shipping requirements. They point out that MARAD requirements to use U.S. flag vessels when accessing Ex-Im Bank financing often put them at a considerable competitive disadvantage, with the result that they look for financing from foreign export credit agencies, and are then encouraged to source from non-U.S. companies. Exporters report serious cost and scheduling problems, as well as problems with insuring shipments on older vessels. Inadequate vessels and/or loading facilities often require complex and costly logistical changes, further diminishing the competitiveness of the U.S. exporter. They cite a complex and unpredictable MARAD waiver process that impairs their ability to develop competitive bids. Often, the exporter is placed in a catch-22 situation when the MARAD rules directly conflict with either Ex-Im Bank requirements or with the terms of sale as dictated by the foreign buyer.

Companies rarely restrict their global activity to exporting. Many firms that currently export also engage in foreign investment to enhance their ability to sell goods and services into the host country. In some cases, investment precedes the actual exporting. In other cases, investment is made to support export sales as in the case of establishing a sales or service office in the target market. These firms frequently need assistance with the international investment part of their business and seek help from the U.S. Government. They report that limiting assistance to purely export-related activities does not reflect the reality of the way business is done and note that most other countries offer assistance in both exporting and investment in order to enhance the global competitiveness of their companies. Among medium-sized exporters, the survey found that 27 percent do some manufacturing in foreign countries, and 55 percent of them source components and/or products in foreign countries (Chart 3).

Chart 2—Portrait of U.S. Small and Medium-Sized Exporters Surveyed in 2002



Note: "Trading Companies" include a wide range of companies that serve as intermediaries between the exporting manufacturers and their customers overseas.

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 2-1.

In voicing these issues in focus groups and during the TPCC survey, the exporters often cite practices of other industrial countries that appear to take a more coordinated—and often more strategic—approach to trade promotion. U.S. firms often feel disadvantaged when confronted with strong international competitors that are backed by aggressive assistance from their governments, including generous subsidies and programs focused on getting small businesses into the global market.

Comprehensive Trade Promotion by Industrial Countries

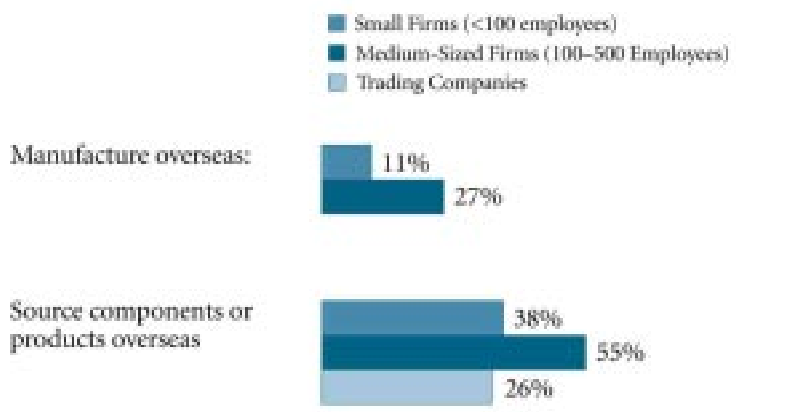
- SIMEST, the Italian financial institution for the development and promotion of Italian business abroad, assists companies in establishing a permanent presence and marketing activities in non-European Union markets. Financing is available for representative offices, sales outlets, customer assistance centers, warehouses, and showrooms.
- The French also have adopted a more comprehensive approach to trade, with French senior commercial officers at posts managing not only trade policy related issues and export promotion, including agricultural commodities, but also programs aimed at encouraging French firms to invest in foreign markets.
- British Trade International is also taking a more holistic approach, moving away from trade promotion into trade development, seeking to improve the overall capacity of companies, rather than focusing solely on helping them make export sales. This change is reflected in a changing portfolio of services, as well as changing the way that they measure their success.

Issues Raised by New-to-Export Companies

Small firms that are not currently exporting but that have the capacity and desire to do so represent an important population. According to the survey, about 30 percent of nonexporters are interested in exporting and cite the lack of information about export markets, customers, and export procedures as areas where they most need help. These firms are a major source of economic activity and job growth in the United States. They hold the potential for even more dynamic growth as they enter international markets. On the other hand, as these firms begin to explore international markets, they face a daunting array of information and resources. Furthermore, once they identify appropriate sources of help, it can take as long as two years for a novice firm to successfully complete their first export transaction. Clearly, such an investment of time and resources requires a very high level of commitment on the part of both the private firm and the agencies providing assistance.

Firms that are new to exporting report a variety of challenges. In addition to mastering the intricacies of the exporting process, they also have to identify and learn how to use the various information systems to find market research, technical information, and documentary requirements. Several complained about finding information about the different programs and the difficulty of navigating through

Chart 3—Firms Reporting Global Activity in Addition to Exporting, 2002 (percent)



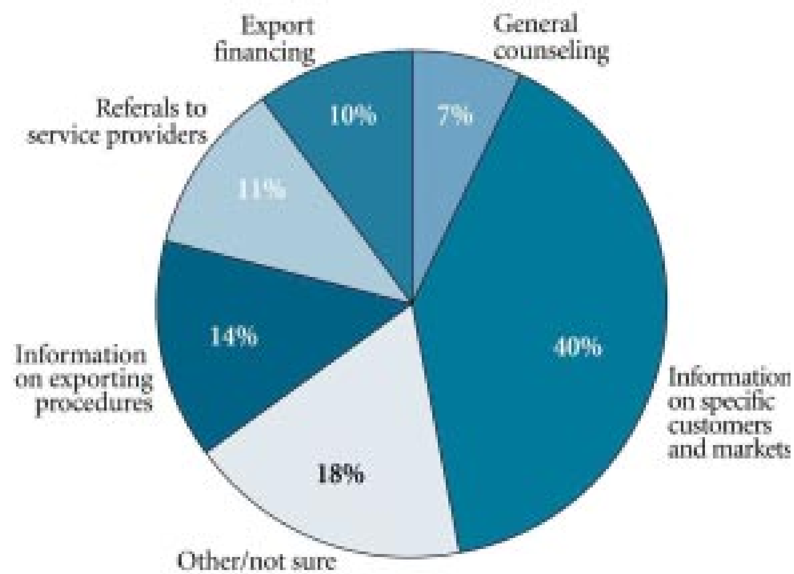
Note: "Trading Companies" include a wide range of companies that serve as intermediaries between the exporting manufacturers and their customers overseas.

