

GAO

Testimony

Before the Subcommittee on Tax, Finance, and Exports,  
Committee on Small Business, House of Representatives

For Release on Delivery  
Expected at  
2:00 p.m., EDT  
Thursday,  
September 9, 1999

EXPORT PROMOTION

U.S. Export Assistance  
Centers' Efforts to Support  
U.S. Businesses

Statement of Benjamin F. Nelson, Director, International  
Relations and Trade Issues, National Security and  
International Affairs Division



---

---

---

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the activities of the U.S. Export Assistance Centers—the so-called USEACs. As you well know, small businesses offer great potential for export growth. However, they also are likely to seek export assistance—particularly those that have never exported. Various federal agencies and public and private organizations provide a range of export assistance activities, from giving export counseling to supplying export finance. Research by GAO and others in the late 1980s and early 1990s found that export assistance at the federal level was fragmented among 10 different agencies. In response, USEACs were created to strengthen the delivery of export promotion programs by serving as “one-stop shops” that would provide information on all export promotion activities available to U.S. firms seeking assistance. There are currently 19 USEACs.

We have followed the development of the USEAC concept and have reported on early implementation issues. My testimony today will focus on our most recent report: *Export Promotion: U.S. Export Assistance Centers Seek to Improve Services* (GAO/NSIAD-99-180, June 25, 1999). Specifically, I will discuss our findings related to (1) USEAC agencies’ efforts to improve coordination among federal agencies and nonfederal export service providers and (2) the challenges USEAC agencies face in their efforts to better meet the needs of the business community—particularly firms that export services and firms that are not yet ready to export.

---

## Summary

Agencies participating in the USEACs are making joint calls on prospective clients and sharing information on clients and services, where appropriate. The USEACs have also pursued partnerships with nonfederal export-service providers, including state and local government, nonprofit, and for-profit organizations. In many cases, the USEAC agencies have co-located their staff in the same office suite or building with such nonfederal providers. For fiscal year 1998, nearly 20 percent of the “export actions” reported by USEAC trade specialists mentioned at least one partner as having participated in assisting a firm in exporting a product or service.

While coordination among the various entities has improved, USEACs face significant challenges in helping firms that export services. At a time when opportunities for service sector exports are growing, Commerce’s export promotion services are often unavailable or inappropriate for firms that

---

export services—as they were largely designed for firms that export goods. Certain USEACs have initiated creative approaches to addressing this issue. For example, one USEAC helped to stage a series of international video conferences through which U.S. architects could gain market intelligence and meet potential clients. USEACs are also helping groups of service exporters in the design services sector (including architectural, engineering, industrial, graphic, and new media design) and the education sector to form consortiums through which they can jointly pursue export business.

Some USEACs have also used a special partnership program developed by the Small Business Administration (SBA) to assist enterprises that are not yet ready to export. Under this program, USEACs organize federal and nonfederal export-service providers into consortiums that provide firms that are not ready to export with comprehensive export training tailored to the firms' needs. USEACs then offer intensive follow-up counseling to those firms that successfully complete the program. Some firms participating in this program have become customers for USEAC export promotion and finance services and, ultimately, exporters.

---

## Background

The Export Enhancement Act of 1992<sup>1</sup> sought to improve the delivery of federal export promotion services by, among other things, requiring the Trade Promotion Coordinating Committee (TPCC) to develop a National Export Strategy that would include transforming the Commerce Department's nationwide network of district offices into "one-stop shops." In response, the TPCC brought together Commerce, SBA, and the Export-Import Bank (Eximbank) staff as part of a nationwide network of export promotion service-delivery offices. By mid-1999, there were 19 USEACs—supported by 84 satellite offices. The satellite offices, which generally have one or two Commerce staff members, are placed closer to outlying business.

Through the USEAC network, the participating agencies seek to deliver a full range of nonagricultural export education, promotion, and finance services to U.S. firms. Commerce provides export promotion services largely to export-ready, small- to medium-sized firms. SBA provides export finance primarily in the form of export working capital guarantees. It also

---

<sup>1</sup>(Pub. L. 102-429, Oct. 21, 1992).

