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REPORT TO THE CONGRESS

Improved Government Assistance
Can Increase United States Share
Of Foreign Engineering And
Construction Projects B-172255

Multiagency

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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SEPT. 8, 1974



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

B-172255

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

This is our report on how improved Government assistance can increase the United States share of foreign engineering and construction projects.

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

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of State, Commerce, and the Treasury; the Administrator, Agency for International Development; the Attorney General of the United States; and the Presidents of the Export-Import Bank of the United States, the Overseas Private Investment Corporation, and the Foreign Credit Insurance Association.

A handwritten signature in black ink, appearing to read "A. M. Kellen".

Acting

Comptroller General
of the United States

32
38
74
170
177
97
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C O N T E N T S

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	The industry	1
	Industry outlook	2
	Efforts to support industry	2
2	OPPORTUNITIES TO IMPROVE SUPPORT PROVIDED TO COMPANIES	4
	Providing more information on available assistance	4
	Using a working group to facilitate program improvement	9
	Increasing the number of exporters	10
3	REQUESTS FOR IMPROVED SUPPORT	12
	Additional Embassy support on bidding and negotiating for contracts	12
	Better support and data on IFI projects	13
	Information system on potential projects	15
	More competitive export financing and insurance	16
	Relaxation of requirement to ship on U.S. vessels	25
	Modification of antitrust regulations	27
	Expanded Domestic International Sales Corporation program eligibility	29
	Modification of Federal individual income taxes on foreign work	30
4	CONSIDERATIONS IN DETERMINING THE LEVEL OF U.S. ASSISTANCE	32
	Allocating resources between manufacturing industries and engineering and construction industries	35
	Identifying important project types, phases, and locations	37
	Facilitating resource allocation	37

	<u>Page</u>
CHAPTER	
5	CONCLUSIONS, RECOMMENDATIONS, AGENCY COMMENTS, AND OUR EVALUATION 40
	Conclusions 40
	Recommendations 41
	Agency comments 42
	Our evaluation 46
6	SCOPE OF REVIEW 48
APPENDIX	
I	Decision model for allocating resources 49
II	Principal U.S. officials responsible for administering activities discussed in this report 52

ABBREVIATIONS

AID	- Agency for International Development
EEC	- European Economic Community
FCIA	- Foreign Credit Insurance Association
FTC	- Federal Trade Commission
GAO	- General Accounting Office
IFIs	- International Financial Institutions
MEPD	- Major Export Projects Division
OPIC	- Overseas Private Investment Corporation
UNDP	- United Nations Development Project

COMPTROLLER GENERAL'S
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D I G E S T

WHY THE REVIEW WAS MADE

Industry sources stated that foreign work of the 400 largest U.S. contractors-- in the range of \$3 billion to \$6 billion during 1971 through 1973--could increase to about \$10 billion within a short time with improved Government assistance.

Because of this industry's potential added contribution to the U.S. trade balance and balance-of-payments position, GAO reviewed Government support to U.S. engineering and construction companies abroad and obtained industry officials' views on Government's responsiveness to their needs.

FINDINGS AND CONCLUSIONS

Of about 11,500 companies that are members of engineering and construction associations, only about 235 continually do a large amount of the foreign work. (See p. 2.)

Although the 30 engineering and construction companies GAO contacted did international work, many were unaware of, or did not fully understand, some of the types of Government assistance which can be

used when competing for foreign contracts.

Government programs and/or activities, therefore, were not achieving their full potential, and companies were probably refraining from bidding or submitting higher bids for foreign projects, resulting in the loss of potential business. (See p. 6.)

Programs and/or activities most frequently unknown to, or misunderstood by, companies were the:

- State Department's Embassy programs for assisting U.S. businessmen.
- Treasury Department's interactions with the financial management and lending activities of international financial institutions.
- Commerce Department's assistance on major foreign project transactions.
- Export-Import Bank's financing programs; and
- Overseas Private Investment Corporation's construction insurance program for overseas work. (See p. 6.)

FACILITATING PROGRAM IMPROVEMENTS

The Government has no focal point for considering the companies'

needs or for effectively explaining to them the types of Government assistance already available. Individual agencies have tried to provide this service, but they lacked sufficient resources for developing a Government-wide program. Both Government and industry could benefit from such a coordinated effort. (See pp. 2 and 9.)

State and Commerce already have a joint working group for identifying ways to assist the companies more. This group has been inactive, but it can be reactivated and its mandate broadened to include all facets of a comprehensive and coordinated Government program. (See pp. 2 and 9.)

INCREASING THE NUMBER OF EXPORTERS

The number of internationally active U.S. engineering and construction firms is small. Commerce's policy is to increase their number, but it concentrates on helping companies which already have been able to obtain work on foreign projects.

Commerce should, after analyzing financial positions and technical capabilities of new-to-market, new-to-export companies, concentrate more on encouraging those deemed capable of pursuing foreign project work. (See p. 10.)

IMPROVED SUPPORT REQUESTED BY COMPANIES

Business and Government officials suggested revised and new programs to help companies win foreign contracts. GAO did not attempt to reach a conclusion as to the merits of all the contractor comments but brought them to the attention of agency officials for their consideration. Some types of assistance that companies believed agencies should actively consider are:

- Additional Embassy support for U.S. companies bidding and negotiating for contracts.
- Better support and data on international financial institution projects.
- A more comprehensive information system on potential foreign projects.
- More competitive export financing and insurance.
- Relaxation of requirement to ship on U.S. vessels.
- Modification of antitrust regulations for foreign work.
- Expanded Domestic International Sales Corporation program eligibility.
- Reduced taxes on personal income earned abroad.
(See ch.3 .)

DETERMINING THE LEVEL OF U.S. SUPPORT

Commerce Department practice is to promote mostly capital and high-technology items to maximize U.S. exports. It concentrates on helping manufacturing companies to export

equipment. Information on the amount of U.S. exports resulting from successful foreign engineering and construction contracts was not available.

Agency and company officials suggested that agencies should consider increasing their efforts in assisting engineering and construction companies to win foreign contracts. These efforts should be contingent on obtaining a comprehensive and reliable data base to resolve such questions as:

- What percentage of total foreign project work is being done by U.S. engineering and construction companies?
- What potential exists for U.S. companies to increase their share of foreign project work?
- To what extent does U.S. engineering and construction companies' involvement in foreign projects result in U.S. equipment sales?
- What effect does such involvement have on the U.S. balance of payments?
- What types, phases, and locations of foreign projects offers the most potential for U.S. exports and are most likely to require agency assistance to enable companies to bid competitively?
- Where within each foreign project should agencies concentrate their assistance efforts? (See pp. 32 through 34.)

A reliable and comprehensive data base would enable agencies to better determine the degree of assistance appropriate for engineering and construction companies and manufacturing companies. (See p. 35.)

RECOMMENDATIONS

The Secretaries of State and Commerce should direct their joint working group to act as a focal point to:

- Insure effective exchanges of information between U.S. companies and agencies.
- Prepare a comprehensive summary of available Government assistance and distribute it to U.S. companies seeking foreign contracts.
- Supervise the development of a better information base for determining whether additional assistance to U.S. engineering and construction companies is warranted.

This effort should

- define the importance of U.S. engineering and construction companies' foreign work from a trade and balance-of-payments standpoint and
- determine the specific types, phases, and locations of foreign projects that present the best potential for U.S. exports.

If the above analysis shows that additional Government assistance is warranted, the working group should act as a

focal point to:

- Work closely with industry officials to insure that the expanded and/or new programs are tailored to the needs of the industry.
- Develop programs for encouraging new and existing engineering and construction companies to pursue more foreign project work. (See p. 42.)

The Secretaries of State and Commerce should seek the support of the Treasury, Export-Import Bank, AID, Overseas Private Investment Corporation, and Foreign Credit Insurance Association in coordinating with the joint working group in accomplishing its task. (See p. 42.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

State, Commerce, the Treasury, Export-Import Bank, Overseas Private Investment Corporation, AID, and Foreign Credit Insurance Association agreed that improved Government support could increase the U.S. share of engineering and construction projects abroad with resultant balance-of-trade benefits.

Steps taken by agencies included two studies involving the role the U.S. Government should play in promoting exports. GAO was advised that its recommendations would be considered in the context of these studies. (See pp. 42 through 46.)

Decisive and prompt action on these studies and GAO's recommendations would improve the U.S. engineering and construction companies' share of the overseas markets. (See p. 46.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The engineering and construction industry can make an important contribution toward improving the U.S. trade balance. This report is intended to point out the potential of this industry if the array of U.S. support for export promotion purposes were improved.

CHAPTER 1

INTRODUCTION

Foreign construction work represents potential foreign exchange earnings and follow-on business for U.S. firms and can stimulate greater production and create more jobs. Industry sources stated that the 400 largest U.S. contractors' foreign work dropped from \$4.9 billion in 1971 to \$3.6 billion in 1972. According to an industry publication, devaluations of the dollar helped U.S. contractors' competitive stance abroad. Foreign work rose to \$6.1 billion in 1973.

Because of this industry's potential contribution to the U.S. trade balance and balance of payments, which could lead to a strengthened dollar, we have reviewed Government support to engineering and construction companies abroad to determine whether it could more effectively promote and increase the U.S. share of foreign projects.

THE INDUSTRY

The construction industry comprises engineering companies that design projects, construction companies that build projects, and contracting (turnkey) companies that do both. Some companies also offer management and training services for projects. Each segment of the industry has unique problems and problems it shares with other segments.

The International Engineering and Construction Industries Council comprises the Associated General Contractors of America, the Consulting Engineers Council of the United States, and the National Construction Association--represents the most important engineering and construction companies involved in foreign project work. The Council was formed in 1967 to deal with the mutual interests and problems of designers and builders of projects abroad and to provide these groups with more effective contact with Government agencies, financial institutions, and private organizations concerned with foreign investment and development projects.

In 1972 about 11,500 companies were members of the Council. About 235 of these companies were internationally active and did a large amount of the foreign work on a continuing basis.

