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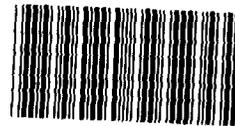
GAO

Report to the Chairman, Subcommittee
on Government Information, Justice,
and Agriculture, Committee on
Government Operations, House of
Representatives

January 1992

INTERNATIONAL TRADE

Agricultural Trade Offices' Role in Promoting U.S. Exports Is Unclear



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United States
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Washington, D.C. 20548

National Security and
International Affairs Division

B-246627

January 16, 1992

The Honorable Bob Wise
Chairman, Subcommittee on Government
Information, Justice, and Agriculture
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

As requested, we have reviewed the U. S. Department of Agriculture's worldwide network of agricultural trade offices. Our review focused on the activities performed by these offices in carrying out their market development mission, the criteria used to select trade office sites, Agriculture's efforts to evaluate the effectiveness of trade office activities, and the adequacy of program management and operations.

We plan no further distribution of this report until 30 days from its issue date unless you publicly announce its contents earlier. At that time, we will send copies to the Secretary of Agriculture and other interested parties. Copies will also be made available to others on request.

Please contact me on (202) 275-4812 if you or your staff have any questions concerning this report. The major contributors to this report are listed in appendix III.

Sincerely yours,

Allan I. Mendelowitz, Director
International Trade, Energy,
and Finance Issues

Executive Summary

Purpose

The U.S. Department of Agriculture's Foreign Agricultural Service operates a network of 13 agricultural trade offices worldwide at an annual operating cost of \$4.7 million. Congress has authorized Agriculture to open up to 25 trade offices to place more emphasis on market development overseas. In light of the changing world trade environment and the need for these offices to have maximum impact, the Chairman of the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, requested that GAO determine the kinds of activities performed by these offices, assess the criteria used to select sites, evaluate how well agricultural trade offices are carrying out their market development mission, and identify any operational and management improvements needed.

Background

Since its inception in 1953, the Department of Agriculture's Foreign Agricultural Service has had a mission to expand foreign markets for U.S. agricultural commodities through commodity reporting, trade policy work and representation, and market development. Until the establishment of agricultural trade offices in 1978, agricultural attaches were responsible for carrying out this mission. The 1970s saw significant growth in U.S. agricultural trade. Acknowledging the importance of agricultural exports to the overall U.S. balance of trade and the economy, Congress enacted the Agricultural Trade Act of 1978, which authorized establishing at least 6 and no more than 25 agricultural trade offices to focus more attention on market development.

Legislative history indicates that these offices were to act as catalysts for an aggressive export promotion effort to develop markets, provide services and facilities for foreign buyers and U.S. trade representatives, and consolidate export development activities carried out by private, nonprofit agricultural trade organizations participating in the Cooperator Market Development program. The legislative history also indicates that Agriculture should locate the trade offices off embassy grounds to eliminate cumbersome security procedures for foreign visitors. The act mandated that agricultural trade offices maintain facilities for use by foreign buyers and U.S. trade representatives. Agriculture in turn encouraged cooperators to co-locate their overseas offices in the same leased facilities as the agricultural trade offices.

During the 1980s, two distinct markets for agricultural exports emerged—markets for bulk commodities and for high-value products.

Congress passed legislation in 1985 that enabled Agriculture to undertake a major market development effort for high-value products. As a consequence, agricultural trade office responsibilities expanded.

Results in Brief

Agricultural trade offices generally conduct the type of market development activities specified in the 1978 legislation, including overseeing cooperator activities, providing trade services, and supporting export assistance programs. Many of these activities are also carried out by attache posts, but trade offices generally devote more of their total time to market development activities. According to Agriculture, 6 of the 13 worldwide trade offices function as "de facto" attache posts and assume responsibility for traditional attache activities, such as commodity reporting and trade policy work.

The 13 agricultural trade offices are located in very diverse markets worldwide, including those in South America, Western Europe, Africa, the Middle East, and Asia. At the time of our review, Agriculture was considering opening three new trade offices and redesignating two attache posts as trade offices. Since 1978 Agriculture has opened trade offices without consistently using specific site selection criteria. In most cases, documentation of decisions on where to locate these offices is no longer available. As a result, Agriculture cannot readily demonstrate that existing or proposed trade offices are in the best locations for maximizing market development opportunities for U.S. products.

While the agricultural trade offices GAO visited were focusing on market development as prescribed in the Agricultural Trade Act of 1978, GAO was not able to assess the overall effectiveness of these trade offices. Agriculture has not defined the role of its trade offices as part of an overall market development strategy nor has it established benchmarks by which to gauge the effectiveness of trade offices. Agriculture has made little effort to evaluate how well agricultural trade offices are carrying out the organization's mission. The Department also lacks an overall vision of how these offices can enhance U.S. agricultural competitiveness.

Congress recognized the importance of an overall market development strategy, and in the Food, Agriculture, Conservation, and Trade Act of 1990 mandated that Agriculture develop one by October 1991. Agriculture is still developing such a strategy, and officials attribute the delay to lack of prior experience in devising a long-term strategy. In completing the long-term strategy, Agriculture will have the opportunity to

identify the optimum approach for promoting U.S. agricultural products overseas, to determine how the agricultural trade offices fit into that strategy, and to strengthen its market development focus through operational and managerial changes.

Principal Findings

Agricultural Trade Offices Focus on Market Development

GAO found that these offices oversee cooperator activities, facilitate U.S. participation in trade exhibits and other promotional functions, and provide trade services to foreign buyers and U.S. sellers. The agricultural attaches GAO visited carried out the same types of market development activities as the trade offices GAO visited, but the trade offices devoted more time to them. However, 6 of the 13 trade offices are Agriculture's sole representative in country and were identified by Agriculture as "de facto" attache posts. Three of these six trade offices and the two trade offices in China spend less than half of their time on market development because of commodity reporting and trade policy responsibilities.

Site Selection Criteria Are Not Consistently Applied

As of October 1991, 13 agricultural trade offices were located in widely varied markets overseas, including those with limited market potential. Much of the documentation for Agriculture's decisions to establish trade offices is no longer available. Agriculture officials said that factors such as a critical mass of market activity, market potential, the need to facilitate a U.S. trade presence, and expediency were considered when making a site selection. These factors are so broad that Agriculture can justify placing an office almost anywhere in the world. Agriculture established specific criteria and methodology to select six initial trade office sites in 1979 and 1980. However, there is no indication that these criteria and methodology were used in selecting sites since 1980 or in developing proposals for sites currently under consideration.

Overall Trade Office Effectiveness Cannot Be Assessed

The overall effectiveness of agricultural trade offices cannot be assessed because Agriculture has not devised a long-range market development strategy for promoting U.S. agricultural exports nor has it determined how trade office activities will contribute to that strategy.

Agriculture's Management of Trade Offices Is Inadequate

Agriculture only evaluates individual staff performance and projects carried out by trade offices. While this information enables Agriculture to comment on the success of individual events or services, it does not address the relative value of the various activities or the effectiveness of overall trade office operations. As a result little feedback can be given to agricultural trade offices on which activities are most effective in meeting long-range goals and objectives.

In its 1981 evaluation, Agriculture found that the highest ranking factor in determining the effectiveness of an agricultural trade office was the caliber of the personnel placed there. GAO's review further supports this finding. Agriculture does not have a core curriculum devoted to market development nor is there an opportunity for trade office directors to share marketing ideas with each other. Moreover, according to trade office directors and cooperators, Agriculture's 4-year rotation cycle for trade office directors is not long enough to become familiar with the market, establish a rapport with local trade representatives, and effectively implement a marketing strategy.

Recommendations

GAO recommends that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to take the following actions:

- Review the criteria and methodology presented in the 1979 impact analysis statement and develop written criteria and a methodology for evaluating current and proposed agricultural trade offices.
- Complete the required long-term agricultural trade strategy as soon as possible. Agriculture should consult with the Department of Commerce about its strategic review as well as solicit input from overseas staff and trade representatives.
- Define the role and activities of agricultural trade offices in this strategy and in Agriculture's market development mission.
- Establish benchmarks to evaluate the effectiveness of agricultural trade offices in implementing Agriculture's market development programs.
- Establish specialized market development courses and annual marketing conferences and reassess the length of overseas assignments.

Agency Comments

As requested, GAO did not obtain formal agency comments on this report. However, officials at the Foreign Agricultural Service reviewed a draft of the report, and their comments have been incorporated.

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Abbreviations

ATO	Agricultural Trade Office
EC	European Community
FAS	Foreign Agricultural Service
MPP	Market Promotion Program
TEA	Targeted Export Assistance program
US&FCS	U.S. and Foreign Commercial Service, Department of Commerce

Introduction

The value of U.S. agricultural exports increased significantly during the 1970s, partially offsetting the U.S.' nonagricultural trade deficit.

Acknowledging the positive contributions of agricultural exports to the U.S. balance of trade, Congress passed the Agricultural Trade Act of 1978. The act established agricultural trade offices (ATO) to expand, develop, and maintain overseas markets for U.S. agricultural products. Responsibility for establishing and maintaining these offices lies with the U.S. Department of Agriculture's Foreign Agricultural Service (FAS). As of August 1991, 13 offices were located worldwide, administering \$2.83 billion of Agriculture's market development and export assistance programs.

Also in the 1970s two distinct markets for agricultural exports emerged—markets for high-value products¹ and for bulk commodities.² By 1985 consumer-oriented high-value products represented 47 percent of worldwide agricultural exports, whereas U.S. consumer-oriented high-value products represented only 16 percent of U.S. agricultural exports. In 1985 and again in 1990 Congress passed legislation that encouraged market development³ of high-value products. In 1990 FAS recognized ATOs as part of its efforts to develop markets for high-value products.

U.S. Agricultural Exports in the 1970s Helped the U.S. Trade Balance

The 1970s were a period of significant growth in agricultural trade for the United States. The value of U.S. agricultural exports rose sharply from \$5.8 billion in 1969 to \$27.3 billion in 1978. Developing countries fueled a large increase in global food imports due to (1) strong economic growth resulting from increased currency earnings from exports and (2) massive lending programs from international banks. Also, the declining value of the U.S. dollar lowered food costs for many importing countries, leading to increased U.S. agricultural exports to those countries.