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 2-1.

various information systems. Many of these small business people report that time is their most precious commodity, and they cannot afford to spend large amounts of time searching for sources of assistance. Many expressed a desire for a single source of reliable assistance.

The Commerce Department's Trade Information Center (TIC) plays an important role as this single source of reliable information on all TPCC agencies' export programs. While useful for all exporters, the TIC is especially critical to new-to-export companies that are trying to navigate through the maze of federal agencies for the first time. The TIC does this through outreach and answering U.S. exporters' questions on the telephone (through the toll-free hotline, 1-800-USA-TRADE) or via the Web (information integrated with the federal government export portal Export.gov). The TIC receives thousands of inquiries a year from U.S. exporters via the telephone, e-mail, fax, and mail. Ready-to-export companies are referred to the appropriate U.S. Export Assistance Center (USEAC).

Chart 4—Assistance that Would Be Most Helpful for Small New-to-Export Firms.



Note: "Small" firms are those with less than 100 employees. Figures have been rounded.
Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 8-3.

Chart 5—First Choices of Export Assistance Chosen by Small and Medium-Sized New-to-Export Firms, 2002

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 8-4.

As Chart 5 illustrates, almost half of potential new-to-export companies would turn to the U.S. Government, state government, or trade associations/chambers of commerce as a first source on the road to exporting. Since the U.S. Government is not the leading source these potential exporters would turn to, it is important that the TPCC agencies work closely with state agencies and other trade multipliers to leverage scarce resources and effectively reach potential exporters.

New-to-export firms may benefit greatly from targeted assistance that begins with a realistic assessment of their export readiness and provides handholding throughout the process. Important to helping these firms are the educational programs targeted to various aspects of international trade. Programs include SBA's Export Trade Assistance Partnership (E-TAP) program offered at USEACs, as well as a variety of programs offered through local colleges, World Trade Centers, and other trade groups. In addition, a coordinated package of interagency services that are most appropriate to the novice exporter could streamline the process of helping these firms enter international markets.

The United Kingdom offers small companies such targeted assistance throughout the export process. Under its Export USA program, British Trade International offers small companies with innovative products special assistance in exporting to the United States. The firms, which are carefully screened, pay a one-time fee equivalent to $1,500 and receive a package of assistance that includes a market assessment and advice on how to proceed, as well as ongoing contact with a specific program manager in the United States who is assigned to work with them. Firms are selected based on their size and track record and must be new to the U.S. market. They also have to be nominated by a local business council as being likely to succeed. The program manager provides up to 40 hours of advice and mentoring during the first six months of the company's participation in the program. Program managers are either British trade officers in the United States or locally employed business people with specific knowledge and contacts within the United States economy.

Recommendations

All of the agencies will commit to a strong cross-promotional effort.

Specially trained Commerce Department trade specialists will act as account managers for SMEs committed to exporting to more than one market. These trade specialists would receive in-depth cross training from at least three core TPCC agencies and be qualified to market the programs of those agencies.

OPIC and the U.S. Commercial Service (CS) will develop and implement a Memorandum of Understanding that will establish a training program for CS officers to enable them to explain OPIC services to SME exporters and investors ready to operate abroad.

OPIC and the SBA will conclude an agreement of cooperation which will streamline approval processes between the two agencies, provide for a pilot program and joint marketing, offering businesses additional options for international investment.

Agencies will renew their commitment to cross-training field staff for select TPCC agencies. Cross-training will include formal training programs currently offered by each agency as well as temporary assignments for TPCC agency personnel to other agencies.

The TPCC will form an e-government working group to coordinate agencies' activities in the use of technology. This will help agencies to ensure that the delivery of services to exporters is done in a seamless and simplified way, avoiding duplication. The working group will offer advice and direction to each other regarding major technology purchases (client management systems, content management systems, etc.) and where possible, actually conduct joint purchases of software and equipment, thus saving the agencies and taxpayers money.

Explore the feasibility of "one stop/one form." At present, U.S. exporters are required to provide information to a variety of different U.S. Government agencies for a number of different purposes ranging from the Shippers Export Declaration with Customs to an application for the Gold Key Service with CS. The TPCC will undertake a study to determine the parameter and costs associated with developing a common form for exporters who use U.S. Government programs. Upon entering Export.gov, the U.S. Government export portal, the exporter would be asked to complete an on-line questionnaire including information commonly requested by the trade promotion agencies such as name, address, company profile, and market interests. This information would then be electronically stored to populate any government forms the exporter will have to fill out (and tailor their on-line experience in future sessions) and transmitted to the relevant trade agencies.

The TPCC will explore with MARAD whether technical modifications in the implementation of PR17 can address growing competitiveness concerns especially regarding administration of certain Ex-Im Bank programs while balancing the public policy need for maintaining a U.S. Merchant Marine fleet.

CS will provide complete solutions to enhance U.S. companies' global competitiveness. CS products such as the Gold Key Service will be expanded to include locating local investment partners.

Customized packages of interagency services tailored to meet the needs of new-to-export small companies will be developed.

A shared client database will be established to ensure appropriate officials at TPCC agencies are aware of exporters' and investors' history with U.S. Government programs, enabling them to provide services on an expedited basis. An electronic notification feature will be added to the TIC's section of the database so that TIC trade specialists can easily refer export-ready companies to the appropriate USEAC for follow up.

Exporters of Services

Last year, the services sectors in the United States provided more than 86 million jobs, accounted for 78 percent of private sector output, and exported $246 billion worth of services. In fact, service sector jobs are expected to account for virtually the entire net gain in employment over the next decade. Half of service sector activity (or more than double manufacturing activity) are business-to-business services that create high-skill, high-paying jobs.

Although the United States continues to lead the world in the export of services, there is significant room for growth, particularly from SMEs. For example, while most business-to-business services are exportable, many of the SMEs in these industries are not yet exporters. Increasingly, these clients will also be facing foreign competition in their domestic markets as e-commerce increases. Additionally, many non-traditional rural, minority, and women-owned exporters are service companies.

Our competitors already have recognized the importance of the service sectors to their economies and have committed resources to promoting these industries. For example, in the early 1990s, the Canadian government launched an initiative to increase the export of business and professional services from Canada and were successful in increasing average annual export growth from 8.6 percent to 14.9 percent. This was accomplished by developing tools and training for trade officers, service industry associations, and private sector firms. Based on the success of the Canadian initiative, the Hong Kong Trade Development Council undertook training of its trade development officers, resulting in a similar increase in the volume of service exports.