INDUSTRY OUTLOOK

The National Export Expansion Council reported in July 1970 that the market outside the United States for engineering and construction services was large and rapidly growing. Although company and industry officials noted that foreign companies had become much more competitive in recent years, they maintained that their companies could compete in this growing market if the U.S. Government gave them effective assistance.

Engineering and construction association spokesmen believe that, with improved Government assistance, the companies could increase their share of foreign project work to about \$10 billion within a short time. According to one industry official, the engineering and construction industry is the largest single industry in the United States and could materially contribute to a favorable trade balance.

EFFORTS TO SUPPORT INDUSTRY

The Government has recognized the need for a more centralized, coordinated, and responsive approach to support the industry and has taken steps to improve its effectiveness. Numerous agencies, including the Departments of State, Commerce, and the Treasury; the Export-Import Bank of the United States (Eximbank); and the Overseas Private Investment Corporation (OPIC), have begun to identify ways they can more effectively help engineering and construction companies win foreign contracts. For example:

- State and Commerce have a joint working group to analyze and evaluate their programs for helping companies take advantage of opportunities presented by construction and other major projects in foreign countries. This group has been inactive, but it can be reactivated for special purposes.

--Commerce's Major Export Projects Division (MEPD) established a reference room where businessmen can learn of ongoing and future foreign project work. The information for this service is obtained from overseas posts, other Federal agencies, and international financial institutions. An annex is planned for a Commerce field office on the west coast. MEPD's early-warning mailings and lists of future construction abroad included in its biweekly publication, Commerce Business Daily, are other sources of such information.

--Eximbank participates in engineering and construction association regional and national workshops, holds seminars on Eximbank service financing programs, and invites individuals and groups from interested companies to visit it to learn of current developments concerning its operations.

--The Foreign Credit Insurance Association (FCIA) has been working with industry representatives to develop insurance policies more suited to their peculiar needs. It has formed an Advisory Committee on Services Exports to provide a permanent channel of communication with the engineering and construction industry. Prominent industry organizations are represented on the Committee.

--OPIC exchanges early-warning information on potential construction projects in regular meetings with Commerce's Domestic and International Business Administration and with the Associated General Contractors. It holds regional seminars throughout the United States on its construction insurance program and participates in meetings of engineering and construction groups.

The above examples show a considerable effort by Government agencies prominent in furthering U.S. trade interests to assist the industry. As discussed in the following chapter, however, industry members believed new and improved Government programs would be more responsive to their needs.

CHAPTER 2

OPPORTUNITIES TO IMPROVE SUPPORT PROVIDED TO COMPANIES

Agency and company officials indicated that some Government programs to increase companies' involvement in foreign projects were not realizing their potential, because many companies are either unaware of the programs or do not fully understand the specific ways these programs can be used to help them.

These problems are understandable since the Government lacks a central point for dealing with the industry on project information, financing, promotion, and insurance needs. No single Government group is responsible for informing engineering and construction companies of the numerous types of assistance available when competing for foreign project work, informing agencies of the types of assistance desired by and beneficial to companies, and developing analytical studies for agencies attempting to allocate export promotion resources agencywide.

PROVIDING MORE INFORMATION ON AVAILABLE ASSISTANCE

Agencies attempt to explain their programs and/or activities to, and obtain feedback from, engineering and construction companies through descriptive brochures and pamphlets, visits to company headquarters, educational seminars, magazine articles, and speeches at workshops sponsored by industry trade associations.

Examples of the diverse information and assistance include:

- Commerce's MEPD provides early information on pending foreign projects and assists companies to bid and negotiate for contracts.
- Commerce's Office of East-West Trade Development helps U.S. business gear up for East-West trade.

- Commerce's Bureau of International Commerce makes its more traditional promotional techniques (trade fairs, centers, and missions) available to these companies.
- States's Business Relations Division accumulates information on pending projects and participates with Commerce in a joint working group to analyze and evaluate existing programs to help engineering and construction companies obtain foreign contracts.
- States's Office of International Organizations is concerned with United Nations Development Program procedures in contracting for consultant studies and with the degree of U.S. engineering companies' success in obtaining these contracts.
- Treasury's Office of International Tax Counsel oversees the policy aspects of certain tax programs, such as the Domestic International Sales Corporation, that may benefit companies bidding and working on foreign projects. The Internal Revenue Service is responsible for administering provisions of the Internal Revenue Service Code relating to the Sales Corporation.
- U.S. Executive Directors at international financial institutions (IFIs) are front-line, day-to-day representatives of U.S. positions and interests at IFIs to insure that U.S. business has fair and equal access in competing for procurement opportunities generated by IFI-financed projects.
- Treasury's Multilateral Institutions Program Office supports the U.S. Executive Directors and monitors U.S. participation in these institutions, including the competitiveness of U.S. companies in obtaining contracts funded by the institutions.
- Justice's Antitrust Division enforces antitrust regulations and, upon request, advises companies on current enforcement intentions through its Business Review Procedure.

- Eximbank operates export-financing programs and obtains early information on pending projects. Its programs include direct loans and financial guarantees, preliminary commitments, local financing, and the financing of feasibility studies.
- OPIC offers a special insurance policy to cover construction contractors working for host government agencies in developing countries. When blanket approval has not been obtained, OPIC works with contractors to get the local government to approve issuance of OPIC's construction insurance on specific projects.
- FCIA provides export credit insurance.

Of the 30 companies we contacted, all did international work but were unaware of, or did not fully understand, some of the types of Government assistance which can be used when competing for foreign contracts. As a result, Government programs and/or activities were not achieving their potential and companies were probably refraining from bidding or were submitting higher bids for foreign projects, resulting in the loss of potential business.

Programs and/or activities most frequently unknown to, or misunderstood by, companies were (1) State's Embassy programs for assisting U.S. businessmen, (2) Treasury's interactions with the financial management and lending activities of IFIs, (3) Commerce's assistance on major foreign project transactions, (4) Eximbank's financing programs, and (5) OPIC's construction insurance program for overseas work.

U.S. Embassy programs

Company officials characterized U.S. Embassy assistance as highly varied. In some cases, early and precise information about potential projects was sent directly to companies by wire and the Ambassador assisted companies in making presentations to foreign government officials. In other cases, because Embassy assistance was lacking, companies relied on their own resources and on foreign offices of U.S. banks and, in one case, a foreign embassy staff.

Although State has attempted to upgrade the quality of commercial assistance, company officials we spoke with do not know what amount or quality of assistance to expect from U.S. Embassies and consulates. Information on available assistance and the role of commercial personnel could be key factors in how aggressively a company will pursue a foreign project contract and be vital in winning it.

U.S. interactions with IFIs

Treasury's Multilateral Institutions Program Office scrutinizes the financial management and lending activities of IFIs--the World Bank Group, the Inter-American Development Bank, and the Asian Development Bank--of which the United States is a member. However, only one company indicated knowledge of Treasury's monitoring of IFIs' activities and none of the companies referred to the Multilateral Institutions Program Office.

Treasury officials stated that their Multilateral Office was not set up to provide services to engineering and construction companies trying to obtain contracts for IFI-financed procurement. They stated it was designed to help formulate overall policy for U.S. participation in these institutions (which is enunciated by the Secretary of the Treasury or one of his deputies), as well as support the U.S. Executive Director at each of the IFIs. According to Treasury officials, the Executive Director is the front-line, day-to-day U.S. operational representative at an IFI and helps insure that U.S. firms have fair and equal opportunity to compete for IFI procurement.

Assistance on major foreign project transactions

MEPD is the focal point in Commerce for providing Government-wide assistance to companies on major foreign project transactions. It informs companies of impending large foreign projects having large potential for exports of U.S. goods and services. MEPD also helps U.S. firms competing for foreign projects by providing timely information on developments, helping them plan their approach, and mobilizing U.S. Government support for their efforts.

MEPD can provide valuable assistance to engineering and construction companies. Although some companies were favorably impressed by MEPD's services, we noted that only a limited number were aware of and use its services.

An official suggested that MEPD's information system could be streamlined and that, if more funds were available, they could be used to establish a research capability for analyzing the potential for U.S. participation in future foreign projects. He stated, however, that MEPD's budget had no increase planned.

MEPD has limited resources allocated to it and limited authority in its dealings within Commerce and with other agencies.

Export financing programs

Over half the companies interviewed were in regular contact with the Eximbank staff. Nevertheless, many companies' comments indicated they had misconceptions about Eximbank programs and its export promotion role.

Eximbank agreed that the comments indicated a continued need for it to participate in engineering and construction associations' regional and national workshops, hold more seminars on its financing programs, and continue to invite individuals and groups from interested companies to visit Eximbank for current information on its operations.

Construction insurance programs

Some companies we contacted were unfamiliar with OPIC's programs, especially the new construction insurance program for international work by U.S. contractors. OPIC stated, however, that it is holding regional seminars throughout the United States and is participating in meetings of engineering and construction groups to familiarize the construction industry with its new insurance.

OPIC insurance covers construction equipment, plants, and materials damaged by war, revolution, or insurrection. It protects against expropriation of contractors' tangible assets and certain bank accounts maintained in the host

country. OPIC also covers 100 percent of any nonpayment of settlements awarded under "Settlement of Disputes" procedures and 50 percent of contractor's claims when a contracting government agency refuses to follow construction contract disputes procedures.

OPIC's fee for construction insurance is 1½ percent of the coverage a year. The construction contract normally must run for at least 2 years. OPIC will consider issuing a policy for a shorter term if (1) there is a potentially large volume of other projects in the same country or on the same continent, (2) the proposed contract relates to only one phase of a project for which additional contracts will be let for succeeding phases, or (3) the insurance would permit a small business to better compete internationally.

USING A WORKING GROUP TO FACILITATE PROGRAM IMPROVEMENT

Without a coherent dialogue between Government and business, companies cannot be aware of or fully understand agency programs. Also, it is difficult for agencies to modify their existing programs or to determine which new ones should be developed to best assist companies.