As a result of this rise in exports, the U.S.' agricultural trade surplus made a positive contribution to the U.S.' balance of trade, offsetting the U.S.' trade deficit in the nonagricultural sector. As shown in figure 1.1,

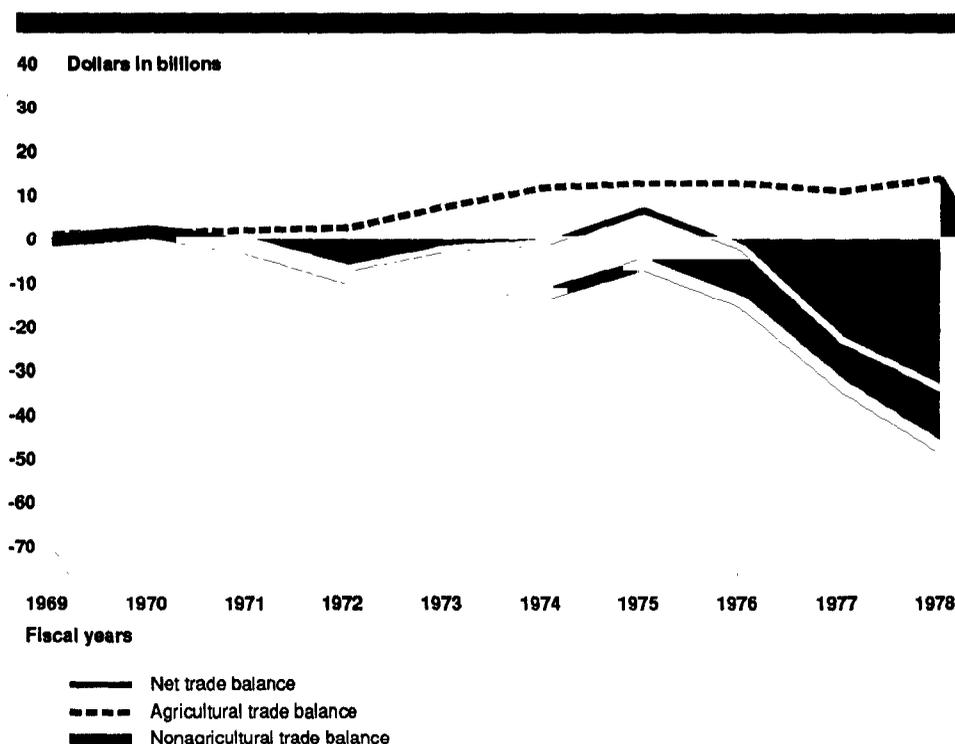
¹ High-value products include intermediate and semiprocessed products (e.g., wheat flour and vegetable oil), unprocessed consumer-oriented products (e.g., fresh fruits and nuts), and highly processed consumer-oriented products (e.g., milk and chocolate).

² Bulk commodities are products that are free from processing (e.g., wheat, rice, and corn).

³ Market development programs contribute to, but are not solely responsible for, expanding sales to specific markets.

the agricultural trade surplus increased from \$9 million in 1969 to \$13.4 billion in 1978. During this same period, deficits in the nonagricultural trade sector increased from \$700 million to \$47.8 billion.

Figure 1.1: Value of U.S. Foreign Trade Balance, 1969-1978



Source: GAO analysis of FAS data.

Why Congress Created Agricultural Trade Offices

Recognizing the importance of agricultural exports to the overall U.S. economy, Congress enacted the Agricultural Trade Act of 1978. One of the act's provisions directed the Secretary of Agriculture to establish not less than 6 nor more than 25 ATOs to reduce the fragmentation of U.S. market promotion activities overseas and to supplement the efforts of agricultural attaches⁴ to develop, expand, and maintain international markets for U.S. agricultural commodities. Even though Agriculture had already opened a trade office in London and targeted other prospective sites, Congress wanted to ensure that Agriculture would establish these

⁴ The Agricultural Trade Development and Assistance Act of 1954 authorized Agriculture to assign agricultural attaches overseas to promote U.S. agricultural products. In this report, agricultural attaches refer to all FAS overseas staff except ATO directors and assistants, including counselors, attaches, and officers.

additional ATOs. Agriculture officials told us, however, that they received no additional resources to establish these ATOs.

The 1978 act specified that ATOs should

- increase the effectiveness of agricultural export promotion by consolidating activities and providing services for foreign buyers and U.S. sellers;
- establish goals by country/region and commodity for market development;
- initiate programs to achieve these goals;
- maintain facilities for use by cooperators,⁵ trade groups, and others involved in the import and export of agricultural commodities;
- develop, maintain, and make available a current listing of trade, government, and other appropriate organizations for each commodity area;
- provide assistance for trade exhibits and other promotional functions;
- provide assistance for export credit sales and export incentive programs;
- supervise project agreements with cooperators;
- publicize the services offered by the trade office; and
- perform any other functions that the Secretary of Agriculture deems necessary.

The Foreign Agricultural Service, Agriculture's lead agency in dealing with foreign countries on agricultural matters, manages the ATOs in addition to the attache posts overseas. Within FAS, ATO oversight is largely the responsibility of the Assistant Administrator, Commodity and Marketing Programs. The High Value Products Services Division, an entity within the Commodity and Marketing Programs unit, serves as the focal point for ATO management.

As of August 1991, 13 ATOs⁶ were covering market development activities in 34 countries at an annual operating cost of approximately

⁵ Cooperators are nonprofit commodity groups representing producers, farmers, and farm-related interests or trade associations. Cooperators conduct market development activities, most of which are carried out in foreign countries. Some activities, such as trade shows or production facility tours, are conducted in the United States. Activities generally are not designed to make sales but to achieve long-term market access to foreign countries.

⁶ Operations at one of these offices—Baghdad, Iraq—were suspended in August 1990 because of the 1991 Persian Gulf War.

\$4.8 million.⁷ Appendix I shows each ATO location and the region for which it has market development responsibility.

Agricultural trade offices are managed by ATO directors, who are either FAS foreign service officers or contract employees.⁸ A typical ATO is staffed with an American director, in some cases an American assistant, and two to three foreign nationals.

Legislation in 1985 and 1990 Added Emphasis to Market Development

Two distinct markets for agricultural products were emerging when ATOS were established—a market for high-value products and one for bulk commodities. During the 1980s world trade in consumer-oriented high-value products grew 56 percent from 1980 to 1989, or \$53.4 billion, compared with 0.5 percent, or \$300 million, for bulk commodities. High-value products are important because they are associated with increased levels of employment, gross economic output, and government tax revenues. In the early 1980s the United States lagged behind other competitors in exporting consumer-oriented high-value products. The European Community and other developed nations captured a large share of the expanding high-value products market.

To ease the effects of foreign unfair trade practices⁹ and to help stem the decline in agricultural exports, Congress established the Targeted Export Assistance (TEA) program in 1985. The TEA program was modeled after Agriculture's Cooperator program, which provided funding for activities (e.g., trade servicing,¹⁰ consumer promotion, and technical assistance) that promote U.S. agricultural exports. The TEA program was limited to commodities that had been adversely affected by unfair foreign trade practices. TEA program participants included private, nonprofit agricultural trade organizations (i.e., cooperators), state-related organizations, and private, profit-oriented U.S. firms. Congress set program levels of \$110 million annually for fiscal years 1986

⁷ Appendix II contains the fiscal year 1990 operational costs for each ATO.

⁸ In 1978 Congress authorized Agriculture to appoint trade office directors on a temporary basis from outside the Agency. These officers are called "contract employees." As of August 1991, 2 of the 13 ATO directors were contract employees.

⁹ Unfair trade practices include any act, policy, or practice of a foreign government that violates an international agreement or is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce.

¹⁰ Trade servicing activities focus on influencing foreign import, distribution, and marketing of an agricultural commodity.

through 1988 and \$200 million annually for fiscal years 1989 to 1990 under the TEA program.

In 1990 Congress passed the Food, Agriculture, Conservation, and Trade Act to increase opportunities for U.S. agricultural exports. The act required Agriculture to establish a long-term agricultural trade strategy, including trade goals for the export of high-value products. Under this legislation, the Market Promotion Program (MPP) replaced the TEA program, and coverage was expanded to include all commodities, not just those subject to unfair trade practices. Congress authorized MPP funding of \$200 million annually for fiscal years 1991 to 1995. ATO directors are responsible for overseeing market development activities funded under MPP, and the TEA and Cooperator programs.

Agricultural Trade Office Staff Facilitate Agricultural Export Programs

In addition to overseeing market development program activities funded through Agriculture's MPP, and TEA and Cooperator programs, ATO directors also facilitate Agriculture's other export assistance programs¹¹ and manage activities outlined in annual marketing plans¹² and funded by FAS. Table 1.1 shows the amount of fiscal year 1989 and 1990 program funds for these activities in countries with ATOs.

¹¹ These programs include the Export Enhancement Program and the Food for Peace (P.L. 480) and Export Credit Guarantee programs (GSM-102/103).

¹² The annual marketing plan describes the market in the ATO's territory and the activities planned for the following budget year.

Table 1.1: Funding for Agricultural Trade Programs in Countries With Agricultural Trade Offices

Dollars in millions

Country/region	Cooperator program ^a	Targeted Export Assistance program ^a	Other export assistance programs ^b	Annual marketing plans ^c
Algeria	\$0.41	\$1.36	\$798.80	\$0.01
Bahrain	0.30	1.36	4.60	0.22
China ^d	1.61	0.04	49.10	0.03
Germany	1.23	11.36	0	0.28
Iraq	0.35	0.48	636.00	^e
Japan	3.88	49.09	0	1.43
Saudi Arabia	0.39	2.79	65.40	0.06
Singapore	0.55	2.15	0.50	0.35
South Korea	1.70	7.05	528.60	0.08
Tunisia	0.40	0.09	80.40	^e
United Kingdom	1.35	18.07	0	0.32
Venezuela	0.67	0.25	85.10	0.05
Total	\$12.84	\$94.09	\$2,248.50	\$2.83

^aFigures are for fiscal year 1989.

^bExport assistance programs include the Export Enhancement Program and the Food for Peace (P.L. 480) and Export Credit Guarantee programs (GSM-102/103). Figures are for fiscal year 1990.

^cFigures are for fiscal year 1990.

^dThe Beijing and Guangzhou agricultural trade offices are located in China.

^eThe annual marketing plan budget for both Iraq and Tunisia was \$500.

Source: GAO analysis of FAS data.