Within the service sectors, travel and tourism exports merit special attention. Taken together, these sectors represent the largest business services export ($90 billion). Yet the United States is currently losing global market share to our major competitors. For an industry hard hit in the aftermath of September 11, attention to global competitiveness is critical. According to the Commerce Department, total international arrivals for 2001 are projected to decline nearly 13 percent, and international traveler spending will decrease 11 percent, for a loss of $9.2 billion in 2001. Interviews with representatives of U.S. travel and tourism businesses underscore the need to address this decline as well as increased and aggressive competition from other international destinations. The U.S. Government currently promotes international tourism through the Commerce Department’s Office of Travel and Tourism Industries, working in partnership with CS and VISIT USA committees in key tourism-generating markets.

The promotion of travel and tourism is important to export revenues, job creation, and ultimately, a country’s image and a sense of place and people. Many countries have dedicated significant resources to cultivating the many direct and indirect benefits that travel and tourism can provide.

Recommendations

Ex-Im Bank will further identify the unique export finance needs of the services sector and, if necessary, adapt its programs and procedures to address those needs.

The Commerce Department's Advocacy Center in Trade Development will redesign its required questionnaires to better reflect the realities of service exporters.

The Commerce Department's Office of Travel and Tourism Industries in Trade Development and CS will develop a partnership with the travel and tourism industries aimed at regaining lost market share and addressing growing competition from other international destinations. Best practices in promoting international travel and tourism through a public/private partnership will be explored.

TDA will continue to work with service sector companies and associations, as well as with other U.S. Government agencies, in sectors such as insurance, banking/finance, tourism, and e-commerce to identify, develop, and support opportunities for U.S. companies.

Agricultural Exporters

U.S. firms in the agricultural sector face unique challenges that are addressed by U.S. Department of Agriculture (USDA) programs. Aggressive cross-training with other TPCC agencies will help to foster better awareness of these programs and expand access for SMEs.

Recommendations

The Department of Commerce and USDA will expand their relationship to assist exporters of processed foods. USDA will implement a new Processed Food Division within the Foreign Agricultural Service (FAS) which will interface closely with CS domestic and international offices to provide more seamless service to this important group of exporters. Over half the value of global agricultural trade is in consumer-ready products.

FAS will better coordinate program outreach and exporter service with the Department of Commerce, SBA, Ex-Im Bank and other state and local partners.

FAS will establish a broader set of customized export assistance services using a fee structure that captures additional costs associated with providing matching services and customized market research for individual clients.

FAS will revise the criteria for its branded promotion program to include participation of medium-sized firms in addition to the small firms that are currently targeted by this program. This will dramatically increase the number of SMEs able to take advantage of this program.

More Available and Effective Trade Finance

New and experienced exporters tell us that as international markets become increasingly competitive, financing decisions are driven by market concerns, with timeliness and cost weighing heavily in the equation. Lack of access to competitive financing is frequently cited as an obstacle to doing business internationally. Many small business exporters report that their primary bank is unwilling (or unable) to work with them in structuring international transactions. The bank may not be comfortable with the firm's foreign receivables or may lack the expertise to handle currency fluctuation risks. Lenders report that the cost of doing the necessary paperwork to support an individual transaction is fixed regardless of the size of the transaction. This means that lenders would rather spend their time and resources on larger deals where fees are more significant than on the smaller transactions usually associated with small businesses.

Survey Results

Whatever the specific issue, exporters report the gap in access to financing can be critical in deciding whether or not to pursue international business. The TPCC's survey of small business exporters found that fewer than half of them were aware of federal programs for export finance or export credit insurance. Between half and two-thirds of these exporters have heard of Ex-Im Bank and SBA credit services, but fewer than 5 percent have actually used them. The majority report that they finance their exports using their own resources such as credit cards, home equity lines, or an existing bank line of credit. Many report having lost sales due to their inability to finance or to offer competitive terms to the buyer (Chart 6). Others (30 percent of small firms and 39 percent of medium-sized firms) report serious problems in collecting from foreign buyers.

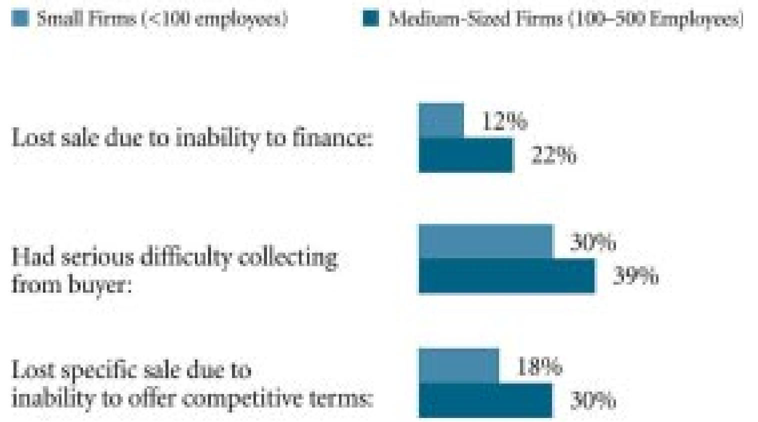
Banks' Perspective

Often, commercial bankers with whom the exporter has an ongoing relationship may not be aware of the wide range of U.S. Government trade finance programs available.

They express confusion about what appear to be competing working capital programs that are not jointly marketed. Moreover, commercial banks report that U.S. Government working capital programs are not widely embraced because the processing costs can be too high to make doing smaller transactions profitable.

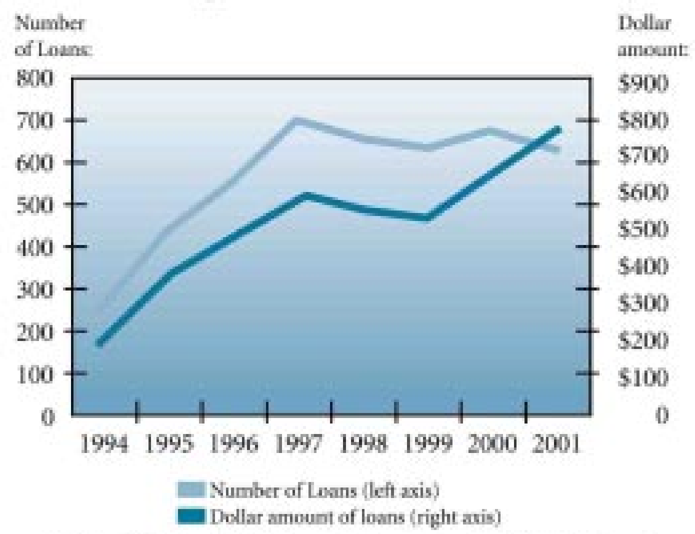
SBA's program is aimed at exporters with less than 100 employees and community and regional banks while Ex-Im Bank's program concentrates on exporters of all sizes who are customers of regional banks and asset-based lenders. Ex-Im Bank customers are predominately small businesses but slightly larger than those targeted by SBA. In discussions with lenders and exporters, it is clear that those who do use the programs are satisfied. Lenders indicate the programs allow them to support transactions and businesses they otherwise would not have supported and appreciate the ability to use their own back office operations, thus cutting down on expenses. Chart 7 shows the total number of working capital loans and the total value of loans given out by the two agencies. There is room for growth in both programs. Few lenders know about the programs or understand how they can be used to fill out their portfolio of services offered. Lenders and exporters are confused by the existence of two programs, and would like the same rules and regulations applied to both. Banks often face the choice of either losing a client or not providing financing for a client that has grown out of one program.