Although an individual agency, such as Commerce, may not have sufficient resources or operational authority to develop an overall Government-wide program for assisting the companies, Government and industry could benefit from such a coordinated effort.

A working group representing all concerned agencies could initiate the necessary studies and in-depth contacts with the companies. It should be easier to interview and establish an information base with engineering and construction companies because of their limited number than it would be to establish one with the large number of manufacturing companies that currently export. The group could coordinate U.S. Government efforts to (1) determine the potential impact of engineering and construction companies' foreign work on the U.S. balance of payments, (2) determine which types, phases, and locations of foreign project work the agencies can most effectively use to promote U.S.

exports, (3) prepare a comprehensive summary of available assistance and distribute it to the companies, and (4) develop, in close cooperation with companies and concerned agencies, new and revised programs.

One possible solution would be to reactivate the joint State/Commerce working group (see p. 2) and to give it a broadened mandate to include all facets of a comprehensive and coordinated Government program. The information in this report could be used as a starting point for the groups' work.

INCREASING THE NUMBER OF EXPORTERS

Only a small number of U.S. engineering and construction firms, about 235 of 11,500 continually do a substantial amount of foreign work. According to an industry publication, foreign work was awarded to only 63 companies in 1973 and 71 in 1972. Officials of the Consulting Engineers Council stated that not more than 100 of their member companies were doing engineering work abroad; however, many member companies were interested in international engineering and 500 had requested information on foreign projects. Some of these may be capable of doing work overseas and are currently evaluating the pros and cons of international involvement. Sufficiently detailed information on pending projects might be the impetus needed for a positive decision.

Commerce's basic objectives in trade promotion are to get more U.S. companies into the export business and to get present exporters into new markets and increase their share of existing markets. Commerce has developed several programs to encourage manufacturing companies to start exporting their equipment. However, its MEPD concentrates on helping U.S. engineering and construction companies which have "a proven track record." MEPD is therefore interested in getting project information to companies capable of doing the job and is known to be interested in such projects and geographic regions.

We recognize the need for agencies to concentrate their limited resources on assisting engineering and construction companies that have demonstrated a capability

to win foreign contracts. However, after Commerce analyzes the financial positions and technical capabilities of new-to-market, new-to-export companies, it should attempt to broaden the base of companies involved in overseas work by allocating some resources to encourage companies deemed capable to start pursuing foreign project work. Initially, these efforts could be concentrated on companies currently considering the merits of foreign work, as identified by the three major associations of the International Engineering and Construction Industrial Council.

CHAPTER 3

REQUESTS FOR IMPROVED SUPPORT

Industry officials said companies could substantially increase their foreign project work if they received more effective Government assistance. The types of assistance desired by individual companies varied, depending on (1) the size and international experience of the companies, (2) whether they have foreign offices or subsidiaries, (3) the types and locations of projects worked on, and (4) whether the companies do consulting, engineering, or construction work. According to company officials, more effective assistance is needed in such diverse areas as obtaining information on pending projects, conducting sector and feasibility studies, bidding on and negotiating contracts, financing and insuring project work, winning contracts in projects financed by international financial institutions, and negotiating with foreign governments.

Companies provided us with many diverse comments on Government programs and assistance. Their comments, recommendations, and criticisms in some instances could have been influenced by special interest or could have been based on misunderstandings of Government programs. In any event, we did not reach a conclusion as to the merits of all the company comments. We brought contractors' statements to the attention of agency officials and suggested that they evaluate them and, if warranted, consider structuring more responsive programs.

The views expressed in this report were summarized to demonstrate industry concerns. Comments of agency officials were incorporated, where appropriate, in the report.

ADDITIONAL EMBASSY SUPPORT ON BIDDING AND NEGOTIATING FOR CONTRACTS

Companies desired more responsive and effective Embassy support. They commented that foreign governments had better sources of commercial intelligence, Embassy staffs showed increased aggressiveness in support of export promotion programs, and other countries' Ambassadors provided more assistance to their companies in obtaining

contracts than did the United States. The companies suggested several changes in agency operations to complement State efforts in upgrading commercial assistance.

Some of their comments were:

- More direct and active support by an Ambassador in meetings with key foreign government and industry officials could help companies win contracts.
- Embassy procedures should be changed to give more assistance to the U.S. company or companies most likely to win a contract. If the Embassy will inform a firm of its status (competition, amount of Embassy support to expect, etc.), then the company can decide whether to bid on a project or not.
- The British, French, and German Governments have programs to bring key foreign government and industry officials to their countries for a first-hand look at completed projects. Although no formal program has been initiated, Commerce used this technique once or twice with success and believes it has merit because the United States has some of the best projects in the world to display.
- Embassy officials can play a more important role during negotiations on development projects by passing on information to U.S. companies to let them know how their bids stand. With this information, two U.S. companies, each with a different weakness, might be able to resubmit a joint bid and win a contract that would otherwise be lost to a foreign company.

BETTER SUPPORT AND DATA ON IFI PROJECTS

Several company officials desired more U.S. Government support to win IFI projects. They felt their firms were not receiving equitable or significant IFI project work. Restraining factors they mentioned included the limited assistance of the U.S. personnel at these institutions compared with the support foreign governments

gave their international competitors and the lack of accurate and comprehensive data on IFI procurement awards. They thought the U.S. Government should subsidize U.S. engineer-constructors to achieve bidding comparability with foreign competitors and trading corporations that are so subsidized. Some company officials suggested that the United States demand a share of IFI business proportionate to its contributions.

One company representative told us that U.S. agencies-- such as the Corps of Engineers, Department of the Army; Bureaus of Reclamation and Commercial Fisheries and U.S. Geological Survey, Department of the Interior-- had done foreign project work for IFIs which, he believed, could have been handled by private U.S. engineering companies.

Treasury officials agree that data on IFI administration and the proportion of contracts U.S. companies receive from IFIs would be useful to companies and could help to correct misunderstandings on IFI activities. They believed that industry associations had a reasonable picture of U.S. procurement performance over the past few years because of frequent contacts and participation with industry representatives at seminars and conferences and because of complete IFI procurement reports available in Commerce's foreign projects reference room. Treasury officials said they would be willing to consider additional steps to report this data more widely should the industry wish to identify practical ways and means of so doing.

In Treasury's view, the focal point for this data should be Commerce's MEPS, because Commerce collects data on major U.S. Government activities directed at IFI procurement and can disseminate relevant information on IFI opportunities. Treasury officials said they would be willing to assist in creating such an information system.

Both the U.S. representative at the IFIs and Treasury officials were interested in removing any discriminatory practices encountered by U.S. companies in obtaining IFI contracts. Treasury officials generally concluded that IFIs do not systematically discriminate against U.S. companies and believed that the IFIs' role in bid

procedures has been neutral. They emphasized that specific examples of alleged discriminatory practices were needed before any corrective action could be taken.

INFORMATION SYSTEM ON POTENTIAL PROJECTS

State and Commerce have recognized the need for a better information system and have established joint working groups to improve the collection and distribution of commercial data to U.S. industry. One company official stated that no effective and systematic method of gathering and disseminating hard business intelligence exists for foreign development projects. Other company officials told us that reports on opportunities abroad are frequently received late. They added that commercial personnel at the Embassies do not have pertinent project information which would help their firms effectively compete because U.S. representatives, assigned to certain overseas locations for short periods, are too inexperienced and unfamiliar with the market.

Company and agency officials' suggestions on how to improve the amount and quality of information and increase the speed with which it is distributed included:

- An industry questionnaire which could be used to identify specific data required to bid on projects and the best means of acquiring it.
- The Government could hire engineering specialists for various regions to evaluate development plans, sector studies, and pending projects. Use of these specialists could improve the quality of early warning information sent to the industry.
- Increased training of commercial personnel in the importance of the industry's work and its needs could broaden the base of personnel capable of assisting companies.
- MEPD's information system could be improved by including more commercial intelligence obtained by other agencies. For example, MEPD could obtain information from such primary sources as Eximbank,

AID, and the Treasury and from such secondary sources as the Corps of Engineers, Bureau of Reclamation, and Environmental Protection Agency.

--An ex-businessman has been assigned to the U.S. Mission to the United Nations to help U.S. companies win U.N. Development Project contracts. He distributes project data to businesses, increases the number of firms bidding for work, and explains U.N. Project regulations and procedures to businessmen. This could be done at all international financial institutions to which the United States contributes.

Some State officials believed that this latter suggestion should be established in all IFIs to which the United States contributes because of its success at the U.S. Mission. We were told that some U.S. Executive Directors spend disproportionate amounts of time on commercial administrative functions and that such a program would permit them to devote more time to policy matters and other substantive duties.

Treasury officials advised us that, except for the U.S. Executive Director's office at the Asian Development Bank, where a procurement specialist is to be assigned, a similar arrangement would not be of much assistance to U.S. firms seeking IFI-generated business. They stated that IFI procurement policies and practices are relatively well-defined and uniform and that they are published and widely distributed. These officials believe that U.S. industries have easy access to the information they need from IFIs based in Washington, D.C., as compared with access to information from the Asian Development Bank, located in the Philippines, where few American firms have permanent representation.

MORE COMPETITIVE EXPORT FINANCING AND INSURANCE

U.S. engineering and construction companies state that they are finding it increasingly necessary to include financing terms as part of bid packages for foreign contracts. The attractiveness of financing terms can be

the deciding factor in determining which bidder receives the contract. The country that provides the financing often requires the borrower to award most or all of the project's contracts to companies headquartered in the financing country. The Congress directed Eximbank, in the Export Expansion Finance Act of 1971, to effectively meet the credit terms offered by foreign competitors.

Nevertheless, companies stated that other countries offered better long-term financing.

--Our company lost contracts in Algeria and Kenya to German and Italian firms because they offered lower interest rates and longer terms than Eximbank could offer.