Objectives, Scope, and Methodology

Agriculture is authorized to open up to 25 ATOS overseas and plans to open additional offices in response to growing agricultural trade opportunities. In light of the proposed expansion and the need for current offices to have maximum impact, the Chairman of the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, requested that we review the kinds of activities performed by these offices, assess the criteria used to select sites, evaluate how well ATOS are carrying out their market development mission, and identify any operational and management improvements needed.

In response to the Subcommittee's request, we visited five ATOS—Caracas, Hamburg, London, Singapore, and Tokyo. We also visited attache posts where ATOS are not located in-country to determine whether their market development programs are similar to those conducted by ATOS. These posts included Brussels, Hong Kong, Madrid,

Mexico City, Milan, Paris, and the American Institute in Taiwan.¹³ At these locations we interviewed ATO directors, agricultural counselors and attaches, Department of Commerce attaches, cooperators, importers, representatives of public relations firms, marketing consultants, foreign government officials, and foreign nationals working at ATOs and attache posts. We also obtained and reviewed documents at these locations. We did not visit ATOs in Africa and the Middle East because of the 1991 Persian Gulf War. These ATOs typically spend more time on commodity reporting, less time on market development, and tend to focus more time on promoting bulk commodities.

We interviewed FAS headquarters officials responsible for the management and oversight of the ATO and attache programs and reviewed agency documents. We also attended the U.S. Agricultural Export Development Council's 1990 Cooperator Conference in Baltimore and interviewed representatives of cooperator market development groups to discuss ATO services. In addition, we analyzed documents relevant to ATO market development activities (e.g., ATO monthly reports, annual marketing plans, annual work plans, work factor reports, and visitor logs).

We were only able to obtain cost estimates for opening the Tokyo ATO—cost information on opening the other ATOs was not easily obtainable from FAS and would have required a major effort to reconstruct from archived information. Therefore, we did not pursue the issue. We did, however, obtain annual operating costs from the FAS Office of Budget and Finance.

We conducted our work between November 1990 and August 1991 in accordance with generally accepted government auditing standards.

As requested, we did not seek formal agency comments on this report. However, officials at the Foreign Agricultural Service reviewed our draft, and their comments were incorporated where appropriate.

¹³ Agricultural officers appointed by FAS to represent U.S. interests in Taiwan terminate their employment with FAS for the duration of their assignment because the United States does not recognize Taiwan diplomatically. In discussing the agricultural office in Taiwan in this report, we will refer to it as an attache post.

Agricultural Trade Offices Increase the Focus on Market Development

The Agricultural Trade Act of 1978 established ATOs to develop, maintain, and expand international markets for U.S. agricultural commodities. Before 1978 agricultural attaches were the only Agriculture representatives carrying out market development activities overseas. Because agricultural attaches faced competing demands on their time from trade policy work and commodity reporting, they had limited time available for market development activities.

The ATOs we visited generally differed from attache posts by (1) spending a larger percentage of their work hours on market development activities such as cooperator oversight and trade servicing and (2) providing facilities unavailable at most attache posts (e.g., kitchen facilities and conference rooms). Even though the ATOs we visited focused on market development, ATO activities worldwide were not explicitly distinct from those of agricultural attache posts. For example, in an August 1990 report,¹⁴ FAS identified 6 of its 13 ATOs as “de facto” agricultural attache posts whose primary mission was not only market development but also commodity reporting.

Market Development Activities

ATO directors oversee cooperator activities funded by a number of FAS market development programs, such as the MPP and the TEA and Cooperator programs. They also carry out activities (e.g., consumer promotions and trade shows) that are funded under annual marketing plans, and they provide trade services. In some countries, particularly in those without other FAS representation (e.g., Tunisia and Saudi Arabia), ATO staff also prepare commodity reports and implement trade policy and representation activities.

At the five ATOs we visited, we found ATO activities were generally consistent with the functions prescribed in the legislation (e.g., supervising cooperator activities, providing assistance for trade exhibits and other promotional functions, and providing services to foreign buyers and U.S. sellers). Agriculture officials, cooperator representatives, and other users of ATO services were generally very positive about ATO services. They considered the ATO to be a focal point for market development activities.

¹⁴ U.S. Agricultural Trade Offices, Summary of Current Operations and Future Prospects, U.S. Department of Agriculture, Foreign Agricultural Service (Washington, D.C.: Aug. 1990).

Trade Offices Oversee Cooperator Activities

ATO staff review and comment on cooperators' annual marketing plans;¹⁵ facilitate cooperator-sponsored activities (e.g., seminars and consumer promotions); and provide facilities, market information, and administrative support to resident and nonresident cooperators.¹⁶ One ATO director said part of the ATO's job is to challenge cooperators to be innovative in their approach to market development, especially those cooperators who tend to run the same programs year after year.

ATO staff often take the lead in coordinating activities involving several cooperators, such as setting up seminars, helping devise consumer promotions, and facilitating participation in trade shows. Cooperators and retailers said the multicooperator activities, such as American food promotions and American menu promotions in restaurants, are best conducted with ATO assistance, because the retailer or hotel representative can meet with one official from the ATO rather than with each individual cooperator. Cooperators we interviewed especially appreciated the U.S. government presence at these events, stating that it added credibility and prestige.

The number of cooperators conducting activities in countries we visited ranged from 16 in Venezuela to 52 in Japan in fiscal year 1991. The importance of ATO oversight of cooperator activities increased dramatically when the TEA program began in fiscal year 1985. Expenditures for cooperator activities rose significantly, from \$25.2 million under the Cooperator program in fiscal year 1984 to \$145.9 million under the Cooperator and TEA programs in fiscal year 1989. According to the Tokyo ATO Director, cooperator activities in Japan probably doubled as a result of the TEA program.

Trade Offices Also Carry Out Their Own Market Development Activities

ATO directors manage market development projects that are included in their annual marketing plans and approved by FAS headquarters. According to FAS officials, these projects complement market development activities undertaken by cooperators. Some of these activities, such as participation in international trade shows, are done at the direction of FAS headquarters, while others are self-initiated by the ATO. These activities include organizing local and international trade shows,

¹⁵ These plans describe the market development activities that cooperators plan to undertake in a given market. FAS headquarters staff approve plans, although they solicit comments from ATOs and attache posts. In approving the plans, FAS authorizes the use of its program funds for these activities.

¹⁶ Resident cooperators have overseas offices or representatives in the same country as the ATO. Nonresident cooperators do not have overseas offices or representatives in the same country as the ATO but conduct activities under the MPP or Cooperator program in that country.

designing consumer promotion activities, and initiating public relations campaign themes to increase U.S. visibility overseas. Some of these efforts involved the following actions:

- ATOs in London, Hamburg, and Tokyo organized U.S. pavilions at major international trade shows in their respective countries.
- The Singapore ATO staff designed a traveling food show to introduce U.S. products to foreign manufacturers, distributors, and retailers. They also created "Planning for Profits" seminars in which professors from a prestigious U.S. hotel and restaurant management school discussed food and beverage management.
- The Tokyo ATO designed a new logo for promoting "Great American Food" that was well received at an international trade show.
- The London ATO produced 48 commodity market studies, called "Businessmen's Guides," which describe the market potential for each commodity and how to enter the market.

According to ATO directors and cooperators, the primary beneficiaries of ATO services are (1) nonresident trade representatives who rely on ATOS to assist with trade servicing, (2) new-to-market¹⁷ firms and smaller cooperators who need ATO staff to help them become established in the market, and (3) trade representatives who market high-value products. Bulk commodity cooperators (e.g., the American Soybean Association, U.S. Wheat Associates, and the U.S. Feed Grains Council), while supportive of the ATOS, said that ATOS are less useful to them because (1) they are already established in the market and (2) ATO staff cannot provide the necessary technical expertise.

Trade Servicing

ATO staff service the trade by facilitating trade contacts, answering inquiries, providing a broad market overview, and maintaining a buyer/seller data base. Cooperators and foreign firms we interviewed said the ATO staff helped them identify appropriate contacts to facilitate trade. ATO staff also prepare U.S. exporters to trade in foreign markets by providing an overview of the market from an American perspective. Cooperator executives said that this perspective is important to their market development activities because it complements the commodity-specific perspective of the local cooperator representatives.

¹⁷ New-to-market firms have previous exporting experience, but have little or no experience in exporting their products to a given market.

ATOs also assist U.S. suppliers by providing conference rooms, seminar rooms, demonstration kitchens, trade libraries, and visitor office space at little or no cost. Agriculture officials and cooperators in Japan said the seminar room at the Tokyo ATO was invaluable for market development, given the high cost of renting comparable facilities in Tokyo. The Tokyo ATO estimated that about \$5.1 million in sales resulted from U.S. exporters' and cooperators' activities in the ATO seminar room. In addition to providing facilities, ATOs maintain data on buyers and sellers and provide trade leads to local buyers and U.S. exporters under Agriculture's Agricultural Information and Marketing Service. In Caracas the ATO Director reported that providing these services is one of his most important activities.

ATOs and Promotion of High-Value Products

Agriculture has not evaluated whether the types of services provided by ATOs are better suited for high-value products or bulk commodities, although FAS directed its High Value Product Services Division to serve as the focal point for ATO management. High-value products typically require a more aggressive marketing approach; are subject to a greater number of laws and regulations; and are dependent on more sophisticated storing, processing, transportation, and distribution networks than bulk commodities. According to ATO directors and cooperators we interviewed, ATOs are more suited to promoting high-value products than bulk commodities. However, some ATOs are located in markets where U.S. trade is largely concentrated in bulk commodities. Figure 3.1 compares U.S. high-value product exports to bulk commodity exports in countries with ATOs.

Some Agricultural Trade Offices Function as "de Facto" Attache Posts

According to FAS' August 1990 report, 6 of the 13 ATOs serve as the principal representative of the U.S. Secretary of Agriculture in their country of assignment and, therefore, FAS identified them as "de facto" agricultural attache posts.¹⁸ The mission of these ATOs, as well as the ATOs in Guangzhou and Beijing, includes both commodity reporting and market development. For example, the ATO in Tunis submits scheduled commodity reports, manages an \$87-million export credit guarantee program, and is actively involved in negotiating and programming \$15 million in Agriculture food aid. According to past and present FAS officials, FAS set up at least three of these ATOs outside U.S. embassies—in Tunis, Guangzhou, and Algiers—because the Department of State would not approve establishment of an attache post in Tunisia, China,

¹⁸ These are the ATOs in Algiers, Baghdad, Manama, Riyadh, Singapore, and Tunis.

and Algeria at that time. As an alternative, Agriculture used its statutory authority to open these ATOs, thereby establishing FAS representation. Staff at these three ATOs spend more than half of their time on commodity reporting, trade policy work, and other typical attache activities.