---

offers export education services, largely through two quasi-governmental programs, to small firms that are not ready to export. The Eximbank offers a broad range of financing to exporters. In providing export promotion services, participating agencies are expected not only to coordinate among themselves but also to coordinate with nonfederal export-service providers, such as state agencies and world trade centers.

---

## USEAC Agencies Improve Coordination

In an effort to improve service delivery, USEAC agencies have taken steps to better coordinate their activities. For instance, they have encouraged USEAC staff from the different agencies to make “joint counseling” calls on clients. When joint calling might not be appropriate, USEAC staff shared information and referred clients to each other.

In 1996, we recommended that the USEACs establish a customer tracking system that would contain information on clients and services provided to them. During our recent work, we found that Commerce has introduced its new Client Management System (CMS) to the USEAC network. CMS may have the potential to serve as a USEAC-wide client tracking system that could be shared by all participating agencies. For example, access to a common database on clients could help participating agencies better target their services to client needs. SBA is currently working with Commerce to adapt the CMS system to meet its needs and is training its USEAC staff to use it. The Eximbank also is considering introducing a client tracking system that would be compatible with Commerce’s CMS.

All USEACs also coordinate at least some of their export service activities with nonfederal export-service providers. For example, USEAC staff make presentations at trade seminars sponsored by nonfederal organizations, enter into formal memorandums of understanding with nonfederal export-service providers, or participate on a partner’s board of directors. Coordination may also take the form of co-location of USEAC staff in the same building or office space with nonfederal export-service providers. According to Commerce officials, about 75 percent of all USEACs and satellite offices are co-located with nonfederal partners. For example, the Portland, OR, USEAC is located in a World Trade Center with several state export promotion agencies and a nonprofit export-service organization. At the Atlanta, GA, USEAC, some staff from the Georgia Department of Industry, Trade, and Tourism actually work in the USEAC. Staff roles have been allocated so as to avoid duplication, and staff from both the USEAC and the state agency have access to each other’s client tracking systems. According to the Atlanta USEAC Director, this arrangement has permitted

---

the participating federal agencies to leverage their staff and extend their reach into the export community.

The level of coordination is reflected in the number of joint efforts. For fiscal year 1998, nearly 20 percent of the “export actions”<sup>2</sup> reported by trade specialists at the USEACs through the CMS system mentioned at least one partner as having participated in assisting the client. Over 6.7 percent of the export actions involved assistance by another federal agency, such as SBA and the Eximbank, as well as the Agency for International Development, the U.S. Department of Agriculture’s Foreign Agricultural Service, and the Trade Development Agency. Over 14 percent of the export actions for fiscal year 1998 mentioned nonfederal partners as having also contributed to the export. These included a wide variety of state, local, quasi-governmental, and nonprofit organizations.

---

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

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

Commerce, as part of a wider-ranging effort to strengthen assistance provided to exporters, formed an inter-USEAC Services Team to focus on the needs of service exporters.<sup>3</sup> In fiscal year 1998, about 10 percent of the export actions submitted by Commerce staff at the USEACs were in support of service exporters. The Services Team, which is organized into

---

<sup>2</sup>Commerce has been using export actions as a measure of USEAC activity for about 3 years. Trade specialists submit export action reports when they believe their assistance has directly contributed to a firm’s export sale of at least \$1,000. Export actions are not a precise measure, however, since not all firms are willing to share the necessary information regarding their export sales.

<sup>3</sup>The Services Team is comprised of Commerce Trade Specialists from the Long Beach, CA, and Seattle, WA, USEACs; USEAC satellite offices, including those in Anchorage, AK; Honolulu, HI; Inland Empire, CA; Monterey, CA; Newport Beach, CA; Orange County, CA; Reno, NV; and San Francisco, CA; and overseas posts, including those in Buenos Aires, Argentina; and Ontario, Canada.