--Eximbank's short-term financing programs are competitive, but our company needs better long-term financing. For example, the Japanese offer 25-year loans at 2 to 3 percent with an 8-year grace period for oil projects in Indonesia.

--Eximbank's 6-percent¹ loans are usually competitive, but the Canadians sometimes offer 2-percent funds. A combination of AID and Eximbank loans would be welcomed.

Specific areas of Government programs the companies mentioned as needing modifications included (1) concessional financing, (2) Eximbank limits on local cost financing guarantees and financing restrictions on third-country procurements, and (3) insurance offered by FCIA and OPIC.

¹In February 1974 Eximbank raised its annual interest rates on loans from 6 to 7 percent.

Concessionary financing

U.S. companies cannot successfully compete against foreign companies offering government-supplied concessionary financing (financing with lower interest rates and longer terms than those available from commercial sources). Even partial concessionary financing combined with commercial financing may provide a more attractive bid package than is available from U.S.-financing sources.

AID carries out U.S. overseas programs of economic and technical assistance to make less-developed countries self-sufficient. An industry official stated that one of the most important objectives in international engineering is a fundamental reorientation of AID from a program of assistance on human problems and support of grants to U.S. universities and nonprofit organizations to heavy emphasis toward U.S.-financed and U.S.-executed preinvestment and feasibility studies.

One company suggested that the U.S. Government establish a mechanism whereby a U.S. company, in competition with a foreign firm offering concessionary financing, could get prompt Government support. This support could include Eximbank competitive commercial financing and AID concessionary financing when dealing with a developing nation.

Several companies suggested that AID create some form of revolving credit fund for financing feasibility and/or sector studies. The loan could be repaid if the project materialized or declared a grant if nothing came of the study. AID previously administered a program for preinvestment assistance; however, this activity is now conducted as an OPIC program.

Industry officials believe a reorientation of AID and combinations of AID and Eximbank financing would enable U.S. companies to compete more effectively.

Although AID and Eximbank have occasionally mutually financed a project, Eximbank officials believed the dissimilarity of their goals prevents them from doing so regularly. They stated that Eximbank was established to

promote exports by commercial financing, not to develop foreign countries. Their interpretation of congressional intent is that Eximbank should not become involved in concessional financing.

Eximbank officials said they occasionally offer 12-year terms on major turnkey-type projects, when the size and type of the project so warrant instead of the 5-year term preferred by the Berne Union,¹ because they believe the longer terms are required for successful amortization of the debt.

An Eximbank official said his agency is familiar with the preference of U.S. exporters and foreign buyers for export financing at concessionary interest rates and repayment terms. Without exception, he stated, borrowers prefer to obtain funds at the lowest possible cost but Eximbank is not able to provide this type of financing because:

- If it provided concessionary support to any one sector of the U.S. exporting economy, it would, in all fairness, have to provide such support to all sectors.
- The clear intent of Congress is that Eximbank not become involved in concessionary financing.
- It is conceivable that a pronounced lowering of interest rates or lengthening of repayment terms by Eximbank could stimulate retaliatory actions between commercial-type export finance agencies. Over the long run, U.S. exporters could thereby be adversely affected.

The official stated that competitiveness of American exporters, as related to their ability to obtain essential

¹An international union of credit insurers, consisting of 23 countries and 29 international organizations, designed to coordinate and standardize international credit terms among its membership.

financial services, continues to be a primary concern of Eximbank. In accord with congressional intent, the official stated, Eximbank operates on a commercial-type basis, and he believes Eximbank is meeting its mandate to provide guarantees, insurance, and extensions of credit at rates and on terms and conditions competitive with Government-supported export financing of the principal countries whose exporters compete with U.S. exporters.

Congressional committees, in deliberating foreign assistance and foreign trade legislation, in 1973 rejected a proposal to establish an export development credit fund up to \$3 billion over a 3½-year period to subsidize, through longer credit terms and lower interest rates, expanded exports to lesser developed countries. According to various agency officials, this program could have been used to provide the various forms of financing assistance requested by the industry.

Limits on local cost
financing guarantees

Normally, Eximbank will guarantee repayment of a non-U.S. source loan for local costs up to 15 percent of the value of the capital goods and services exported from the United States in the related transaction. Many countries, because of a desire to develop their resources and to increase employment, now require that foreign engineering and construction companies use local labor and materials to the maximum extent possible. Some countries enforce this requirement by refusing to grant import licenses or by charging prohibitively high tariff duties on imports which are also available from in-country sources. These "buy national" requirements can result in local costs equal to 30 to 40 percent of the value of U.S. exports used in the project. Companies said:

--Eximbank's 15-percent guarantee limit on local costs is insufficient and should be expanded, particularly in South America where many countries have local procurement requirements.

--Eximbank's 15-percent local cost guarantee should be raised to 40 percent. All projects have large local costs.

After reviewing a summary of company comments about local cost financing, Eximbank officials commented:

"The Bank's staff regularly receives similar comments, and no doubt finding additional financing for local expenditures is often a difficult problem in the development of a financial package for a project. On the other hand, it should be noted that, generally, most members of the Berne Union will provide local cost assistance for export credit transactions up to an amount equal to the cash payment plus five percent and the Bank to date has only financed local cost expenditures when necessary for a project to go forward and hence for the export sale to be made. By providing local cost assistance for an amount higher than 15 percent, Eximbank might not only find itself financing non-U.S. costs in amounts greater than necessary for a project to go forward; it also might result in Berne Union members' increasing their local cost assistance to an equal percentage amount and thereby provide no particular advantage to U.S. exporters over the long run."

They said they regularly surveyed companies that had Eximbank approval for financing but subsequently did not win contracts. To their knowledge, no company commented that inadequate local cost financing was the reason for losing the bid.

Financing restrictions on third-country procurements

Several companies suggested they might be more competitive if a portion of Eximbank financing could be used for purchases from non-U.S. sources. Eximbank finances local procurements up to 10 percent of the contract value under its local costs program. Companies stated that the British Government allows 15 percent of its export financing to be used for non-British goods and the French Government allows 20 percent, and sometimes up to 40 percent, for non-French goods and services. Eximbank officials were aware of these financing practices.

Eximbank officials stated that, historically, the

economies of Europe and Japan have been highly interdependent on inputs from other economies and their financing of third-country procurement reflects this. By contrast, the U.S. economy has been largely self-supportive and its financing of third-country procurement is unnecessary.

According to Eximbank, third-country financing for procurement is generally available. Eximbank will finance the U.S. share of the exports and assist companies in getting other countries to finance their share of the exports. Eximbank believes the two devaluations of the U.S. dollar have resulted in U.S. exports becoming more price competitive and could reduce the practice of third-country procurements.

More relevant and competitive
FCIA and OPIC insurance

FCIA¹ and OPIC have insurance programs which recognize the importance of U.S. engineering and construction work abroad. A company must generally purchase insurance from FCIA for all short-term as well as medium-term projects (credit sales), ranging up to 5 years, to insure projects in high-risk areas, even though the company has little desire to insure projects in low-risk areas, such as Europe and Canada. Companies claimed this requirement for short-term coverage renders such coverage so expensive that some operate without foreign credit insurance and include a self-insurance risk factor in their bid prices, making them less competitive. For firms engaged in repetitive short-term projects requiring coverage for about 180 days, an agency official told us that FCIA does not demand whole turnover short-term insurance policies when there is little or no risk (i.e., letter of credit sales, projects in Canada etc.), therefore, there is little reason to pay a premium.

¹FCIA, in cooperation with Eximbank, offers export credit insurance to U.S. exporters. FCIA members include approximately 50 of the principal U.S. marine, casualty, and property insurance companies.

An Eximbank official informed us that FCIA offers short-term project insurance on a whole turnover basis rather than an individual project basis because the former can be offered at reasonable cost. According to the official, the whole turnover feature of insurance underwriting enables an insurer to spread his exposure over a mix of low-risk and high-risk markets. He stated that the cost of such coverage typically is lower than the cost of purchasing individual project insurance for high-risk markets only.

The official told us that although FCIA's premium for short-term, whole turnover insurance is constant for each policy, the premium cost per sale or per market can be adjusted by the exporter. Thus, the official stated that, in a strongly competitive market, an exporter can improve his competitive position by reducing the premium cost he would normally pass on to the buyer and that this difference can be recovered by adjusting the insurance charge in less competitive markets.

On the basis of its competitiveness reviews, the official stated that Eximbank has no evidence that short-term individual project insurance is generally available to exporters in major competing trading nations.

FCIA officials believed their rates and coverage to be competitive with those of their government-backed competitors. They thought that their short-term approach was sufficiently flexible to serve the needs of U.S. services exporters and told us they knew of no specific case where their rates had proved burdensome or caused the exporter not to accept their coverage. Officials rejected one company's suggestion of U.S. subsidization of their rates as not reflective of the industry's opinion as a whole.

They stated that FCIA has expanded its Services Export Program to meet the needs of the service industry by providing coverage for exporters of such U.S. services as architectural and engineering design, consulting, and construction; management consultants; and advertising agencies, but that it was not offering short-term, single-project insurance.