Chart 6—Finance-Related Export Problems Reported by Small and Medium-Sized Firms in 2002 (Percent)



Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 5-2.

Chart 7—Value and Number of SBA and Ex-Im Bank Export Working Capital Program Loans, 1994–2001



Sources: U.S. Small Business Administration, Export-Import Bank of the United States.

Recommendations

SBA, Ex-Im Bank, and the TPCC will implement an initiative that combines the best of both programs so that exporters and lenders see one seamless U.S. Government working capital program. The first phase of the initiative will be to define the market and leverage marketing resources across SBA, Ex-Im Bank, and the Commerce Department to raise awareness among lenders and exporters. The goal is to provide lenders a more flexible and streamlined working capital program they can use to suit any small business exporter's needs. The initiative will be rolled out in two phases.

Phase One: Short-term adjustments and joint marketing

SBA/Ex-Im Bank will agree on joint performance measures to encourage joint marketing of their programs and shared credit for results. The joint measures will have to be agreed to by Congress and the Office of Management and Budget (OMB).

Ex-Im Bank, SBA, and the Commerce Department will develop a joint marketing program that includes publications, a program guide, and lender training.

CS trade specialists throughout the United States will be trained to promote one U.S. Government working capital program and handhold the exporters through the trade finance process. This will enable SBA field staff to spend more time talking to lenders, and enhances our field capacity in locations where there is no SBA international staff.

SBA's Export Express will be expanded to cover loans up to $250,000 as a pilot with an eye towards further increasing the limit depending on its utilization and loss rate. This program addresses the unmet demand for working capital loans at the low end of the market and the desire lenders expressed for minimal paper work.

Phase Two: Full program integration

The TPCC working group will work toward further integration of the two programs. The barriers to integration include how the two programs approach claims, collateral, notes, authorizations, fees, and underwriting. The goal is to eliminate duplication, while maintaining complementary aspects of the two programs and providing lenders and exporters greater flexibility.

Streamline Trade Finance and Investment Processes

Exporters and lenders who have used the general trade and investment programs of Ex-Im Bank, OPIC, and SBA report overall good results. The most common complaint is that lengthy applications and processing times add to their uncertainty and can contribute to lost opportunities. They would like to see processing times reduced for OPIC and Ex-Im Bank loans and guarantees. They would like to be able to have expedited processing for repeat customers doing similar projects in the same markets. Finally, they would like to see agencies follow a more systematic and transparent approach to meeting additionality requirements which prevent them from competing with the private sector.

Recommendations

Streamlined processing times at Ex-Im Bank and OPIC: Building on current initiatives to utilize automation to enhance standard case processing, Ex-Im Bank and OPIC will continue to streamline internal processes (consistent with agency mandates) by studying relevant successful practices of export credit agencies and private sector financial institutions.

Ex-Im Bank Insurance Automation Project: Ex-Im Bank is working to expand and broaden access to the Bank's export credit insurance services through use of an electronic medium. The goal is to overcome long-existent constraints on the marketing and distribution side of the business. This project could completely transform the insurance process by providing a framework for a transition from individual transaction underwriting to a portfolio management approach to short- and medium-term business. The project entails the use of: simplified Web site applications and electronic application filing and processing; credit scoring models and automated decision making systems; electronic reporting and information sourcing; a flexible multi-function exposure system; and a portfolio risk analysis system.

Expedited service for repeat customers: Expedited service could attract users to Ex-Im Bank and OPIC programs. Exporters and investors of all sizes consider processing times critical to their competitiveness. Ex-Im Bank will continue to build on its common knowledge databases when evaluating bank transactions. Over time, staff will become well-versed in the corporate profiles of repeat borrowers. As a result, the Bank will be better able to process these transactions expeditiously.

Ex-Im Bank transparent approach to additionality: Ex-Im Bank will develop and implement a transparent approach for evaluating the additionality of transactions, in close consultation with OMB and the export community, to provide users more predictability and certainty and faster turnaround times, without competing with the private sector.

Investigate ways to increase the effectiveness of USDA's Commodity Credit Corporation (CCC) Program: FAS will investigate making a number of changes which would substantially improve both customer service and management of the CCC Program including:

- Investigating a public-private partnership between the CCC Program and a private U.S. insurance company to allow FAS to offer a larger array of exporter assistance products.
- Assess the potential for doing revolving credit lines and risk analysis on a portfolio basis instead of on a transaction-by-transaction basis to allow for increased flexibility in the program while maintaining sound management control.
- Determine the impact of a risk-based fee structure instead of the current flat-fee structure. While this could potentially increase overall fees to exporters, it better reflects the approach of other export credit agencies and private sector lenders.
- Review CCC's third-country bank approval policy to potentially apply "standard practice arrangements" with banks outside the country or region of sales. This could bring about more interest in third country banking, particularly by larger multinational banks.

USDA additionality: USDA will investigate the benefits of raising the foreign content requirement above 10 percent for exports receiving financing. In other countries, foreign content as high as 50 percent is allowed (Japan), placing U.S. exporters at a significant disadvantage.

USDA guarantees: USDA will establish procedures and provide guarantees on electronic payment mechanisms and permit non-traditional letter of credit forms of bank guarantees. This will help address the decline in the use of traditional letters of credit in favor of various electronic letters of credit (e.g. "Bolero" and TradeCard) and permit the foreign bank to add its guarantee to the importers obligation to pay.