Attaches Conduct Similar Market Development Activities

We visited seven attache posts (Brussels, Madrid, Paris, Milan, Taiwan, Mexico City, and Hong Kong) without ATOs in-country and found that attaches at these posts carry out the same types of market development activities as ATOs (e.g., cooperator oversight, FAS market development activities, and trade servicing). Five of the attache posts did not have the same types of facilities (e.g., commercial space, conference rooms, and libraries) as ATOs, but nevertheless conducted market development activities. Some attache posts (e.g., Madrid and Paris) differed from ATOs we visited by spending less than 50 percent of their time on market development activities, while others (e.g., Milan and Hong Kong) spent about the same amount of time as ATOs on market development.

Staff at the seven attache posts we visited reviewed cooperator market development plans, managed FAS market development activities, and provided trade servicing. However, we observed that if ATO directors are not burdened with commodity reporting and trade policy work, they can give market development a focus that attaches find difficult to achieve. Attaches told us that market development activities receive lower priority than trade policy work and commodity reporting and are the first to be dropped when time or resources are limited. For example, trade negotiations connected with the impending North American Free Trade Agreement between the United States, Canada, and Mexico have increased the Mexico City attache post's work load and diminished its ability to fulfill market development commitments.

We observed that trade policy work receives higher priority because successes and failures are highly visible and influence staff evaluations. Commodity reporting also receives higher priority than market development because attaches can be penalized for late reports and are evaluated on the quality of these reports, whereas the timeliness and quality of market development work is much more difficult to measure. Attaches in Paris, Mexico City, and Taipei said they would like to conduct more market development activities but do not have the time to do so.

At two of the seven attache posts we visited—Milan and Hong Kong—agricultural attaches dedicated most of their time to market development. In Milan the attache was able to focus on market development because the attache in Rome had primary responsibility for commodity reporting and trade policy work in Italy. In Hong Kong the lack of trade barriers reduced the need for trade policy work, while its minimal agricultural production limited the need for commodity reporting. As a result, the attache has been able to take advantage of the opportunity to capitalize on consumer demand for U.S. products. Since our visit, Agriculture has renamed the Hong Kong post as an ATO, and is considering doing the same for Milan. According to post and headquarters officials, their activities will not change.

We also visited four countries—Germany, Japan, Venezuela, and the United Kingdom—with both an ATO and an attache post. In these countries the ATO staff was clearly responsible for managing market development activities, and the attaches were responsible for trade policy and commodity reporting. ATO directors were generally in charge of preparing and carrying out the activities outlined in their country's annual marketing plan. For example, in Germany, ATO management of the U.S. exhibit at the ANUGA Food Show¹⁹ included arranging for publicity, hosting a trade reception, and providing an evaluation of U.S. efforts.

¹⁹ The ANUGA Food Show is one of the world's most important food shows and is held in Cologne, Germany, every other year.

Specific Criteria Have Not Consistently Guided the ATO Site Selection Process

In response to the enactment of the Agricultural Trade Act of 1978, Agriculture established criteria and a methodology for selecting six ATO sites in 1979 and 1980. However, we found no indication that the same criteria and methodology were used in future decisions. Until recently, Agriculture officials responsible for ATO site selection were unaware of the criteria. Agriculture officials could not demonstrate that these specific criteria guided ATO site selection nor could they provide documentation supporting the selection of sites opened after 1980. The several factors identified by Agriculture officials as criteria used in the ATO site selection process were so broad that Agriculture could use them to justify an ATO site almost anywhere. We found that the 13 ATOs established as of October 1991 were located in diverse markets worldwide.

Two other factors have influenced ATO site selections—the ability to locate ATOs off embassy grounds and the ability to co-locate cooperators with ATOs. Most ATOs are located off embassy grounds, and about half have cooperators that are co-located with them. The agricultural trade officers and cooperators we interviewed favored the physical separation of ATOs from the embassy and were generally supportive of co-location. Co-location, however, was not considered an essential element for market development.

Agricultural Trade Office Site Selection

Agriculture prepared an impact analysis statement in 1979 that presented the criteria and methodology used to select six ATO sites opened in 1979 and 1980.²⁰ According to this document,²¹ FAS first determined which trading areas of the world required priority attention by U.S. market development efforts and then selected sites within these priority trade areas based on certain criteria. These criteria included market history and market potential, the cost and availability of space, and the status of ongoing market development efforts. Although the Agriculture official who approved the impact statement instructed FAS to periodically review the utility of past site selections and file supplements to the impact statement each time a new ATO site was selected, there is no indication that this action had occurred.

The Agriculture officials we interviewed were unaware of the 1979 impact analysis statement and were unable to document the criteria

²⁰ Two of these ATOs are no longer open.

²¹ The document was prepared by FAS and approved by the Director, Economics, Policy Analysis and Budget, an office outside of FAS.

used to select ATOS after 1979. Agriculture officials provided some justification for the current location of each ATO, but could not demonstrate that existing locations were the best places to capitalize on ATO resources. Written documentation supporting many of the ATO site selection decisions, if it existed, is no longer available.

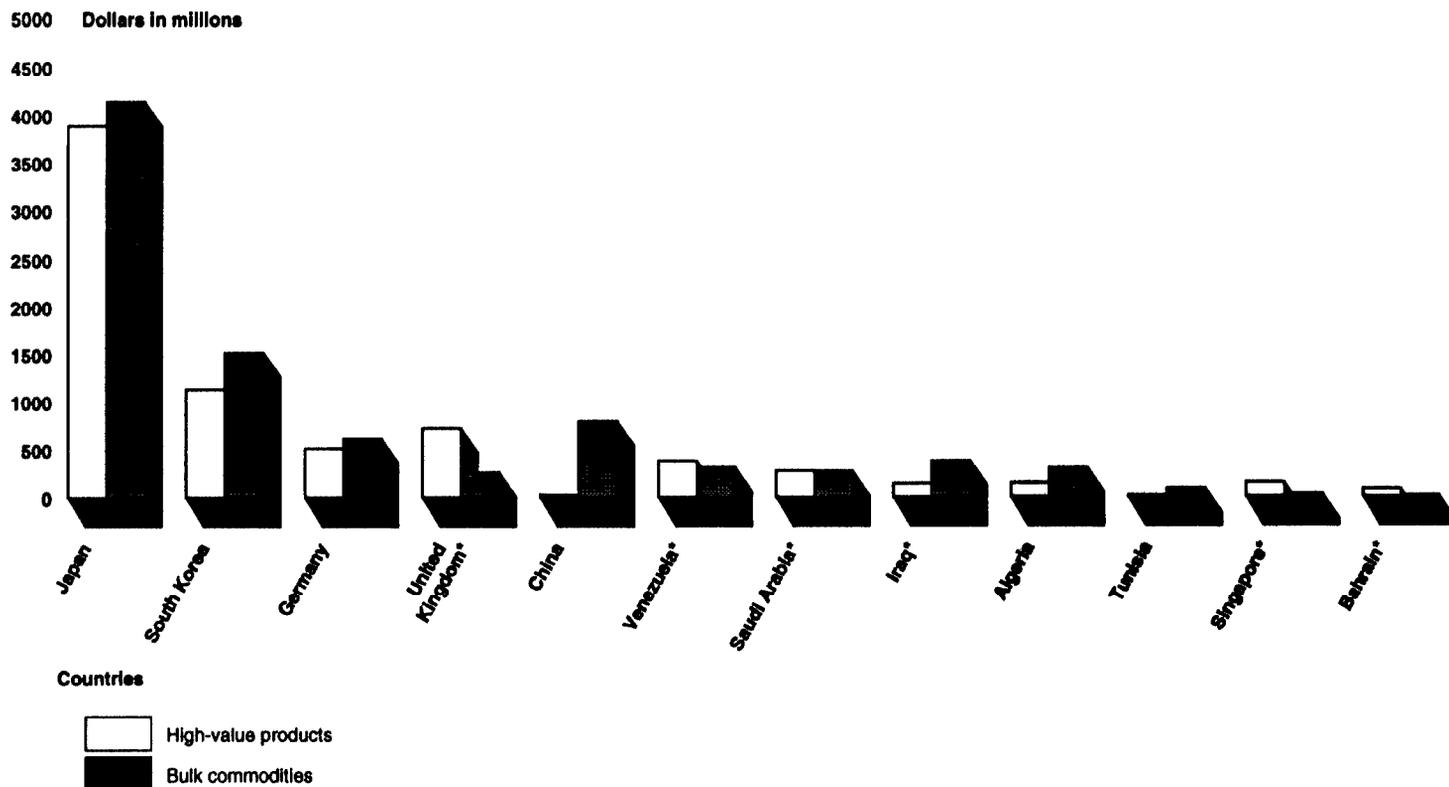
We interviewed several agency officials to gain further insight into the factors considered when sites were selected. According to the Assistant Administrator for Commodity and Marketing Programs, Agriculture placed ATOS in locations where there was a critical mass of marketing activity, an increased interest on the part of U.S. exporters, and a strong market potential for U.S. exports. Other officials involved in past ATO site selections said that additional factors considered were the need to (1) establish a presence in a market where the State Department would not readily approve an agricultural attache position, (2) expeditiously establish six ATOS to fulfill the congressional mandate to open a minimum of six ATOS, and (3) take into consideration budget constraints (e.g., the opening of the Tokyo ATO was delayed 9 years because of the anticipated expense involved.) Because of the wide variety of factors considered when selecting sites, we believe that Agriculture has had no strategy for placing ATOS that would capitalize on opportunities that exist to expand, maintain, and develop markets for U.S. agricultural products.

In order to establish possible reasons for opening and maintaining the current configuration of ATOS, we compared the market attributes of present sites. Appendix II describes each of the sites and shows wide variation in their characteristics. We found that some ATOS are located in markets where the value of current and potential trade is quite low (e.g., Tunisia and Bahrain); other ATOS are located in markets where these values are quite high (e.g., Japan and Korea). Some ATOS are located in markets where cooperators have few activities and few FAS-funded market development activities (e.g., China, Tunisia, and Venezuela); other ATOS are in markets with numerous cooperator activities and FAS-funded projects (e.g., the United Kingdom and Japan). Several ATOS are located in markets that are major importers of U.S. consumer-oriented high-value products (e.g., the United Kingdom, Germany, and Japan). Other ATOS are located in markets that have demonstrated a limited demand for U.S. high-value products and rely on U.S. export credits to purchase bulk commodities (e.g., Tunisia and Algeria).