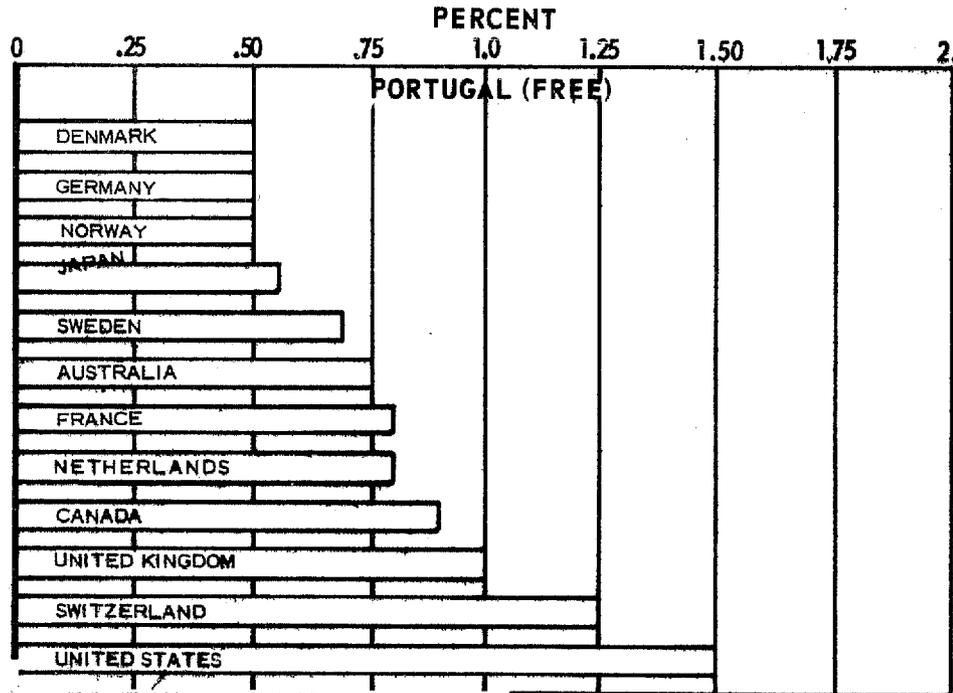
OPIC was established to encourage private U.S. investment in developing countries by providing business loans, insurance, and guarantees. OPIC designed a new program to meet construction industry requests for effective political-risk insurance. OPIC officials stated they strongly encourage construction contractors with potential contracts with developing country agencies to apply directly to OPIC for insurance and that:

"In a substantial number of countries OPIC has been able to obtain blanket advance approval by the local government of OPIC's issuance of its construction insurance for projects in that country. Only in case of projects in countries which have not granted such advance approval is the contractor required to get specific host government approval before OPIC will insure the construction contract. In such cases OPIC works with the contractor to get such governmental approval."

Industry officials, however, in expressing concern about the expense and paperwork involved in OPIC's expropriation and convertibility insurance, commented:

- Our company would like expropriation insurance for the \$6 million to \$7 million we have in construction equipment, but the 5-percent fee is too expensive. The French Government offers free expropriation insurance to its companies.
- OPIC will insure construction equipment against expropriation, but the premium is steep. OPIC is considering a broader expropriation insurance program. The OPIC program covers convertibility of normal payments; but it is probably too expensive, considering the little risk involved for projects of \$20 million or less.
- OPIC sells expropriation insurance, but issuance is slow because OPIC requires the insuree to obtain host country approval of the project. Our company cannot obtain approval because our equipment is often in the form of drilling rigs, which are moved from site to site. Host countries would prefer permanent capital investment rather than having the equipment moved when the job is completed.

OPIC's insurance rates are higher than those of other nations for essentially the same coverage as shown by OPIC's chart below.



FEEs CHARGED BY DEVELOPED COUNTRIES FOR CURRENT INVESTMENT INSURANCE

OPIC officials believe other nations' rates are subsidized. Some company officials believe that, for U.S. construction companies to receive coverage competitive with that of other nations, the U.S. Government may have to subsidize OPIC insurance programs.

RELAXATION OF REQUIREMENT TO SHIP ON U.S. VESSELS

Public Resolution 17, passed by the Congress on March 26, 1934, requires that exports fostered by loans and credits extended by U.S. Government agencies, such as Eximbank, be carried exclusively in vessels of U.S. registry, unless a waiver is obtained from the Maritime Administration.

Companies objected to the added costs for this requirement and the uncertainty of obtaining waivers , commenting that:

--U.S. shipping costs are too high and sailings too infrequent. Our company may have lost one job just because of U.S. shipping costs.

--The requirement to use U.S. vessels if U.S. Government financing is used resulted in the loss of one job to Japan because of the higher freight rates on U.S. ships. Waivers from the Maritime Administration are usually granted only when a U.S. ship is not available and even then only after a lengthy wait. In addition, waivers based on a substantial cost difference between U.S. and foreign vessels are granted only if this probably will save a job for a U.S. company. Since waivers cannot be counted on, the higher freight rates must be used in preparing the bid proposal.

--To ship on a U.S. vessel may cost so much more than on a foreign vessel that the higher price offsets the positive effect of Eximbank loans. Even if a U.S. vessel is available at a reasonable cost, its sailing route may be indirect to the desired destination causing costly delays.

Company officials believed that the effectiveness of Government export financing programs is reduced because it locks the companies using it into higher freight rates, infrequent sailings, and sometimes indirect routes of U.S. vessels. In their opinion, if the Congress removed the requirements to use U.S. vessels in conjunction with Government export financing, they could better compete for international contracts.

A Maritime official stated that the companies' comments were unwarranted as Public Resolution 17 makes a valuable contribution in promoting an American Merchant Marine without impeding exports. Maritime disagreed with the comment that waivers cannot be counted on and said it regularly grants (1) general waivers for shipping up to 50 percent of the cargoes of ships of a recipient nation

as long as that country does not discriminate against U.S.-flag ships and (2) statutory waivers whenever there is insufficient capacity or an unreasonable rate. They also said that a company, if it plans ahead, can get a preliminary commitment of waiver based on shipping conditions existing at the time for the request.

MODIFICATION OF ANTITRUST REGULATIONS

Several companies felt antitrust laws applicable to bidding and working on foreign contracts should be relaxed and stated that foreign consortia have an advantage over U.S. consultants, engineers, contractors, and equipment manufacturers each bidding separately. A consortium can submit a single bid covering all project phases and thereby reduce each member's risk. It also offers the opportunity for greater cooperation between individual engineers and contractors, which in turn can reduce time and costs. In their view, this arrangement enables the consortium to bid very competitively even without Government subsidies.

Recently, we reported¹ to the Congress on the effectiveness of the Webb-Pomerene Export Trade Act of 1918 which permits U.S. companies to form associations to compete more effectively in foreign markets. Our review indicated that U.S. exports might be increased if provisions of the act were clarified and modified. Expanding the items eligible for export and clarifying the respective roles of the Justice Department and the Federal Trade Commission would create an environment in which U.S. firms might more readily join to provide a complete package--including financing, technology, equipment, and commodities--in competing for large projects abroad.

¹"Clarifying Webb-Pomerene Act Needed to Help Increase U.S. Exports" (B-172255, Aug. 22, 1973).

Two bills were introduced in the Congress during 1973 to permit more extensive use of export associations. Senate bill 1483, 93rd Congress, First Session, introduced in April 1973, to amend the Export Trade Act provides for (1) exporting technical know-how, services, and facilities, (2) exempting associations from treble damages and criminal prosecutions, and (3) authorizing Federal Trade Commission to take whatever actions it deems proper for the the associations' failure to comply with the intent of the Export Trade Act. Some of the pertinent features of Senate bill 1774, 93rd Congress, First Session, introduced in May 1973, for the administration to amend the Federal Trade Commission Act and the Export Trade Act, as amended, provide that:

- Federal Trade Commission be given exclusive authority, with certain exceptions, over association activities until it has exhausted available remedies, such as investigating and recommending adjustment of such association activities.
- Justice be prohibited, with certain exceptions, from bringing suits under the antitrust laws against an association for its export trade unless the Federal Trade Commission recommends such action.
- The act be expanded to include services and certain technology-related items.

These bills were being considered by the Senate Commerce Committee; however, in July 1973 hearings on both bills were indefinitely postponed.

Justice officials stated that the companies' concern about inhibiting effects of the antitrust laws on export joint ventures represented a common misconception as to the scope of the antitrust laws. They assured that joint cooperation for large construction jobs abroad were not illegal per se, but would be judged under a rule of reason approach as to whether cooperating companies possessed monopolistic power, whether joint activity was necessary and economical, and whether the cooperation might be significantly injurious to competitors or consumers in America.

Justice pointed out that both its procedures and those of the Federal Trade Commission allow companies to determine the enforcement intentions of the Department or the Federal Trade Commission before committing their resources to a transaction. In fact, Justice, under its procedures, has indicated that it would not institute enforcement actions against a number of specific joint venture export proposals.

Passage of amendments to the Export Trade Act on the Commission's role could reduce the uncertainty about anti-trust laws by allowing service and construction companies to form associations and to apply for Webb-Pomerene Act status. Coupled with this, Commerce's Joint Export Association program could help in assisting such associations to engage in foreign project work.

EXPANDED DOMESTIC INTERNATIONAL SALES CORPORATION PROGRAM ELIGIBILITY

Title V of the Revenue Act of 1971, Public Law 92-178 approved December 10, 1971, 26 U.S.C. 991, provides a system for deferring Federal income tax on export income realized by a U.S. corporation which elects to be treated as a Domestic International Sales Corporation. Such a corporation, intended to be the selling arm for export sales by U.S. manufacturers, is often a subsidiary of its parent manufacturing corporation.

This tax deferral was intended as an incentive for companies engaged in export activities through domestic corporations. In general, commencing in 1972 an indefinite income tax deferral is granted on 50 percent of the income of a Domestic International Sales Corporation, provided that 95 percent of its receipts and assets are export-related.

Many construction and engineering companies thought this program was instituted to benefit manufacturers and doubted that they as service companies would benefit from it. Also, they stated that (1) to take advantage of Domestic International Sales Corporation provisions would require unnecessary restructuring of their companies, (2) the program was never clearly explained to them, (3) it does not allow advantageous use of their funds

overseas, and (4) other existing programs could be expanded to give them better assistance.

Another drawback mentioned by company officials is that receipts for foreign feasibility studies, design and engineering, and general supervision of construction, but not receipts from actual performance of construction, are qualified corporation receipts.

Some companies suggested that Domestic International Sales Corporation regulations be modified to (1) include receipts from the actual performance of foreign construction as qualified receipts and (2) offer benefits to exporters of services equal to those offered to manufacturers.

Treasury officials administering the program confirmed that U.S. engineering and construction companies receive little benefit because these companies have no use for funds held by such corporations to defer taxes rather than sending the funds to the parent company.