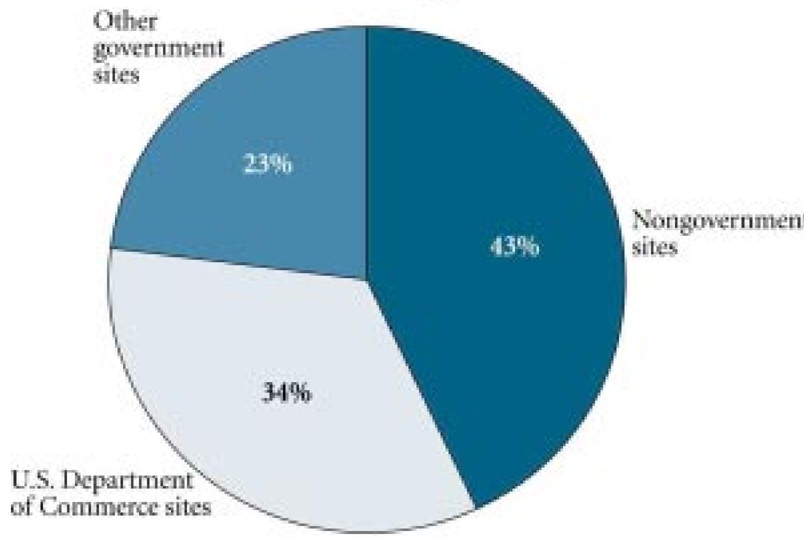
OPIC additionality: OPIC will continue to complement the private sector by focusing its efforts in those countries and markets where financing and political risk insurance are unavailable to U.S. business, thus promoting and expanding U.S. investment.

OPIC/Ex-Im Bank cooperation: OPIC and Ex-Im Bank will explore the feasibility and utility of developing a cooperation agreement, e.g., sharing legal counsel, technical advisors, and documentation.

Better, More Timely Information to the Customer

The TPCC survey and focus groups confirm that one of the most valuable services that the U.S. Government provides is information on foreign markets and trade opportunities. Companies of all sizes view U.S. Government-generated market research as reliable and unbiased. Further, they generally expect the information to be current and readily available in an easy-to-use format. Throughout the focus groups, participants complained that because there are so many sources of information, it is difficult and time-consuming to find the best information. Moreover, much of the information is organized according to the producing agency or subunit, limiting the availability of information to those who have deciphered the bureaucracy.

Chart 8—Primary Sources of Web Export Market Information Reported by Small Firms Using the Web, 2002



Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 3-2.

Most companies agreed that the Internet is now their preferred source of information. This is especially true for exporters, who as a group tend to use the Internet more than non-exporting companies. Exporters find the Internet the ideal mechanism for obtaining current information on changing economic conditions, regulations, and other crucial information. Many small companies reported that they want a single Website that is easy to navigate and includes links to other U.S. Government sites where appropriate. In 2002, 57 percent of exporters that used the Internet for export market information used a government Web site as a resource. Chart 8 shows the great role the U.S. Government plays in providing information to exporters on the Web.

Information Needed by Exporters

Firms need a wide range of information to do business internationally. Depending on where they are in the exporting process, they may need demographic and economic information, country and industry-specific information, documentary requirements, other legal requirements and up-to-date information on specific trade opportunities. They also need information about financing their exports and international investments. The need for comprehensive, current information about

U.S. export controls is another area that was mentioned by several business people. In addition, at times they need to access current information about trade agreements. The sources of this critical information are as varied as the TPCC itself.

Distribution of Trade Leads

In addition, many U.S. firms would like to be notified of appropriate trade opportunities as they occur. Currently, such information is not disseminated in an orderly or comprehensive manner. Many respondents favor electronic notification of trade leads, especially if they can be sent early enough in the process so that U.S. firms can realistically compete for the business. Some respondents complained that currently trade leads are either available too late or do not contain sufficient information to properly respond.

One-Stop Web Resource

A task force of key TPCC agencies is currently working to consolidate and simplify access to services and information on the Internet as part of OMB's Quicksilver Initiative. Using Export.gov as the one-stop portal, the group is identifying and reducing redundant offerings. It is working to identify more effective means of publicizing the site and linking it to major search engines and other commercial sites that potential exporters use. In addition, the group is identifying areas in which the export process itself can be simplified, using on-line forms to complete the transaction.

Under the first phase of the project, completed in September 2001, the core trade promotion agencies have linked their content into Export.gov. For example, when users click on trade financing, they are taken to a page that

Where to Go for Information

Export.gov	BuyUSA.com	Trade Information Center
■ U.S. Government's export portal: one-stop, on-line resource for export assistance information from 19 federal agencies ■ One of the Administration's 24 e-gov priorities	■ On-line international marketplace ■ Linked to Export.gov	■ One-stop resource for export assistance information from 19 federal agencies **On-line:** Information is integrated with Export.gov **Off-line:** (Toll-free call center) (1-800-USA-TRADE)

France's Comprehensive Web Portal

The DREE (Direction des Relations Économiques Extérieures) has established a comprehensive Web portal for French SMEs.

- Links over 150 international and domestic posts
- Showcases over 50,000 pages of business and economic information on international markets

describes all the main trade financing programs and has links to their Web sites. By consolidating all U.S. Government export information and promoting a central easy-to-remember URL, the agencies hope that promotional efforts will be dramatically streamlined, on-line visitors could increase exponentially, and programs will experience increased utilization. Having a central entry point makes accessing export information easier for users and offers the federal agencies involved the ability to consolidate site promotion efforts, establish common branding, and eliminate duplication by allowing agencies to concentrate resources on the export processes in which they are specifically involved.

BuyUSA.com

Export Services Most Frequently Used	
Small and Medium-Sized Exporters	**Intermediaries**
1. Basic "how to export" information	1. Basic "how to export" information
2. Managing shipping operation	2. Information on markets from a Web site
3. Export counseling	3. Government procedures in foreign countries
4. Trade leads	4. Export counseling
5. Information on markets from a Web site	5. Export finance assistance

As an adjunct to the one-stop portal, the Department of Commerce has developed BuyUSA.com, an on-line marketplace for matching U.S. sellers with foreign buyers. The site provides a dynamic venue for alerting U.S. firms to international opportunities and allows them to showcase their offerings to foreign buyers. The site is linked to Export.gov and designed to guide users to that site for trade assistance and information. BuyUSA.com will also provide a service that would allow U.S. firms to register and create profiles that would enable matching of trade leads for automatic dissemination. Together, Export.gov and BuyUSA.com will be critical to reaching exporters. Today, about 60 percent of small to medium-sized exporters use a TPCC member Web site, including these sites, as a primary source of Web-based information. The two tables on this page show that small and medium-sized exporters and intermediaries have similar export service needs and that the government is the leading source to meet these needs.