We questioned Agriculture officials about whether ATOS should be established or maintained in markets with low U.S. exports and limited

potential for market expansion (e.g., Bahrain and Tunisia) rather than markets with high U.S. export potential. According to Agriculture officials, the Tunis ATO was established to administer the Public Law 480 Food for Peace program and the Export Credit Guarantee programs. In addition, Tunisia is a \$100-million market for U.S. agricultural products and an excellent location for countering European Community subsidies. However, we noted that administering U.S. export credit sales and other assistance programs are only two of the many ATO functions specified in the Agricultural Trade Act of 1978. Moreover, in 1990 FAS ranked Tunisia as the 53rd most valuable leading export market for U.S. agricultural exports—behind Panama and Bangladesh.

Figure 3.1: U.S. Agricultural Exports to Countries With Agricultural Trade Offices, 1990



Notes: An asterisk indicates that exports to these countries with ATOs include exports to other countries for which the ATO has responsibility. Appendix I identifies these countries.

Due to the minimal value of certain U.S. exports to Singapore, Bahrain, China, and Tunisia, their quantities cannot be distinguished on this figure.

Source: GAO analysis of FAS data.

Most Agricultural Trade Offices Are Located Off Embassy Grounds

The legislative history of the Agricultural Trade Act of 1978 indicates that ATOs were to be located away from U.S. embassies except where necessary and appropriate. The purpose of this resolve was to shelter foreign trade representatives from being subjected to cumbersome security requirements at U.S. embassies and increase the contact of ATO staff with the business community. Eleven ATOs are located off-embassy grounds in commercial buildings,²² while the 2 ATOs in Riyadh and Beijing are located on embassy grounds. The ATO in Riyadh was moved

²² This situation includes the ATO in Seoul, which is temporarily located in the U.S. Information Services building.

from commercial space to the embassy at the insistence of the U.S. ambassador.²³ The ATO in Beijing was located within the embassy to conform with Chinese government policy, and the location has proved useful to FAS because the ATO Director assists the Agricultural Counselor's staff with commodity reporting.

ATO staff, agricultural attaches, and cooperators we interviewed favored locating ATOs off embassy grounds. They cited the following advantages:

- The ATO does not have the same security requirements as an embassy, making it more accessible to the public.
- Visitors, including foreign importers and retailers, are more comfortable visiting the ATO in commercial space rather than in an embassy and may not visit an ATO if it is located in an embassy.
- The ATO is not limited to embassy working hours.
- The ATO can offer facilities such as a conference room, kitchen, and seminar room that would not be available at the embassy.
- ATO directors are able to focus on market development because they are not distracted by other demands placed on staff in the embassy (e.g., trade negotiations and representing the Agricultural Counselor).

The disadvantages of being located off embassy grounds included the cost to maintain commercial space; the administrative burden required to manage the space (e.g., paying bills, contracting for maintenance, and arranging for security); and the inconvenience of being away from embassy services (e.g., mail service and cables). Despite these disadvantages, cooperators and ATO directors preferred being off embassy grounds.

Cooperators Are Co- Located With Some Agricultural Trade Offices

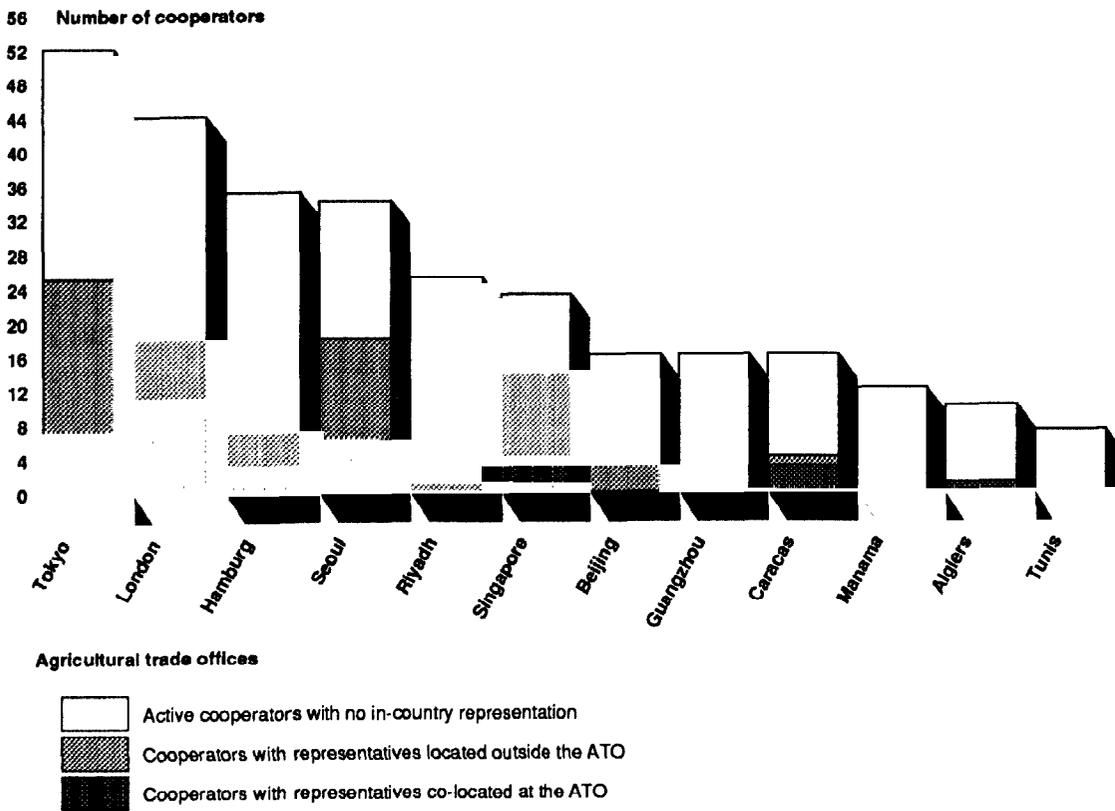
The Agricultural Trade Act of 1978 directed that ATOs consolidate agricultural export activities and maintain facilities for foreign buyers and U.S. export representatives. In response to this directive, FAS encouraged cooperators to co-locate their overseas offices in the same leased facility as the ATO. FAS pays the rent for this leased space directly. Rental costs for all other overseas cooperator offices are either paid out of FAS market development funding or the cooperator's resources. FAS assumes there are cost savings associated with co-locating cooperators with ATOs because of shared facilities (e.g., conference room and office equipment.)

²³ The ATO in Riyadh was originally located in Jeddah, Saudi Arabia. FAS continues to maintain office space and a foreign service national in Jeddah because Jeddah is an important commercial center.

However, FAS has not conducted any cost analyses to validate this assumption.

Cooperators are co-located with 7 of the 13 ATOs. Figure 3.2 shows the number of co-located cooperators at each ATO.

Figure 3.2: Cooperator Activity in Countries With Agricultural Trade Offices, 1990-1991



Notes: These figures identify the number of cooperators active in a country, not the total number of cooperator representatives. For example, 10 cooperators share the services of one representative in Singapore.

Although the three cooperators in Beijing are co-located in the same facility, the ATO Director is located in the U.S. embassy.

The Iraq ATO was not included in this figure because its operations and all cooperator activities have been suspended since August 1990, as a result of the 1991 Persian Gulf War.

Source: GAO analysis of FAS data.

The ATO staff and cooperator representatives we interviewed were generally supportive of co-location but did not believe it was essential to market development. Some of the benefits of co-location mentioned were cost savings in rent, shared equipment (e.g., fax machines and copying machines), more frequent interaction and information sharing between the ATO and cooperator staff, and prestige from affiliation with the U.S. government. In addition, one ATO director said that it was easier for visitors to meet with the ATO and cooperator when they were in the same building.

One disadvantage of co-location mentioned was that cooperators had limited control over office operations such as obtaining certain types of office equipment. Moreover, cooperators co-located with one ATO said that their office hours had to conform to the ATO's office hours, which were limited as a result of security precautions. This limitation made it difficult for the cooperators to work with clients in certain time zones and precluded overtime and weekend work.

ATO directors also noted that some limitations exist on the potential to co-locate. In some cases, there would be no more additional office space available for new cooperators wanting to co-locate. In other cases, the ATO cannot accommodate cooperator staff increases. For example, in London one cooperator increased its staff size to the point where it outgrew the ATO facility. In addition, some cooperators are represented by foreign marketing firms and, as a general rule, Agriculture does not permit them to co-locate with the ATO. This restriction occurs because foreign marketing firms are not nonprofit organizations.

Recommendations

The legislative history clearly indicates that Congress intended ATOs to focus on market development. We believe ATOs can fulfill their mission, providing they are located in markets where significant market development opportunities exist for U.S. agricultural products. Optimizing ATO resources is particularly important in light of the agricultural trade implications of recent changes in Eastern Europe and the newly emerging republics in the Soviet Union.

Therefore, we recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to take the following actions:

-
- Review the criteria and methodology presented in the 1979 impact analysis statement and develop written criteria and a methodology for evaluating current and proposed ATOS.

FAS Management of Trade Offices Is Inadequate

Agriculture has not attempted to evaluate ATO effectiveness since 1981, nor has it established benchmarks by which to gauge ATO performance. In its 1981 evaluation, Agriculture noted several ATO management issues that we believe are still relevant today. Agriculture has not created a long-range market development strategy to meet its objective to promote exports of U.S. agricultural products. In the absence of such a strategy, it cannot ensure that ATOs are being placed in the most appropriate markets, serving the clientele who can most benefit from their services or conducting activities that most effectively promote U.S. agricultural exports. Furthermore, Agriculture's personnel management practices do not consider that agricultural trade officers require more specialized marketing training to effectively carry out market development activities in their assigned countries and longer rotations to capitalize on market-specific knowledge developed at a post.

Lack of Agricultural Trade Office Evaluations

Agriculture has completed only one overall evaluation of the ATO concept since ATOs were established in 1978. In 1981 Agriculture sent two teams to a total of six ATO posts to evaluate the effectiveness of ATOs. Each three-person team was composed of representatives from Agriculture and the private sector in an attempt to provide a balanced government/industry evaluation. Both teams found that the caliber of personnel placed in an ATO was the major determinant of the ATO's effectiveness.