Treasury officials said that they were considering modifying the program so that construction and engineering companies could better benefit from it but cautioned that these changes might require legislation. On the basis of comments made to us, it will be important for the Treasury and the Internal Revenue Service to clearly explain to the companies how the revised program can be used for increasing their international competitiveness.

MODIFICATION OF FEDERAL INDIVIDUAL INCOME TAXES ON FOREIGN WORK

U.S. citizens who work abroad for a minimum of 18 months are exempt from U.S. income taxes on the first \$20,000 of foreign income earned each year. However, company officials said this period is too long and the \$20,000 maximum too low to be a real benefit and commented:

--The British have a tax advantage because they do not have to pay personal income taxes after the first 2 months of work outside the United Kingdom. This allows them to submit lower bids.

--When the World Bank was considering a project in the Philippines, it wanted to select a few individuals rather than a company for a portion of the project. After determining who was qualified on a worldwide basis, it found that U.S. personnel were too expensive, unless they were far superior in ability. Our company had bid this short consulting job at cost, hoping for follow-on work, but our bid was still too high. With tax relief on employees' foreign income, the job could have been bid lower.

If the Congress reduced the minimum period of 18 months and increased the annual amount of foreign income exempt from U.S. taxes, some companies believe the industry would increase its foreign work.

CHAPTER 4

CONSIDERATIONS IN DETERMINING THE LEVEL OF U.S. ASSISTANCE

Commerce practice is to promote mostly capital and high-technology items to maximize U.S. exports. It concentrates on helping manufacturing companies to export equipment. Information on the amount of U.S. exports resulting from successful foreign engineering and construction contracts is not available. Various Government officials agree, however, that U.S. engineering companies' involvement in planning foreign projects greatly increases the likelihood of immediate and/or follow-on contracts for U.S. engineering and construction services and equipment. Some of the views expressed follow.

- Commerce stated that the importance of helping U.S. engineering and construction companies win contracts in foreign projects could not be overestimated. It stated that U.S. companies' involvement in planning foreign projects greatly increased the likelihood that they would be selected to design, construct, and equip the projects. Commerce estimates that, if a U.S. engineering company plans a project, usually about 40 percent of the follow-on work and equipment sales will go to U.S. companies.
- State said that the direct promotion of manufactured goods has received too much emphasis and the importance of involving U.S. engineering and construction companies in foreign projects has not been fully appreciated and explored. State's experience has shown that U.S. involvement in the early stages of planning foreign projects substantially increases the likelihood of follow-on contracts for U.S. engineering and construction services and equipment. However, State has not made any studies to explicitly document this follow-on effect.
- Eximbank believes that, if U.S. engineering companies are brought in during the early stages of

economic analysis and pre-engineering studies for foreign products and can demonstrate their skills at that time, they are more likely to obtain the follow-on work in which the best U.S. technology can be applied and U.S.-manufactured goods can be sold.

--AID thought the existence of a follow-on effect was a reasonable assumption but knew of no statistics to demonstrate it.

--Treasury stated that no significant relationship has been shown between U.S. engineering companies doing the feasibility and design work on a project and the follow-on award of construction and equipment purchases to U.S. companies when such procurement is subject to international competitive bidding.

--The National Advisory Council on International Monetary and Financial Policies report for fiscal year 1971 stated:

"The Council's review of World Bank procurement also noted that, contrary to many allegations, the source of the final procurement of goods and services was not dependent on the nationality of the successful contractor. Both U.S. and foreign contractors on large World Bank projects procured goods and services where they could do so most economically, consistent with specifications. Contractors, whether U.S. or foreign, procure in the United States only when the price is competitive--and, where U.S. industry abroad or foreign prices are advantageous the U.S. contractors consistently subcontract abroad. There was some evidence that U.S. suppliers were able to bid more successfully where engineering specifications were prepared by U.S. and U.K. (United Kingdom) engineers. It would appear that some standardization is

required in this field in order to protect the interests of both borrowers and suppliers."

--An official of the U.S. Mission to the United Nations said a follow-on effect for U.S. work was difficult to prove and measure but seemed to be valid. The contrary is definitely true in that, if a foreign company wins the engineering contract, it is almost impossible for a U.S. company to win the construction contracts.

Until a sound comprehensive data base has been developed, it will be difficult for the U.S. Government to develop a more effective promotion program for engineering and construction companies and to determine what amount of resources should be allocated to it. Some basic questions that must be answered are:

- What percentage of total foreign project work is being done by U.S. engineering and construction companies?
- What potential exists for U.S. companies to increase their share of foreign project work?
- To what extent does U.S. engineering and construction companies' involvement in foreign projects result in U.S. equipment sales?
- What effect does such involvement have on the U.S. balance of payments?
- What types, phases, and locations of foreign projects offer the most potential for U.S. exports and are most likely to require agency assistance to enable companies to bid competitively?
- Where within each foreign project should agencies concentrate their assistance efforts?

ALLOCATING RESOURCES BETWEEN
MANUFACTURING INDUSTRIES AND
ENGINEERING AND CONSTRUCTION INDUSTRIES

Once agencies develop a reliable and comprehensive base, they can better determine the degree of assistance appropriate for engineering and construction companies and manufacturing companies. Agency and company officials indicated that Government assistance has been disproportionate and that agencies should consider allocating more of their funds to assist engineering and construction companies to win foreign contracts.

For example, Commerce's Bureau of International Commerce, as shown in the table below, allocated at least 96 percent of its fiscal year 1973 export promotion funds to assisting U.S. manufacturers and, at most, 4 percent to helping engineering and construction companies win contracts in foreign projects.

Bureau of International Commerce
Allocation of Export Promotion Funds
Fiscal Year 1973

<u>Office</u>	<u>Total office funds</u>	<u>Amounts allocated to</u>	
		<u>Manufacturing companies</u>	<u>Engineering and construction companies</u>
		(000 omitted)	
International marketing	^a \$13,310	\$13,177	^b \$133
Export development	^a <u>2,235</u>	<u>1,735</u>	^a <u>500</u>
Total	<u>\$15,545</u> 100%	<u>\$14,912</u> 96%	<u>\$633</u> 4%

^aSource: Commerce Budget Office

^bGAO estimate of maximum allocation of resources based on discussions with Commerce officials. Exact figures not available.

Commerce officials stated that, after they have identified industries most competitive in international markets, they plan to identify within those industries (1) the product categories having maximum export potential in the individual importing countries and (2) the U.S. companies which manufacture products in those categories. The next step will be to provide the companies with all the market information and assistance that Commerce resources permit, to facilitate the companies' penetration of foreign markets. Under this targeted industry program, Commerce has tentatively designated 15 equipment-manufacturing industries as having the greatest export potential. The U.S. engineering and construction industries are not included in this analysis. A separate group, MEPD, under the Office of Export Development, assists these companies in winning contracts.

Resources should be allocated to industries having the greatest export potential and need, and the relative payoffs should be determined before decisions are made on the amount of resources to be allocated to promotion programs for the manufacturing and engineering and construction industries. MEPD stated that foreign projects present added major opportunities to sell a wide array of manufactured goods, such as computers, electronic components, communication systems and equipment, energy systems, and food processing and packaging equipment. Therefore, any notable success in involving engineering and construction companies in foreign projects complements efforts to export equipment in the 15 target manufacturing industries identified by Commerce.

If the analyses we are suggesting below shows that a strong follow-on effect does exist, more resources should be allocated to helping engineering and construction companies win foreign contracts. MEPD could then concentrate its increased resources on projects offering the greatest export potential. Of course, other concerned agencies, such as the State Department and Eximbank, will have to make these same types of reallocation decisions.

IDENTIFYING IMPORTANT PROJECT TYPES, PHASES AND LOCATIONS

Once the amount of resources to be allocated to the engineering and construction industries is determined, the agencies should identify what types, phases, and locations of foreign project work have the greatest potential for U.S. exports and where U.S. Government assistance is more important.

Such an analysis is important because agency and company officials said that some foreign projects offer greater potential for U.S. exports than others. One observation made was that process-plant work offers greater potential for exporting construction services and equipment than do civil projects, such as roads, ports, and bridges. An example provided by company officials to illustrate this point follows:

--U.S. companies may be able to bid competitively for designing food-processing plants in Mexico but be unable to bid competitively on road construction projects in France. In the former case, a U.S. company may be selected on the basis of its prior work and technological expertise in this area, with price to be negotiated after selection. In addition, the project would present high export potential because much of the design work would be done in the United States and most of the food-processing, packaging, and related equipment would have to be imported because it is not manufactured in Mexico. U.S. companies, however, may be uncompetitive when bidding on a French road construction job because they have no special technological expertise or experience superior to that of French companies. Even if a U.S. company won such a contract, the contract could be expected to involve local French equipment and labor with only a small portion of the contract amount spent on U.S. equipment and services.

FACILITATING RESOURCE ALLOCATION

To help identify projects offering greatest export potential and related resource allocation, a decision model

could be used which considers three project variables.

- Types, which vary widely and include such operations as petrochemical processing plants, waste distribution systems, railroads, and power generating facilities.
- Phases, which include sector and feasibility studies, design work, construction, equipment supply, and management.
- Location, which is designated by country.

Difficulties may arise in obtaining data to satisfy a model, and agencies may have conflicting objectives in developing a model and seeking solutions. However, such a decision model could indicate which foreign projects have the most potential for additional U.S. exports and the type of Government assistance needed for companies to competitively bid on the projects. Thus, potential for export expansion and agencies' ability to effectively assist companies could be the criteria for U.S. Government support.

Because individual agencies may have insufficient resources, the interagency working group could consolidate agency efforts and provide information of benefit to all the agencies. An example of how such a decision model could be constructed and an explanation of its use is shown in appendix I.

The British have developed a computerized information system which indexes foreign projects and monitors developments on them to build up data which may be useful in securing future contracts. Although information is lacking for many foreign projects in which British companies are not involved or interested, this system might be useful as an initial model for U.S. agencies in starting to gather needed statistics.