---

several industry-focused subteams,<sup>4</sup> found that service exporters sometimes have difficulty using Commerce's export promotion programs. These programs were largely designed for firms that export goods and are often unavailable or inappropriate for firms that export services. For example, service exporters have experienced difficulty using Commerce's Agent/Distributor Service program. This program, which U.S. manufacturing firms typically use to locate overseas agents or distributors, can be inappropriate for service firms, which might want to use it to identify individuals interested in licensing a patent or participating in a franchise.

In connection with their participation on the Services Team, Commerce staff at several USEACs we visited have employed innovative approaches to assisting firms that export services. For example, the USEAC satellite office in San Francisco is working with a consortium of firms in the design services industry (including architectural, engineering, industrial, graphic, and new media design) to develop a strategy to promote these firms' exports. Under such a strategy, firms can pool resources to create more effective marketing tools and take advantage of the enhanced visibility that the consortium achieves through its own brand name and its partnership with large, brand-name corporations. The San Francisco satellite office, in cooperation with the American Institute of Architects, has also initiated a series of international videoconferences through which U.S. architects can gain market intelligence and give presentations to potential clients.

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

---

<sup>4</sup>Subteams include design services; training, consulting, and education; franchising; professional services; transportation; and travel and tourism.

---

---

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

Beginning with its 1994 National Export Strategy, the TPCC has consistently characterized the USEACs as a key element in federal efforts to assist small- to medium-sized exporters and firms interested in exporting. Firms seeking USEAC assistance vary considerably in their ability to export. Commerce staff have traditionally focused on firms that are ready to export, and SBA and Eximbank staff provide export financing to firms that already have potential deals. As a result, most USEACs do not work directly with small- to medium-sized enterprises that are not ready to export but show potential. According to USEAC directors, bringing these firms to the point where they are export ready can be very labor-intensive and time-consuming. In such cases, the USEACs generally refer such firms to SBA-affiliated education programs or to nonfederal export-service providers with similar programs.

To better serve firms that are not ready to export but show potential, SBA has encouraged the USEACs to adopt a program called the Export-Trade Assistance Partnership (E-TAP). This program provides a structured mechanism for supplying such firms with comprehensive information on how to export and follow-up export promotion assistance. While this program was first developed by the SBA District Office prior to the creation of the USEAC network, the Seattle USEAC has adopted it as a primary program for assisting firms that are not ready to export. In addition, two other USEACs have had several years of experience with the E-TAP program, and seven others have recently used the program on one or two occasions.

While E-TAP programs may differ from location to location, they all involve three essential steps. First, the USEAC identifies not-ready-to-export clients with the greatest potential to export and encourages them to apply for the E-TAP program. Second, the USEAC forms a consortium of federal and nonfederal export-service providers who present comprehensive, in-classroom training on export matters to these preselected firms. Third, the USEAC staff provides one-on-one follow-up assistance to those firms that complete the training and decide to become involved in exporting. Firms pay a fee to participate in the program. Any firms successfully completing the program may apply a large portion of that fee to obtain a Commerce Department export promotion service. For example, the Seattle USEAC presented an E-TAP program that permitted firms to apply as much as \$200 of the \$385 registration fee to obtain a Commerce service. Firms completing the program also may be encouraged to participate in an overseas trade mission, during which they would meet prospective

---

customers and possibly make sales. An E-TAP program can be industry specific or presented to firms from several industries.

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

---

Mr. Chairman, and Members of the Subcommittee, this concludes my prepared statement. I will be happy to answer any questions you may have.

---

## Contact and Acknowledgments

For future contacts regarding this testimony, please call Benjamin F. Nelson at (202) 512-4128. Individuals making key contributions to this testimony included John Hutton and Joseph Natalicchio.

---

### **Ordering Information**

**The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary, VISA and MasterCard credit cards are accepted, also.**

**Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 37050  
Washington, DC 20013**

**or visit:**

**Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC**

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

**Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.**

**For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:**

**[info@www.gao.gov](mailto:info@www.gao.gov)**

**or visit GAO's World Wide Web Home Page at:**

**<http://www.gao.gov>**

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---

<p><b>Bulk Rate Postage &amp; Fees Paid GAO Permit No. GI00</b></p>
---