One evaluation team concluded that ATOs had been effective in making the American presence more visible and giving agricultural exports higher priority in the overall set of FAS activities. The other team commented that the use of ATOs by the trade was important and should be further encouraged but did not come to an overall conclusion about ATO effectiveness. Instead, it recommended that FAS develop a systematic method for evaluating the efficiency and effectiveness of ATOs. According to this team, although it was possible to generate a "gut feeling" about the effectiveness of ATOs, few measurements were available to rigorously quantify ATO performance.

Evaluations Are Based on Individual Projects and Staff Performance

Ten years after the 1981 evaluation FAS is still relying on its "gut feeling" to determine ATO effectiveness. According to FAS officials, its evaluation system is designed to focus on individual staff performance rather than on the activities of the entire office. FAS currently monitors the effectiveness of ATOs through evaluations of individual projects (e.g., trade shows, trade leads, and consumer promotions) completed by ATO staff and project participants. For example, trade show exhibitors

are requested to submit an evaluation form that requires them to rate the quality of the trade show, estimate projected sales, and identify whether they would participate in the show again. ATO staff similarly prepare a report that gives statistical data and brief narratives on the highlights and problems encountered during a trade show. While this information allows an evaluation of individual events' or services' success, it does not provide information on the relative value of the various activities or the effectiveness of overall ATO operations.

Agriculture Provides Limited Feedback to its Trade Offices

At the sites we visited ATO staff are required to submit numerous reports on their activities to FAS headquarters, including annual marketing plans, monthly activity reports, and personnel resource use and work load analyses. These reports detail the types of activities carried out by ATOs and the amount of resources dedicated to these activities.²⁴ However, the ATO directors we interviewed said that FAS is unresponsive or slow in responding to their suggestions for improving ATO operations. Some directors noted that if headquarters officials provide any feedback, it is generally on an informal basis. For example, a headquarters official may contact an ATO director and ask him or her to call another ATO director to share experiences in promoting an event or to explain how the event can be replicated.

Although headquarters officials conduct supervisory visits to ATOs, these visits are administrative in nature, and officials do not discuss market development methods or activities. Trip reports, accompanied by short written summaries, consist of a checklist for categories covering office management issues such as timeliness of reports, whether records are maintained on cooperators, and what the average pouch mail time is between the post and headquarters.

Long-Range Market Development Strategy Is Not Yet Completed

At the five ATOs we visited, Agriculture has not provided ATO directors with clear guidance on how their activities are to complement an Agencywide market development strategy. As a result, directors use their own discretion in ranking market development activities based on their best estimate of market priorities. Agriculture has not developed a long-range strategy that encompasses the role of ATOs, sets priorities for their market development activities, determines where they should be

²⁴ The annual marketing plan describes activities planned for the following budget year, the monthly activity report lists the ATO's trade contacts and activities during the month, and the personnel resource and work load analysis shows the amount of staff time spent on post activities.

located, and specifies benchmarks against which to measure performance. Therefore, FAS cannot ensure that ATO activities are the most effective in meeting its goals for promoting U.S. agricultural exports.

Congress recognized the importance of an overall market development strategy, and in the 1990 Food, Agriculture, Conservation, and Trade Act mandated that Agriculture develop a multiyear agricultural trade strategy. The strategy is intended to guide the Secretary in implementing federal programs to promote U.S. agricultural exports. The stated goals of the strategy are to ensure

- the growth of exports of U.S. agricultural commodities;
- the efficient, coordinated use of federal programs for promoting the export of U.S. agricultural commodities;
- the provision of food assistance and an improvement in the commercial potential of markets for U.S. agricultural commodities in developing countries; and
- the maintenance of traditional markets for U.S. agricultural commodities.

The act also mandated that Agriculture designate priority growth markets and include individual market development plans for each priority market beginning October 1991.

FAS was named as the lead agency to prepare the multiyear strategy, which involves 14 agencies within Agriculture. The FAS Planning and Evaluation staff was to develop the strategy. However, as of November 1991, development of the strategy was still in progress. FAS officials attributed their difficulty in devising a comprehensive strategy to their lack of prior experience in developing such a long-term plan. Until such a strategy is developed, FAS will remain unable to assess the overall effectiveness of ATOS, to evaluate the nature and level of effort needed in each activity, and to identify the best sites for ATOS.

We found that the Department of Commerce's U.S. and Foreign Commercial Service (US&FCS) has been conducting a strategic review of its own export activities since June 1989, but FAS has not consulted with US&FCS officials to take advantage of their experience. One of the first steps in the development of the US&FCS' plan was to survey field and headquarters staff along with private sector representatives. US&FCS concluded that it was "trying to be everything to everybody." US&FCS recognized that its focus should be on infrequent exporters, with the objective of helping them become frequent exporters. As a result US&FCS plans to

explicitly acknowledge this objective by building it into its mission statement.

Unlike US&FCS, FAS has not yet obtained field input or surveyed the users of its services during the initial stages of developing the strategy. None of the field staff with whom we discussed this strategy had been asked by FAS to contribute to the plan.

Human Resource Management Issues Have Not Been Adequately Addressed

Agriculture's 1981 evaluation teams found that the most important factor in determining the effectiveness of an ATO was the caliber of the director placed in the office. Our review further supports this finding. Cooperators, trade directors, and attaches told us that the greatest strength of the ATO was the quality of the ATO Director. Therefore, personnel practices associated with the training and rotation of ATO directors are important to enhancing the effectiveness of an ATO. Moreover, ATO effectiveness would be improved by giving directors an opportunity to share marketing ideas and insights with each other and with FAS headquarters.

Marketing Training Is Inadequate

ATO directors and attaches told us that more marketing training would help ATO directors execute their market development mission. Most current ATO directors have an education in agricultural economics but little additional training in marketing. A 1991 GAO report²⁵ noted that FAS has not adequately dealt with the training needs of its existing staff. In response, FAS officials acknowledged that the traditional hiring profile, which was limited to agricultural economists, resulted in a staff with limited marketing, sales, and promotion skills. However, in 1990 FAS adjusted its hiring profile to include a wider range of backgrounds.

New staff participate in Agriculture's Junior Professional Career and Development Program, a series of lectures, field trips, and on-the-job training that exposes them to a variety of management practices and agricultural policy issues. However, Agriculture does not have a core curriculum devoted to market development. When asked whether formal or on-the-job training prepares staff with skills necessary to manage trade shows, develop consumer promotions, and work with contractors, Agriculture officials said such training was unnecessary because market development activities are carried out by cooperators.

²⁵ U.S. Department of Agriculture: Strategic Marketing Needed to Lead Agribusiness in International Trade (GAO/RCED-91-22, Jan. 22, 1991).

However, we found that ATO directors frequently implement such market development activities as part of their annual marketing plans and often assist novice cooperators in planning these activities abroad. We recognize that training should provide foreign service officers with the skills necessary to perform the many tasks involved in carrying out Agriculture's mission. However, ATO directors particularly need to have optimal market development skills to operate effectively.

One way in which ATO directors could develop new ideas for marketing is to share experiences with other ATO directors and agricultural attaches. Currently FAS does not have a forum in which ATO directors can come together and exchange market development techniques and experiences. FAS also lacks a mechanism for headquarters officials to share market development goals and objectives with field officers. Although FAS holds annual attache conferences, these meetings focus on trade policy and reporting issues rather than on market development. ATO directors who recently attended an attache conference were disappointed because market development issues were not on the agenda. Some ATO directors and attaches said they share market development ideas and innovative activities with each other through an informal personal network. But most ATO directors and attaches we interviewed said they would prefer that FAS establish a forum in which they could meet formally with their peers. They cited a need for an annual marketing conference to provide an opportunity for ATOs and attache posts to share marketing successes and/or failures.

Headquarters officials had told us that plans were underway for such marketing conferences in Europe and Asia in the fall of 1991. The impetus for these meetings was the discussion of new regulations governing the Market Promotion Program. In September 1991 a marketing conference for trade directors and attaches with market development responsibilities was held in Hong Kong. However, there are no immediate plans for a conference in Europe, and it is not clear whether these conferences will be held on a regular basis in the future.

FAS Rotational Policy May Not Advance Market Development

FAS implements the same rotational policy for ATO directors as it does for agricultural attaches. FAS usually assigns a foreign service officer to an ATO after the officer has completed one or two rotations lasting about 3 years each. The rotational process usually includes a tour overseas as an assistant agricultural attache followed by an assignment at FAS headquarters. The officer may then serve a 4-year appointment as an ATO

director or a senior attache. An appointment as an ATO director is generally considered a mid-level assignment because foreign service officers need to develop skills in other areas besides market development in order to advance their career within FAS.

Overseas FAS staff and cooperators we interviewed generally supported the rotational concept because new ATO directors bring in different ideas and strengths to new assignments. However, they noted that the current rotational cycle is too short and impairs program continuity because rotations end just as ATO directors become effective in their markets. Some ATO directors and cooperators estimated that it takes about 1-2 years to become familiar with a market and develop relationships with local trade representatives. According to some ATO directors and cooperators, a more effective rotational cycle would be 5-6 years. Similar comments were made in the 1981 evaluation.

Recommendations

We believe that FAS cannot adequately assess the overall effectiveness of its ATOS until Agriculture (1) develops a strategy for achieving its market development goals, (2) determines how ATO activities will contribute to implementation of that strategy, and (3) establishes benchmarks with which to judge ATO effectiveness.