Our report to the Congress, "Ways to Improve U.S. Foreign Trade Strategies" (B-172255, Nov. 23, 1973), highlighted the need for such basic analyses to allocate and direct trade promotion resources, as follows:

"Notwithstanding the importance of commercial activities overseas and the numerous agencies involved in these activities, no coordinated country trade strategies have been prepared which identify the significant opportunities and problems facing U.S. commercial interests in each foreign country, and set forth plans to focus activities directly on these opportunities and problems. In general, each agency conducts its activities without systematically analyzing individual foreign markets to identify the specific areas most important to U.S. commercial interests. Thus, the agencies cannot be certain that their commercial activities are suited to and concentrated on the important opportunities and problems peculiar to each market. There also is no assurance that all agencies are working together to attain the most important objectives and are not, in fact, working at cross-purposes."

State Department officials agreed that meaningful country trade strategies were a much needed tool for directing commercial activities abroad. In a pilot program, several U.S. Embassies participated in developing fiscal year 1974 country trade strategies which revealed a number of positive results. This commercial programming, was formalized by Commerce and State with consideration being given to the participation of other agencies. For fiscal year 1975 about 35 country commercial programs are to be developed.

An analysis of the export potential of foreign projects would be a logical part of the new trade strategies and would complement agency efforts to better define the importance of engineering and construction companies' foreign work.

CHAPTER 5

CONCLUSIONS, RECOMMENDATIONS, AGENCY COMMENTS, AND OUR EVALUATION

CONCLUSIONS

U.S. engineering and construction companies' foreign project work could have a major impact on alleviating the U.S. balance-of-payments problem. As indicated by their comments, these companies and Government agencies capable of helping them win foreign contracts need a more effective dialogue to:

- Make the companies aware of the assistance available.
- Make the agencies aware of the companies' problems.
- Work together to improve existing programs and to develop new programs to overcome the problems.

The companies have requested better Government assistance in diverse areas. According to industry officials, this added assistance could help companies to greatly increase their foreign project work.

Analyses are needed so that agencies can determine which specific project types, phases, and locations are most likely to involve substantial U.S. exports. The agencies can then decide what percentage of their promotion resources they should allocate to helping:

- Construction companies win foreign contracts.
- Manufacturing companies export equipment.

Company and agency officials have suggested revised and new programs which the agencies should consider. Some may require an expansion of agency goals established by the Congress.

Agencies do need to concentrate their limited resources on assisting companies that have demonstrated a

capability to win foreign contracts. However, because of the limited number of internationally active U.S. engineering and construction firms, we believe that some resources should be allocated to actively encourage more companies to start pursuing foreign project work.

Most agencies we have contacted have initiated efforts to improve assistance provided to the companies. However, no one agency is expected to consider all the various types of assistance needed by the companies or even to effectively explain every type of Government assistance already available. MEPD is a focal point in Commerce for providing Government-wide assistance to companies on major foreign projects. However, MEPD has limited resources allocated to it and limited authority in its dealings within Commerce and with other agencies.

Although an individual agency may have insufficient resources to develop an overall Government program to assist the companies, a joint effort by the agencies would be less burdensome and would benefit all participants.¹

RECOMMENDATIONS

The Secretaries of State and Commerce should direct their joint working group to act as a focal point to:

¹Title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a), commonly called the User Charge Act, requires that Government agencies offering a specific service for the use of a group other than the general public charge an appropriate sum for such services. Instructions for implementing this policy are in Office of Management and Budget Circular No. A-25, dated September 23, 1959, as amended.

- Insure effective exchanges of information between U.S. companies and agencies.
- Prepare a comprehensive summary of available Government assistance and distribute it to U.S. companies seeking foreign contracts.
- Supervise the development of a better information base for determining whether additional assistance to U.S. engineering and construction companies is warranted. This effort should
 - define the importance of U.S. engineering and construction companies' foreign work from a trade and balance-of-payments standpoint and
 - determine the specific types, phases, and locations of foreign projects that present the best potential for U.S. exports.

If the above analysis shows that additional Government assistance is warranted, the working group should act as a focal point to:

- Work closely with industry officials to insure that the expanded and/or new programs are tailored to the needs of the industry.
- Develop programs for encouraging new and existing engineering and construction companies to pursue more foreign project work.

The Secretaries of State and Commerce should seek the support from the heads of the Treasury Department, Eximbank, AID, OPIC, and FCIA in directing their respective agencies to coordinate with the State-Commerce joint working group in accomplishing its task.

AGENCY COMMENTS

State, Commerce, and the Treasury, Eximbank, OPIC, AID, and FCIA agreed that improved Government support could increase the U.S. share of engineering and

construction projects abroad with resultant balance-of-trade benefits. Their comments were considered in preparing this report and are outlined below.

--State believed that a number of recommendations warranted further exploration but that the scope of our report went beyond the direct responsibilities of State and Commerce and the subject should be discussed in a broad interagency frame work.

--State said that after our research was completed the President's Interagency Committee on Export Expansion¹ had been established. It stated that this committee was a most appropriate forum to discuss the subjects covered in our report. At the committee's first meeting State suggested that it examine ways to better promote earnings from "invisibles,"² including engineering and construction services. State believed that the comments in this report would greatly assist the committee in focusing its direction on this subject and advised us that a committee task force was considering our recommendations. In support of committee consideration of U.S. earnings from "invisibles," State said it was prepared to reactivate the joint State-Commerce working group as we recommended but that the focus of the working group would depend upon the role assigned it by the committee.

¹Agency officials on the committee include the Secretaries of Agriculture, Commerce, Labor, and Transportation; Undersecretary of State for Economic Affairs; the Deputy Assistant Secretary of the Treasury; Deputy Secretary of Defense; Assistant Attorney General, Antitrust Division; Chairmen of Eximbank and the Federal Maritime Commission; Special Representative for Trade Negotiations; Director of the Office of Management and Budget; and Executive Director of the Council on International Economic Policy.

²Nonmerchandise exports, including such items as shipping, insurance, travel, and services.

--Commerce agreed that U.S. engineering and construction companies' foreign project work could have a major impact on alleviating the U.S. balance-of-payments problem. It also agreed that it was desirable to have a comprehensive and coordinated U.S. Government program to evaluate the potential in this area, the needs of U.S. companies for assistance, and the possibility of increasing efforts to assist engineering and construction companies to win foreign contracts.

Commerce believed, however, that our recommendations would require a substantial allocation of resources. The agency thought it would be desirable to reconvene the joint State/Commerce working group, before such a program was initiated, to consider the scope of work proposed, potential usefulness of specific activities recommended, availability of staff to carry out the work, and alternatives to accomplish the objectives in our report. It believed representatives of the engineering and construction industries should be included to secure their advice, cooperation, and contribution to the work program.

--Treasury advised us that two studies were underway within the executive branch involving the Government's role in promoting U.S. exports. Treasury was participating in both studies and said it would consider the comments and suggestions in our report within the context of its overall approach.

Treasury expressed surprise to learn that its roles and those of the U.S. Executive Directors in insuring access of U.S. engineering construction companies to the international financial institutions were frequently unknown or misunderstood by companies.

Treasury stated that increasing attention had been given to problems in this area and that its activity has been made known widely through participation in industry meetings and work with Commerce. Also, Treasury said its Executive Directors' offices had frequently assisted U.S. industrial and contracting

firms in a variety of ways to help them with procurement and similar problems arising in their relationships with these institutions.

--Eximbank fully subscribed to the central theme of our report pertaining to Eximbank operations; i.e. that Eximbank should support the growth of U.S. exports by providing competitive financial services to U.S. exporters. Eximbank stated that, although it must make its financial services available to all U.S. exporters impartially, it is aware of the particular needs of U.S. engineering and construction companies for export credit insurance and export financing. It said that it intends to continue its efforts to insure that no U.S. export sales are lost due to unavailability of competitive financial services.

Eximbank also stated that it fully supported our recommendation that it be prepared to coordinate with a State-Commerce working group concerned with export promotion activities. The agency stated that for many years it had maintained close working relationships, many on a daily basis, with State and Commerce representatives and groups, both in Washington and worldwide.

--OPIC stated that it has been assisting American construction contractors in obtaining foreign construction jobs. The agency believed our report should prove helpful to it and to other government agencies in further improving current efforts to assist the U.S. construction industry.

--AID recognized the important contribution that U.S. engineering and construction companies have made and continue to make toward providing assistance to the less developed countries. It stated that it has made extensive use of these companies in planning and implementing specific development projects financed through U.S. development aid over the years.

AID believed that effective implementation of our recommendations would represent a positive step

forward and one which it fully supports. In view of the lack of satisfactory data on foreign construction work, AID offered to provide information it has gathered to the State-Commerce working group to assist it in meeting this need.

--FCIA stated that exporting U.S. engineering and construction services could have a major impact on U.S. balance of payments. It said that its objective was to enable U.S. engineering and construction firms obtain a larger share of the foreign market. We were told that, since our review, FCIA had substantially improved its Services Export Program and expanded it to better meet the industry's needs.

OUR EVALUATION

State and Commerce are the key agencies to act to improve Government services for the construction and engineering industry. Their comments and those of the other agencies show a recognition of the need for improving Government support for the industry and indicate that our observations and recommendations will be considered in their reviews of U.S. Government export activities.

The studies on the U.S. approach and role in promoting U.S. exports and on export earnings undertaken by the executive branch and the President's Interagency Committee on Export Expansion, which includes representatives of the various agencies concerned with matters discussed in this report, are positive steps. However, implementation of our recommendations depends on the outcome of these studies which have been in process for some time.

The absence of a timely decision on assigned priorities and allocation of needed resources to promotional activities because of these studies leaves a vacuum for appropriate action and perpetuates the lack of current specific remedial steps. We believe timely action on these studies and on our recommendations would improve the U.S. engineering and construction companies'

share of the overseas market. Reactivating the joint State-Commerce working group would be an appropriate and timely approach to the matters discussed in this report.