The Government Is the Leading Source for:

- Basic "how to export" information
- Information on markets from a Web site
- Export counseling
- Assistance with managing foreign regulations
- Answers to technical trade questions

The TIC is a comprehensive resource for information on all TPCC members' export assistance programs. The TIC answers a myriad of technical trade questions regarding such issues as the North American Free Trade Agreement's (NAFTA) Certificate of Origin, Shipper's Export Declaration, and Harmonized Tariff Schedule. The TIC plays a critical role in providing the information U.S. exporters are looking for in a timely manner.

Recommendations

Improve the quality of our market research information and trade leads. Through OMB's Quicksilver initiative, the Department of Commerce will pilot a collaborative work space tool to improve the quality and timeliness of our market research and trade leads. This tool will allow CS and State Department economic officers in foreign posts to work with industry and country specialists in Washington on a real-time basis to develop accurate and up-to-date market research and trade leads. This tool will also meet exporters' needs of finding market research in one location by integrating different agencies' market research into Export.gov. This will eliminate duplicative, and sometimes out of date, information that is now available in different formats on several TPCC agency Web sites. This effort will include making U.S. Agency for International Development's (USAID) Global Technology Network trade leads available on BuyUSA.com and Export.gov.

Make export-related information more accessible. The Department of Commerce will add a search engine to Export.gov to make all agencies' information easier and quicker to access. This will support links to useful state and local sites. U.S. firms can search across many different Web sites for the desired information. The TIC will work with Export.gov to enhance customer service by adding advanced features such as assisted Web-browsing and a direct Web connection with live trade specialists.

A critical component of this development effort should be continued user input. The effort should include provision for customer focus groups as well as ongoing feedback from user groups who can provide insight into how well the efforts to improve access meet the needs of the actual users.

Link SMEs with U.S. multinational corporations. We will use BuyUSA.com to link foreign affiliates of U.S. multinationals abroad with U.S. suppliers, who are often SME exporters looking for project opportunities. CS posts will encourage U.S. companies already in key markets to use this route to discover potential U.S. subcontractors.

Use the Internet for working capital. Ex-Im Bank will use the Internet to improve distribution and ease access to the working capital program. By making its working capital program available to lenders electronically, Ex-Im Bank would be able to process transactions more efficiently, thereby enhancing financing services provided to

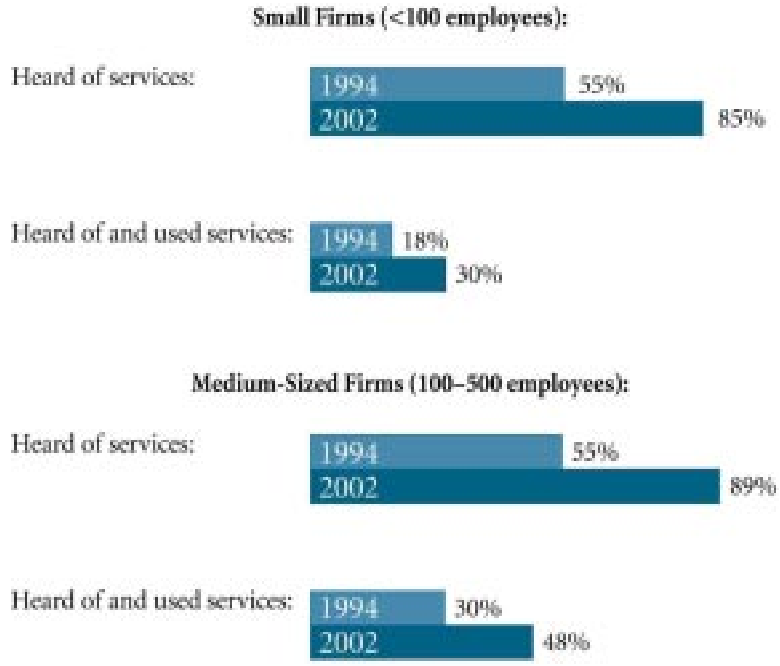
SMEs and others. The project entails the use of: simplified Web site applications, electronic application filing and processing, combined with the existing delegated authority system to manage the Ex-Im Bank working capital program. This effort will reflect the integration of Ex-Im Bank and SBA working capital programs.

Improve responsiveness to customer inquiries. Agencies, such as the Department of Commerce's TIC, will enhance responsiveness to all forms of inquiries (telephone, fax, mail, and Web) through advanced contact management and customer relations technology applications. This will include adding the electronic referral feature for TIC trade specialists to forward export-ready companies to the appropriate USEAC.

Expanded Outreach Effort: Education and Partnering

Although there are a great many federal, state, and local agencies that provide assistance and/or training for exporters, many business people who could benefit from the programs are unaware of their availability. Focus group participants who use the services of one agency were generally not aware that other services are also available. Except in the case of very integrated U.S. Export Assistance Centers (USEACs), these exporters were generally only aware of the specific agency that they were using. Chart 9 demonstrates that small and medium-sized enterprises (SMEs) are not only more aware of the Department of Commerce, but also use more of the agency's services.

Chart 9—Familiarity with and Use of U.S. Department of Commerce Export Assistance Services in 1994 and 2002 (percent)



Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Tables 6-1 and 6-2.

State and Local Partners

Ideally, coordinating outreach efforts among the federal agencies results in more integrated delivery of services at the most appropriate point in the exporting process. In addition, integrated outreach and service delivery at the state and local level has proven to be an effective way to leverage scarce resources and expand outreach. Incorporating elected officials into this process through briefings and jointly conducted training sessions also dramatically increases the number of small companies who are aware of the opportunities and understand how to access the various programs. One focus group participant commented that he appreciated the fact that his local USEAC "did a good job of getting him to the right agency." As a small businessperson, he felt this gave him access to programs that he might not have found on his own.

Middletown USEAC Partnership (Middletown, Connecticut)	Sunbelt USEAC Partnership (Atlanta, Georgia)
Partners: ■ Connecticut Department of Economic and Community Development (DECD) ■ Middletown USEAC **Cooperation Model:** ■ The DECD purchased 100 subscriptions to BuyUSA.com and will re-sell them with the Middletown USEAC to eligible state firms for $150 each. ■ DECD assists qualified firms with up to 50 percent of participation fees for certain Commerce Department programs for a 12-month period. ■ Both partners promote this program through mailings and other outreach efforts.	**Partners:** ■ Georgia Department of Industry, Trade and Tourism ■ Atlanta USEAC ■ Small Business Administration ■ Small Business Development Center (SBDC) ■ Other state and local partners **Cooperation Model:** ■ Coordinates delivery of services to clients. ■ Ensures no duplication of efforts. ■ Regularly conducts joint planning sessions.