Therefore, we recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to take the following actions:

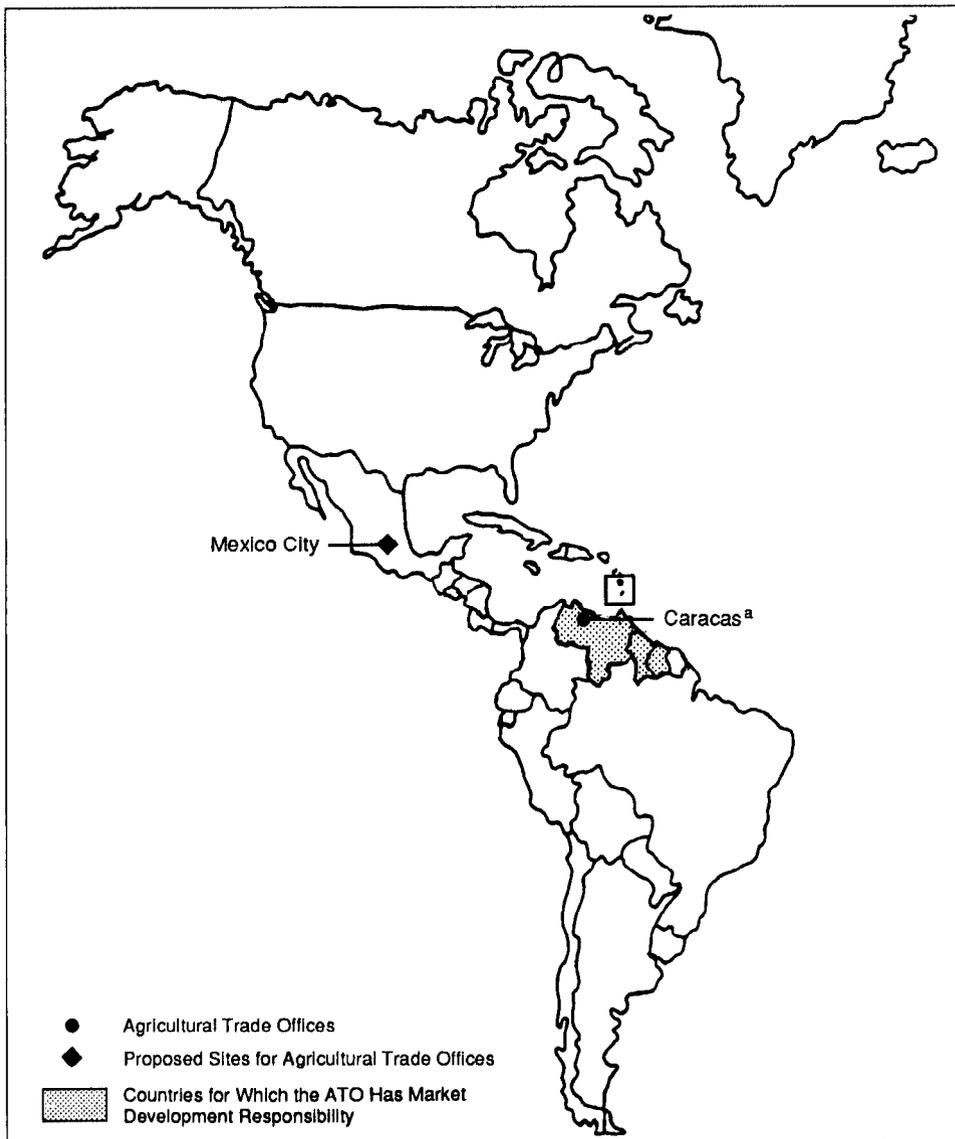
- Complete the long-term agricultural trade strategy required by the Food, Agriculture, Conservation, and Trade Act of 1990 as soon as possible. In developing the strategy, FAS should consult with the Department of Commerce about its strategic review as well as solicit input from overseas staff and trade representatives.
- Define the role and activities that ATOS will play in the long-term agricultural trade strategy and in carrying out Agriculture's market development mission.
- Establish benchmarks with which to evaluate ATO effectiveness and use them to assess the effectiveness of ATOS in implementing Agriculture's market development programs.

In addition, we believe that personnel practices associated with ATO directors are important to enhancing the effectiveness of the ATO. Therefore, we recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to

Chapter 4
FAS Management of Trade Offices
Is Inadequate

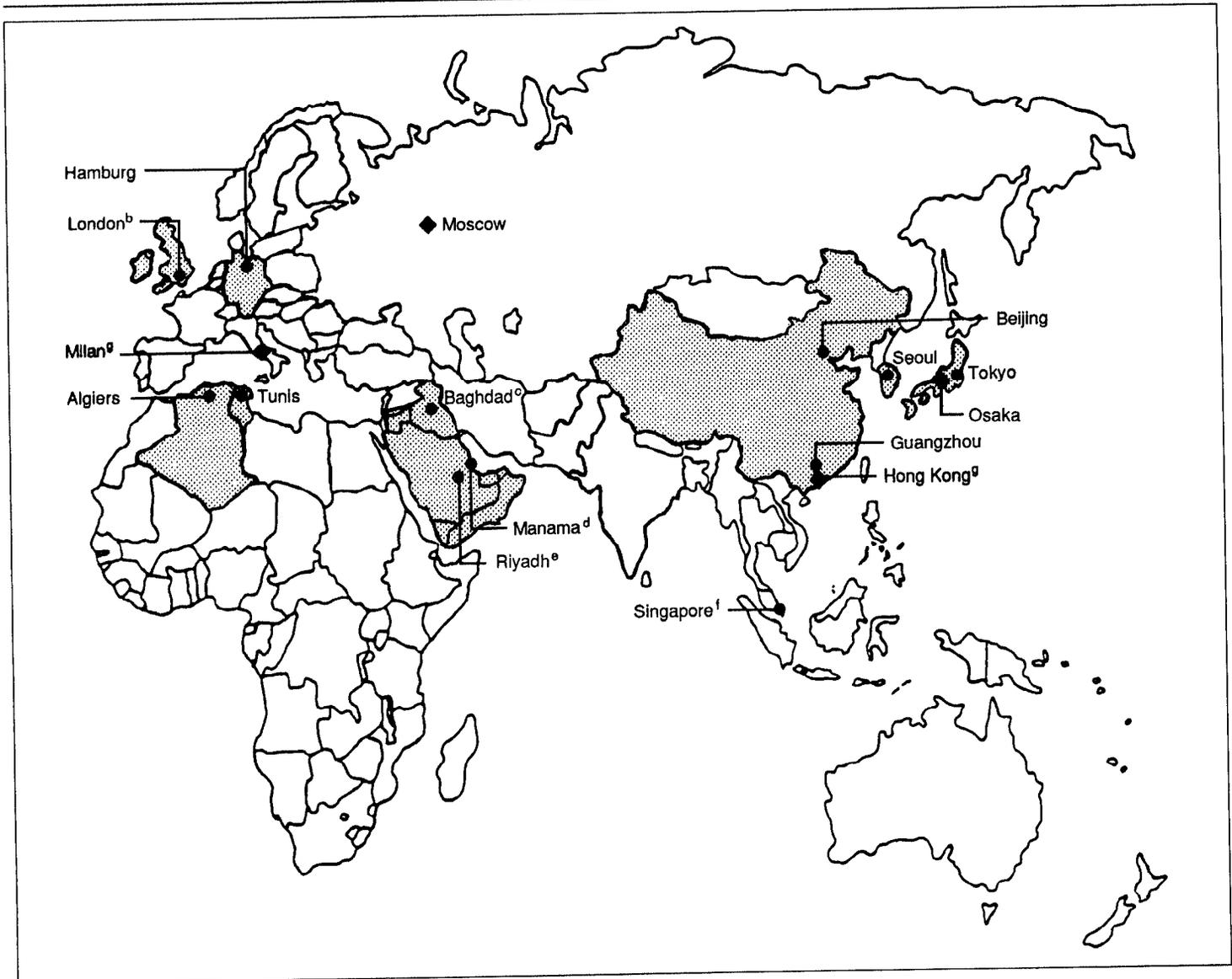
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- establish specialized market development courses and annual marketing conferences, and reassess the length of overseas assignments.

Current and Proposed Agricultural Trade Offices



^aThe Caracas Agricultural Trade Office (ATO) is responsible for Venezuela, Aruba, Barbados, Grenada, Guadeloupe, St. Lucia, Netherlands Antilles, St. Vincent, Guyana, Martinique, Suriname, Trinidad and Tobago.

**Appendix I
Current and Proposed Agricultural
Trade Offices**



^bThe London ATO is responsible for the United Kingdom and Ireland.

^cAlthough operations at the Baghdad ATO are currently suspended, it is responsible for Iraq and Jordan.

^dThe Manama ATO is responsible for Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates.

^eThe Riyadh ATO is responsible for Saudi Arabia and Yemen.

^fThe Singapore ATO is responsible for Singapore and Brunei and provides support to the agricultural attaches located in Malaysia, Thailand, and Indonesia.

^gThe Foreign Agricultural Service (FAS) is considering designating these two attaché posts as ATOs.

Source: Foreign Agricultural Service

Overview of Agricultural Trade Offices

Algiers Agricultural Trade Office

Date established	1984
Country coverage	Algeria
Fiscal year 1990 operating costs	\$366,730
Calendar year 1990 U.S. agricultural exports	\$435,982,000
Calendar year 1989 U.S. market share	15 percent

The Algiers ATO was established to administer a rapidly growing U.S. Export Credit Guarantee program. In fiscal year 1990 Algeria was the second largest recipient of U.S. export credit guarantees, receiving \$758 million for purchases including wheat, feed grains, and wood products.¹ Similarly, \$40 million in Export Enhancement Program bonuses supported sales of wheat, barley, and vegetable oil to Algeria.² The Algiers ATO is essentially an agricultural attache post, spending equal amounts of time on commodity reporting and market development.

Baghdad Agricultural Trade Office

Date established	1985
Country coverage	Iraq, Jordan
Fiscal year 1990 operating costs	\$164,745
Calendar year 1990 U.S. agricultural exports	\$508,599,000
Calendar year 1989 U.S. market share	31 percent

The Foreign Agricultural Service established the Baghdad ATO in 1985 when it closed its agricultural attache post in Syria. In 1989 Iraq was

¹ U.S. export credit guarantees worth \$758 million appear to exceed total U.S. exports worth \$436 million to Algeria because imports financed by export credit guarantees in a given fiscal year may not be shipped until the following year.

² The Export Enhancement Program, authorized in 1985, enables U.S. exporters to meet prevailing world prices for targeted commodities and destinations. Under the program, government-owned surplus agricultural commodities are made available as bonuses to U.S. exporters so they can lower the prices of U.S. agricultural commodities and make them competitive with subsidized foreign agricultural exports.

the 13th largest importer of U.S. agricultural commodities. Before suspending its activities in August 1990 the Baghdad ATO was responsible for administering \$481 million in U.S. export credit guarantees. The credit was used primarily to facilitate exports of wheat, feed grains, and rice. The ATO was also responsible for submitting commodity reports. FAS expects to close the ATO and transfer its responsibilities to an agricultural attache post in Amman, Jordan.