CHAPTER 6

SCOPE OF REVIEW

We interviewed officials of the National Constructors Association, Consulting Engineers Council of the United States, Associated General Contractors of America, and 30 U.S. engineering and construction companies experienced in foreign project work and located primarily in Washington, D. C.; Boston; New York; Los Angeles; and San Francisco. These officials described company problems in bidding and working on foreign projects and suggested ways U.S. agencies might help them.

To obtain additional information on the company problems and suggested solutions and to determine the Government assistance appropriate to help the companies increase U.S. exports, we spoke with officials in the Departments of State, Commerce, and the Treasury; Eximbank; AID; OPIC; FCIA; the Corps of Engineers; and the Bureau of Reclamation.

We did not analyze the merits and ramifications of each specific problem or the possible solutions expressed by the companies and agencies.

DECISION MODEL FOR ALLOCATING RESOURCES

To effectively allocate export expansion assistance among different types, phases, and locations of foreign projects, Government agencies must analytically determine the export potential of each. Agencies must estimate what additional U.S. exports will result from projects having various combinations of type, phase, and location characteristics if their assistance is to enable a U.S. company to win a contract. Table A, below, shows a hypothetical example of the type of information needed and the manner in which it can be used for feasibility studies for dams in "country X."

Table A estimates the value of U.S. exports likely to result if a U.S. company wins such a feasibility study contract, indicates the nationality of probable competitor companies, and U.S. companies' competitive weaknesses. Similar tables could be constructed for additional types of projects, other project phases, and other countries.

The key figure in table A is the additionality factor, 0.3 in column 8. It is an estimate of additional U.S. exports, expressed as a multiple of contract value, expected if, with U.S. agency assistance, a U.S. company wins a feasibility study contract for a dam in country X. The figures in columns 1 to 7 are included to show how the additionality factor is computed. Since the additionality factor is the key figure in table A, tables, such as table B, can be constructed to show additionality factors only for all project types and phases of projects in country X. The additionality factor of 0.3 is calculated by multiplying the probability that a U.S. company will win the contract (0.25 in column 3) by the export potentiality factor (1.2 in column 7). Figures in columns 1, 2, 4, 5, and 6 are included to show the derivation of the figures in columns 3 and 7.

The additionality factor will be low if a U.S. company is likely to win the contract without Government assistance (i.e., a low figure in column 3) or if the

APPENDIX I

ratio of U.S. exports to the contract value is low (i.e., a low figure in column 7). Projects with high additionality factors are those which a foreign company is likely to win and which will result in the most U.S. exports per dollar of contract value if a U.S. company wins the contract. Thus, it would be most beneficial to the U.S. economy to choose those projects with high additionality factors.

The estimated contract amount for each potential foreign development contract may be multiplied by the applicable additionality factor to estimate the value of additional U.S. exports that will result if, with Government agency help, a U.S. company wins the contract. The resulting amounts may be ranked (see table B) to indicate those contracts that would most increase U.S. exports if U.S. companies won and, therefore, the contracts most worthy of Government support. With this ranking and an evaluation of such factors as those in columns 9 and 10, Government agencies could decide which contracts they could most beneficially and effectively help U.S. companies to win.

Table A

EXAMPLE OF RESOURCE ALLOCATION MODEL (note a)
COUNTRY X
PROJECT PHASE--FEASIBILITY STUDIES
(FOR THE PERIOD 19 - 19)

Project type	Col. 1	Col. 2	Col. 3	Col. 3A	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
	TC	USC	PUC	VAC	IUSE	FUSE	TVUSE	EPF	AF	NCC	CW	EC	AF/C
	(millions)				(millions)							(millions)	
	\$	\$			\$	\$	\$					\$	
Highway	4.0	1.0	0.25	1.0	1.0	.2	1.2	1.2	0.3	G.F.C.	F.L.E.		
Dam													
Bridge													
Water supply system													
Powerplant													
Food-processing plant													
Petrochemical plant													

Col. 1--Value of total contracts (TC) to be awarded.

Col. 2--Value of contracts already won by U.S. companies with the aid of U.S. Government assistance. U.S. contracts (USC).

Col. 3--An estimate of the probability of a U.S. company (PUC) winning the contract (Col. 2 + Col. 1) with the aid of U.S. Government intervention and assuming all contracts are of equal value.

Note--This is not the only method to compute this estimate and this method should not be used when USC=0 or USC=TC.

Col. 3A--Value of additional contracts (VAC) that U.S. companies are seeking with help from Government agencies.

Col. 4--Estimated value of immediate U.S. exports (IUSE) resulting from additional contracts won by U.S. companies.

Col. 5--Estimated value of U.S. exports resulting from U.S. follow-on contracts won because a U.S. company won additional contracts for this phase of the project. Follow-on U.S. Exports (FUSE).

Col. 6--Total value of U.S. exports (TVUSE) resulting from additional contracts won by U.S. companies (Col. 4 + Col. 5).

Col. 7--Export potentiality factor (EPF), i.e., the ratio of total value U.S. exports resulting from additional contracts to the value of additional contracts sought by U.S. companies (Col. 6 + Col. 3A).

Col. 8--Additionality factor (AF) (Col. 3 x Col. 7). The AF multiplied by the estimated value of a foreign contract indicates the value of additional U.S. exports that will result if, with U.S. agency help, a U.S. company wins the contract.

Col. 9--Nationalities of competitor companies (NCC) in order of importance: W--West Germany; J--Japan; F--France; I--Italy; C--Canada; M--Mexico; D--Denmark; E--England.

Col. 10--Competitive weaknesses (CS) of U.S. companies: F--financing; T--technical expertise; L--language; E--prior experience; C--geographical location; L--labor costs.

Col. 11--Estimated costs (EC) in units of man years (or dollars) that Government agencies will use to assist U.S. companies in winning additional contracts.

Col. 12--A ratio of the additionality factor to the costs (AF/C) that the Government incurs in assisting U.S. companies to seek additional contracts. (Col. 8 ÷ Col. 11) - a benefit-cost ratio.

^a The model may require significant refinement before it could be placed into actual use.

Table B

COUNTRY X
RANKING OF ADDITIONALITY FACTORS (note a)

Project type	Sector study	Feasibility study	Engineering	Construction	Equipping	Management
Highway						
Dam		0.3				
Bridge						
Water supply system						
Powerplant						
Food-processing plant						
Petrochemical plant						

^a These factors based on data for the period 19 - 19 .

APPENDIX II

PRINCIPAL U.S. OFFICIALS RESPONSIBLE FOR
ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

Tenure of office

From To

DEPARTMENT OF STATE

SECRETARY OF STATE:

Henry A. Kissinger	Sept. 1973	Present
William P. Rogers	Jan. 1969	Sept. 1973
Dean Rusk	Jan. 1961	Jan. 1969

UNDER SECRETARY FOR

ECONOMIC AFFAIRS:

Vacant	Mar. 1974	Present
William J. Casey	Feb. 1973	Mar. 1974
Vacant	May 1972	Feb. 1973
Nathaniel Samuels	April 1969	May 1972

DEPARTMENT OF COMMERCE

SECRETARY OF COMMERCE:

Frederick B. Dent	Feb. 1973	Present
Peter G. Peterson	Feb. 1972	Jan. 1973
Maurice H. Stans	Jan. 1969	Feb. 1972

ASSISTANT SECRETARY FOR DOMESTIC
AND INTERNATIONAL BUSINESS:

Tilton H. Dobbin	June 1973	Present
Lawrence A. Fox (acting)	Jan. 1973	June 1973
Andrew E. Gibson	July 1972	Dec. 1972
Lawrence A. Fox	June 1972	July 1972
Harold B. Scott	Oct. 1970	June 1972
William R. McLellan	Sept. 1970	Aug. 1971
Kenneth N. Davis, Jr.	March 1969	July 1970

APPENDIX II

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
DEPUTY ASSISTANT SECRETARY AND DIRECTOR, BUREAU OF INTERNATIONAL COMMERCE:		
Marinus van Gessel	April 1972	Present
Robert P. Beshar	Oct. 1971	April 1972
Harold B. Scott	May 1969	Oct. 1971

AGENCY FOR INTERNATIONAL DEVELOPMENT

ADMINISTRATOR:		
Daniel Parker	Oct. 1973	Present
John A. Hannah	March 1969	Sept. 1973
William S. Gaud	Aug. 1966	Jan. 1969

DEPARTMENT OF THE TREASURY

SECRETARY OF THE TREASURY:		
William E. Simon	May 1974	Present
George P. Schultz	June 1972	May 1974
John B. Connally	Feb. 1971	June 1972
David M. Kennedy	Jan. 1969	Feb. 1971

DEPUTY SECRETARY OF THE TREASURY (note a):		
Vacant	May 1974	Present
William E. Simon	Feb. 1973	May 1974
Charles E. Walker	June 1972	Feb. 1973

UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS:		
Jack F. Bennett (acting) (note b)	May 1974	Present
Paul A. Volcker	Jan. 1969	May 1974

ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS:		
John M. Hennessy (note c)	June 1972	Present
John R. Petty	May 1968	Feb. 1972

APPENDIX II

Tenure of office
From To

THE EXPORT-IMPORT BANK OF THE UNITED STATES

PRESIDENT AND CHAIRMAN

OF THE BOARD:

William J. Casey	March 1974	Present
Walter C. Sauer (acting)	Nov. 1973	March 1974
Henry Kearns	March 1969	Oct. 1973

FIRST VICE PRESIDENT AND

VICE CHAIRMAN:

Walter C. Sauer	Sept. 1962	Present
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DIRECTORS:

Mitchell P. Kobelinski	July 1973	Present
R. Alex McCullough	May 1969	Present
John C. Clark	June 1969	Present

^aPosition created in May 1972.

^bAppointment confirmed in June 1974.

^cMr. Hennessy served as Acting Assistant Secretary of the Treasury for International Affairs from Feb. 1972 until his appointment to this position in June 1972.

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