Many of our major trading partners work closely with partners. France coordinates export information resources not only among governmental agencies, but also among private organizations and multipliers via an Intranet. This Intranet includes Odyssée, a reference database, for France's international commercial posts. Public and private sector entities providing export promotion assistance can access this Intranet and therefore provide more integrated services to clients.

The box above shows some examples of successful coordination among state and federal agencies to better leverage scarce resources and deliver services to more companies.

Export Intermediaries

Both new and experienced exporters may use private sector intermediaries such as export management companies (EMCs) to handle some or all of their international business. Such intermediaries vary greatly in size and areas of expertise. Some EMCs specialize in specific industries and represent firms that use similar distribution channels in foreign countries. EMCs use this knowledge and their contacts to facilitate sales for their clients. Other EMCs offer regional expertise, assuming marketing and distribution duties for their clients in specific parts of the world. EMCs may either take a commission for facilitating the sale or they may take title to the goods and resell them to the foreign buyer. SME exporters could greatly benefit from more transparent access to these companies. Interviews with EMCs and with companies that use EMCs revealed the desire for greater recognition of the potential of intermediaries as multipliers of U.S. Government programs and for greater integration of the EMCs into the information and assistance provided by the U.S. Government. Our survey found that while trade intermediaries tend to use government services as often as manufacturers do, they tend to be more focused in their use.

Although many of the USEACs work with EMCs, the coverage is spotty at best. Resistance comes from two areas: (1) often the EMC is unknown to the U.S. Commercial Service (CS) and unsure of its legal right to market the product, or (2) the EMC appears solely interested in "hot leads" or client referrals. On the other hand, the Small Business Administration (SBA) reports that 50 percent of their Export Working Capital Program loans go to EMCs, indicating both their heavy use of U.S. Government programs and their importance in helping U.S. firms enter foreign markets.

National Security and Exporting

When U.S. companies begin to export, one of the first questions they face is whether U.S. export control laws apply to their goods and services. As the number of U.S. exporters has grown, so has the task of effectively educating the business community. Agencies that enforce these laws indicate that they must often deal with companies that are unaware of export control laws. Especially after September 11, it is important for the export promotion agencies to integrate improved awareness and education on this front into their outreach efforts. A more integrated approach to educating exporters would both speed commerce and help safeguard our national security.

Several agencies administer and enforce U.S. export control laws, such as the Department of Commerce's Bureau of Industry and Security (BIS) and the Department of Treasury's Customs Service and Office of Foreign Assets Control. BIS not only administers export controls on sensitive dual-use goods and technologies, but also leads the U.S. Government's outreach to the private sector regarding protection of the country's critical infrastructures and cyber security. BIS provides a variety of outreach programs in Washington, D.C., and across the country.

Recommendations

Tighter linkages with state export promotion agencies will be established. These will include agreements to distribute packages of federal services that would allow the state to leverage their resources without duplicating programs available from the U.S. Government. Joint training programs and shared recruitment for foreign missions are also valuable for both parties to expand small business access to export information and services.

Federal and state partners should conduct joint strategy sessions to plan how best to reach out within their shared territory. These sessions could also be used to identify changing trends within the state and opportunities for joint efforts such as trade missions and educational programs.

Enhanced training for state, local, and other trade partners. There should be agreements to offer cross-training so that state and local trade promotion agencies are well-versed in the full range of federal service. Small Business Development Center (SBDC) staff should be trained in the core services offered by CS, SBA, and the Export-Import Bank of the United States (Ex-Im Bank) in order to facilitate SME referrals. Federal partners should also be trained to offer any unique state level programs that exist. Ex-Im Bank will augment its marketing and training materials to educate state partners through its City-State Program.

Export assistance information of the major Trade Promotion Coordinating Committee (TPCC) agencies should be integrated into unified marketing materials and outreach should be coordinated. While the agencies will maintain their own marketing materials, client-oriented marketing materials and presentations integrating the different services provided by the agencies should be developed. Export.gov could be at the center of a marketing piece presenting information by function (e.g., market entry, finance), rather than by agency. This marketing piece would serve as the one-stop tool for promoting what the U.S. Government can do for U.S. exporters. Boilerplate presentations could be developed for use by trade multipliers, including state agencies and SBDCs.

Since many agencies have overlapping clients, lead TPCC agencies should coordinate on-line and off-line marketing and outreach efforts, including developing direct mail campaigns using the new marketing materials, writing articles for publications and the Web, creating advertisements, and exhibiting at trade shows. For example, U.S. Government agencies are collaborating to promote cross-agency programs at targeted domestic trade shows, an especially effective venue for reaching potential exporters. The first "International Business Pavilion," a cooperative interagency effort including the Census Bureau's Foreign Trade Division, the Department of Commerce's Trade Information Center (TIC) and BuyUSA.gov program, Ex-Im Bank, SBA, and the National Association of Freight Forwarders, was held at the National Association of

Manufacturers trade show in March 2002. This concept will be used at several trade shows in FY 2002 and 2003, and should be expanded and continued with additional attention to creating a unified "corporate" look across the agencies.
Outreach to trade multipliers should also be coordinated. These efforts would support the objective of training state, local, and other trade partners so they are knowledgeable of U.S. Government export assistance programs and can refer their clients to the appropriate government agency.

Outreach through elected officials. Just as congressional offices serve as an entry point for constituents to access other government services, these offices can deliver seminars and make referrals to appropriate agencies when they have access to packages of information. USEAC personnel will work closely with local elected officials to jointly produce education and outreach programs tailored to the specific district, drawing on other local public and private sector resources. USEAC personnel will also distribute packages of federal services that would allow the state to leverage their resources without duplicating programs available from the U.S. Government. The unified federal government marketing materials would be a valuable resource for elected officials and their constituents.

Develop a "franchise" based on SBA's Export Trade Assistance Partnership (E-TAP) to expand education efforts to new-to-export companies. According to the TPCC survey, SMEs state that basic "how to export" information is the most important export assistance service to them. Such information presented in a series of seminars, combined with ongoing individual export counseling, is at the core of the E-TAP program, which is targeted to new-to-export companies. The TPCC is developing a survey to evaluate the effectiveness of the E-TAP program and to recommend program improvements to better meet the needs of the new-to-export companies. This program could be expanded to include participation by service providers such as SBDCs. With approximately 1,000 SBDC service centers nationwide, many have clients that are interested in exporting but are not doing so yet. The E-TAP could be a part of expanded trade outreach efforts by the SBDCs if export counseling was made a core element of their cooperative agreement with SBA. CS would play a supporting role in providing guidance for developing the E-TAP modules and speaking at training seminars. Other partners would include SBA, Ex-Im Bank, U.S. Department of Agriculture (USDA), world trade centers, and state and local trade agencies.