Beijing and Guangzhou Agricultural Trade Offices

Date Beijing ATO established	1981
Fiscal year 1990 Beijing operating costs	\$224,730
Date Guangzhou ATO established	1985
Fiscal year 1990 Guangzhou operating costs	\$125,096
Country coverage	China
Calendar year 1990 U.S. agricultural exports	\$813,705,000
Calendar year 1989 U.S. market share	21 percent

The United States is an important supplier of bulk commodities to China, including wheat, forest products, and cotton. U.S. wheat exports to China have more than tripled since 1987, primarily due to the Export Enhancement Program. In fiscal year 1990 Export Enhancement Program bonuses awarded to finance \$49-million worth of U.S. exports to China were surpassed in value only by bonuses awarded to the Soviet Union. U.S. exports of high-value products generally averaged 3 percent of total exports to China over the last 3 years. The potential for increased trade in high-value products resulting from the growth in tourism and business experienced by China in the mid-1980s dried up after the imposition of martial law in 1989.

The Beijing ATO supports three cooperators currently co-located in Beijing and assists the Agricultural Counselor's staff in completing its commodity-reporting requirements. FAS also has an ATO in the southern Chinese city of Guangzhou, a city whose port serves as a key entry for

many bulk commodities. This ATO was established to increase Agriculture's ability to report on the southern Chinese market in anticipation of improved relations between China and the United States. There is no cooperator presence in Guangzhou. Both ATOs spend equal amounts of time on commodity reporting and market development.

Caracas Agricultural Trade Office

Date established	1980
Country coverage	Venezuela, Suriname, Guyana, Aruba, Barbados, Grenada, Guadalupe, Martinique, Netherlands Antilles, St. Vincent, Trinidad & Tobago
Fiscal year 1990 operating expenses	\$172,637
Calendar year 1990 U.S. agricultural exports	\$682,988,000
Calendar year 1989 U.S. market share	37 percent

Venezuela continues to be the U.S.' strongest export market in South America, although Venezuela's U.S. imports, especially of high-value products, have declined significantly since the plunge in oil prices in 1983. Key activities in Venezuela include ATO support of a multicooperator effort targeting the Venezuelan dairy industry, and participation in trade shows. Recent liberalizations in Venezuela's trade policy have given the ATO impetus to promote high-value products. The ATO Director also spends about 15 percent of his time traveling to markets in the Caribbean and promoting U.S. products among the tourist trade. These islands have traditionally been good markets for U.S. high-value products trade, and exports of consumer-oriented high-value products have reached record highs.

Hamburg Agricultural Trade Office

Date established	1979
Country coverage	Germany
Fiscal year 1990 operating costs	\$414,957
Calendar year 1990 U.S. agricultural exports	\$1,119,173,000 ³
Calendar year 1989 U.S. market share	3 percent

Germany ranks among the U.S.' top 10 export markets and has traditionally been an importer of U.S. bulk commodities. However, U.S. exports of consumer-oriented products to West Germany have increased by almost 66 percent since 1986, from \$206 million to \$342 million, as exports of semiprocessed agricultural commodities declined almost 47 percent, from \$316,064 million to \$167,619 million. The ATO promotes high-value products in this very competitive market by facilitating cooperator participation in trade shows and consumer promotions, promoting awareness of U.S. products among the German retail trade, and conducting targeted market research. However, trade barriers posed by German membership in the European Community (EC) continue to inhibit U.S. exports of certain high-value products (e.g., poultry and eggs).⁴

³ Statistics for calendar year 1990 U.S. total exports and calendar year 1989 U.S. market share are based on data for West Germany only.

⁴ The EC is an economic union of 12 European countries. It has a comprehensive system of support and protection for its principal agricultural products, especially in the grain-livestock sector. Import protection for grains, beef, pork, and dairy products is provided by variable import quotas, duties, and sanitary restrictions. The readoption of the EC Growth Hormones Directive has, from January 1, 1989, shut off U.S. exports of beef to these markets.

London Agricultural Trade Office

Date established	1978
Country coverage	United Kingdom, Ireland
Fiscal year 1990 operating costs	\$764,956
Calendar year 1990 U.S. agricultural exports	\$972,498,000
Calendar year 1989 U.S. market share	4 percent

U.S. exports of consumer-oriented products (e.g., fresh fruits, tree nuts, and wine) to the United Kingdom have increased almost 75 percent since 1986, from \$154 million to \$267 million. Bulk commodities, however, have been adversely affected by EC levies. The London ATO orients its activities toward the promotion of high-value products because these products have the most potential for increasing U.S. exports. ATO activities include managing U.S. participation at the International Food Exhibit, a major international food show; updating a series of 48 commodity market studies; and publishing a monthly newsletter. The London ATO was the first ATO to be opened and houses more cooperator representatives (seven) than any other ATO worldwide.

Manama Agricultural Trade Office

Date established	1979
Country coverage	Bahrain, Kuwait, Oman, United Arab Emirates, Qatar
Fiscal year 1990 operating costs	\$238,770
Calendar year 1990 U.S. agricultural exports	\$87,258,000
Calendar year 1989 U.S. market share	8 percent

High-value products, including dairy products, sugars and sweeteners, and processed fruits and vegetables, represent two-thirds of U.S. exports to the Persian Gulf states. Although the U.S.' share of the food import market is on an upturn, it still accounts for less than 5 percent of Gulf food imports. Of the five countries for which the Manama ATO has

responsibility, none received a higher best-market-prospect ranking than 25.⁵ No cooperators are resident in Bahrain, and the ATO identified lack of product promotion by U.S. suppliers as a market constraint, in addition to lack of product awareness among consumers, strong foreign competition, and trade-inhibiting labeling requirements. The establishment of the ATO in Manama rather than in the United Arab Emirates was a consequence of State Department pressure. The Agriculture Department has requested permission to transfer the ATO to the United Arab Emirates.

Riyadh Agricultural Trade Office

Date established	1983
Country coverage	Saudi Arabia, Yemen
Fiscal year 1990 operating costs	\$210,317
Calendar year 1990 U.S. agricultural exports	\$537,512,000
Calendar year 1989 U.S. market share	11 percent

Saudi Arabia buys over 10 percent of its agricultural imports from the United States, making it the top Middle East cash customer for U.S. farm products. Saudi Arabia is the world's largest barley importer, and Export Enhancement bonuses, worth \$27 million in fiscal year 1990, assisted in capturing one-third of this market. The ATO facilitates U.S. participation in a variety of trade shows and considers that providing trade leads to local buyers and U.S. exporters under Agriculture's Agricultural Information and Marketing Service is the core of the ATO's operations. The ATO in Riyadh operates almost as though it were an agricultural attache office. The ATO submits commodity reports and oversees the U.S.' export credit guarantee program in Yemen.

⁵ Each year analysts in FAS use a model, known as the Country Ranking Model for Identification of Best Market Prospects, to rank 75 countries on the basis of their market potential for a broad range of U.S. farm and food products over the next 5 years.

Seoul Agricultural Trade Office

Date established	1980
Country coverage	South Korea
Fiscal year 1990 operating costs	\$189,209
Calendar year 1990 U.S. agricultural exports	\$2,645,132,000
Calendar year 1989 U.S. market share	41 percent

South Korea is ranked among the U.S.' best market prospects for export expansion and one of the largest single markets for U.S. agricultural exports. Traditionally, Korea has been a market for bulk products and industrial raw materials such as cotton, hides, forest products, and feed grains. However, Korean imports of high-value products have expanded recently due to adoption of market-opening policies, growing consumer incomes, and increasing consumer familiarity with foreign foods. The ATO in Korea continues to play a key role in overcoming Korea's invisible trade barriers by documenting cases in which U.S. products have been denied entry into the Korean market. The ATO also manages U.S. participation in food shows, sponsors menu promotions, and advertises ATO services. Because student radicals firebombed the ATO in 1990, the ATO is currently located in temporary facilities.

Singapore Agricultural Trade Office

Date established	1980
Country coverage	Singapore, Malaysia, Thailand, Indonesia, Brunei
Fiscal year 1990 operating costs	\$591,314
Calendar year 1990 U.S. agricultural exports	\$170,736,000
Calendar year 1989 U.S. market share	5 percent

The Singapore economy is one of the most open in the world and ranks among the U.S.' 10 best market prospects. The United States occupies a predominant position in the imports of frozen chicken parts, fresh and

canned fruits, and food and beverage preparations for the food and manufacturing industry. ATO activities include participating in the Food and Hotel Asia Food Show, sponsoring merchandising and management seminars, and producing promotional materials (e.g., bunting, posters, and price cards) to be used in the other Southeast Asian markets for which it has responsibilities. The ATO continues to support some market development efforts in Malaysia, Thailand, and Indonesia. Before agricultural attaches were appointed in these countries, the ATO served as the countries' sole focal point for market development activities.

Tokyo Agricultural Trade Office

Date established	1987
Country coverage	Japan
Fiscal year 1990 operating costs	\$1,209,700
Calendar year 1990 U.S. agricultural exports	\$8,025,758,000
Calendar year 1989 U.S. market share	28 percent

Japan looks to overseas suppliers for two-thirds of its food supply, and the United States supplies almost one-third of this amount. In 1990, exports to Japan, the U.S.' top agricultural export market, exceeded exports to South Korea, the U.S.' third largest market, by \$5,380 million, or 203 percent. Although roughly half of U.S. exports to Japan are bulk commodities, the United States is the leading exporter to Japan for many high-value products, including beef, citrus fruit juices, and beer. Competition for the Japanese market is intense, and the Tokyo ATO is involved in administering the FAS' largest country market development program. ATO activities include facilitating cooperator participation in trade shows, sponsoring public relations programs on U.S. food safety, and producing marketing briefs on import policy and product opportunities.

Tunis Agricultural Trade Office

Date established	1981
Country coverage	Tunisia
Fiscal year 1990 operating costs	\$122,202
Calendar year 1990 U.S. agricultural exports	\$93,576,000
Calendar year 1989 U.S. market share	14 percent

Tunisia is one of the U.S.' less valuable markets and was ranked no higher than 44 on the list of U.S. best market prospects. Tunisia traditionally imports unprocessed bulk commodities, such as wheat and coarse grains, from the United States. U.S. export credit guarantees and Food for Peace (P.L. 480) programs administered by the ATO, worth \$68.2 million in 1990, largely finance these imports. The Tunisia ATO is the only ATO besides the one in Riyadh currently involved in administering food aid. Although the ATO Director was shifted to Algiers in 1987, Agriculture reappointed him to his location in Algiers in reaction to a request by the State Department. This request was made in response to Tunisia's recurrent drought and increasing food needs.

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