Develop an outreach strategy for intermediaries such as EMCs and shippers, including creating a searchable database of EMCs. EMCs play an important role in helping firms enter foreign markets by taking over the marketing of their products in foreign markets. The services of an EMC can be the ideal solution for firms that lack internal resources or the ability to develop those resources. Intermediaries use as many government services as do manufacturers, and they find government services to be approximately as useful as do their manufacturing colleagues. Shippers such as

Federal Express are playing an increasingly important role in exporting. Since intermediaries are major players in exporting, promotion and education should be extended to this group. In the TPCC survey, small and medium-sized exporters ranked shippers second to government sources in credit for their export success. One-fourth of SME exporters gave shippers credit, compared to one-third giving credit to all government sources. An on-line searchable database of U.S.EMCs will be established and a strategy developed to integrate these companies into U.S. Government outreach efforts.

TPCC agencies will integrate export control training by BIS and other agencies into their export seminars and presentations. Specialists from the field offices of these agencies or from Washington would be invited to discuss export control issues, critical infrastructure protection, and cyber security at TPCC agency trade promotion events.

TPCC Program Budget Authority

TPCC Program Budget Authority, Fiscal Years 2001–2003 (millions of dollars)

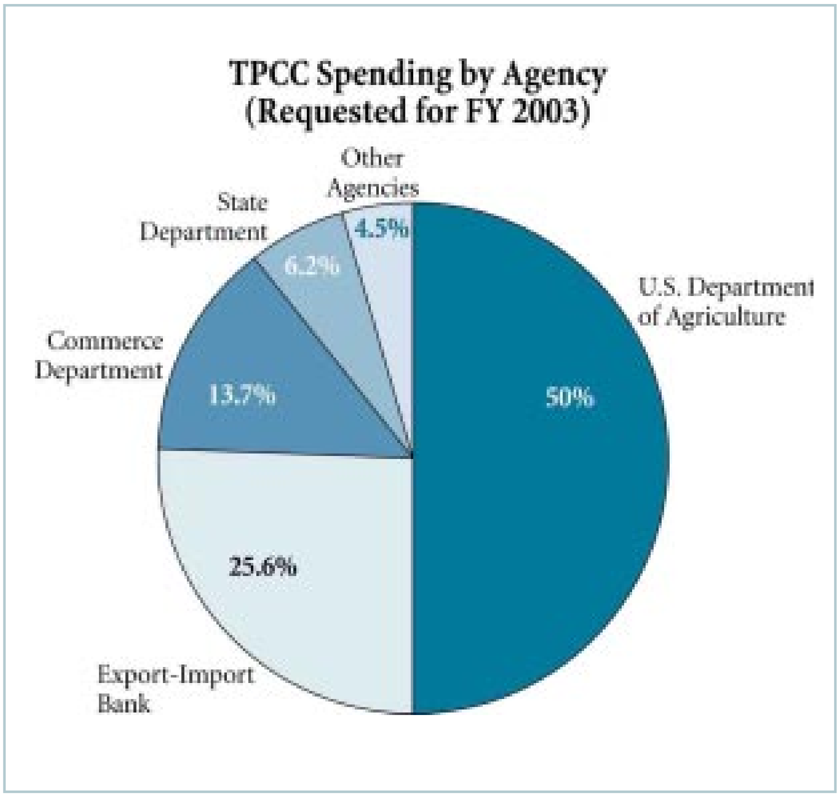
	2001 (Appropriated)	2002 (Estimate)	2003 (Budget)
Department of Agriculture	600	1,304	1,172
Department of Commerce	292	301	320
Department of Energy	8	5	9
Department of Labor	1	1	1
Department of State	129	127	146
Department of Transportation	0	0	0
Department of Treasury	2	2	2
Agency for International Development	0	0	0
Environmental Protection Agency	0	0	0
Export-Import Bank	1,010	765	599
Overseas Private Investment Corporation[a]	(205)	(250)	(227)
Small Business Administration	14	12	17
Trade and Development Agency	50	50	45
U.S. Trade Representative	30	30	32
Totals[a]	**2,135**	**2,597**	**2,342**

Notes:

a. Totals do not include the Overseas Private Investment Corporation.

Amounts may be restated in the future to reflect new data or definitions. Figures may include administrative expenses, transfers, or other adjustments.

Figures for the U.S. Agency for International Development (USAID) are not included in this table, as its activities support trade promotion indirectly through broad economic growth and reform, unlike other activities that more directly fund trade finance or promotion.


TPCC Spending by Agency
(Requested for FY 2003)
Other Agencies
4.5%
State Department
6.2%
U.S. Department of Agriculture
Commerce Department
13.7%
50%
25.6%
Export-Import Bank

List of Abbreviations

BIS – Bureau of Industry and Security
BTI – British Trade International
CCC Program – Commodity Credit Corporation Program
CS – U.S. Commercial Service
DECD – Department of Economic and Community Development
DREE – Direction des Relations Économiques Extérieures
ECA – export credit agency
ECGD – Export Credit Guarantee Department
EDC – Export Development Canada
EMC – export management company
E-TAP – Export Trade Assistance Partnership
FAS – Foreign Agricultural Service
FEED – front-end engineering and design
GDP – gross domestic product
JBIC – Japan Bank for International Cooperation
JETRO – Japan External Trade Organization
JICA – Japan International Cooperation Agency
KfW – Kreditanstalt für Wiederaufbau
MARAD – Maritime Administration
MDB – multilateral development bank
METI – Ministry of Economy, Trade, and Industry (Japan)
NAFTA – North American Free Trade Agreement
NSC – National Security Council
ODA – official developmental assistance
OECD – Organization for Economic Cooperation and Development
OMB – Office of Management and Budget
OPIC – Overseas Private Investment Corporation
SBA – Small Business Administration
SBDC – Small Business Development Center
SMEs – small and medium-sized enterprises
TACPF – Tied Aid Capital Projects Fund
TDA – U.S. Trade and Development Agency
TIC – Trade Information Center
TPCC – Trade Promotion Coordinating Committee
USAID – U.S. Agency for International Development
USDA – U.S. Department of Agriculture
USEAC – U.S. Export Assistance Center
USTR – Office of the U.S. Trade Representative