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REPORT TO THE CONGRESS



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Ways To Increase U.S. Exports Under The Trade Opportunities Program B-135239

Department of Commerce
Department of State

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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JAN. 28. 1972

This report is sent to you because of your indicated interest in the work of the U.S. General Accounting Office.

The report summarizes the results of a GAO review of a Federal Government program for expanding U.S. exports. The purpose of the review was to find out whether overseas business opportunities were being effectively identified and communicated to U.S. businessmen.

The digest in the front of the report highlights the principal findings, conclusions, and recommendations growing out of the GAO review.

The report is one of several reports sent by the Comptroller General of the United States to the Congress during January 1972. Additional copies are available on request for student use.

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

B-135239

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

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This is our report on ways to increase U.S. exports under
the Trade Opportunities Program. This program is implemented
jointly by the Department of State and the Department of Commerce.

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Our review was made 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).

Copies of this report are being sent to the Director, Of-
fice of Management and Budget; the Secretary of Commerce; and
the Secretary of State.

Comptroller General
of the United States

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ABBREVIATIONS

AID	Agency for International Development
AITI	American International Traders Index
CLA	Central Logistics Agency
DLD	Development Loan Division
EEC	European Economic Community
GAO	General Accounting Office
IBRD	International Bank for Reconstruction and Development
IDC	Industrial Development Center
KDFC	Korea Development Financing Corporation
MCSO	Military Central Supply Office
OSROK	Office of Supply, Republic of Korea
SIC	Standard Industrial Classification
TID	Trade and Investment Division
TOP	Trade Opportunities Project
WTDR	World Trade Directory Report

D I G E S T

WHY THE REVIEW WAS MADE

The Trade Opportunities Program is one of several conducted by the Department of Commerce to expand U.S. exports. Its purpose is to collect and report information useful to U.S. businessmen interested in overseas markets. The program relies on U.S. Embassies and consulates to identify and report potential business opportunities to Commerce, and the information is then disseminated by Commerce through field offices and through publications and directly to trade associations and businesses.

The General Accounting Office (GAO) reviewed the program to find out whether overseas business opportunities were being identified and transmitted effectively to U.S. businessmen.

FINDINGS AND CONCLUSIONS

The Trade Opportunities Program has had some success in bringing U.S. exporters and overseas importers together. Management actions by Commerce and State are needed, however, to improve the program level of implementation--overseas, in Washington, D.C., and in U.S. field offices.

Overseas

U.S. diplomatic posts could increase significantly the number of reported trade leads if they were more aggressive in seeking out opportunities. (See pp. 8 and 9.)

The incomplete commodity descriptions furnished had little chance of success and drew few responses from prospective suppliers. (See pp. 9 and 10.)

Washington

Business competition makes time a critical factor. Yet about 90 percent of the reported leads were handled routinely. (See pp. 10 and 11.)

About 60 percent of the government procurement opportunities submitted for the benefit of U.S. suppliers were never published. Of those that were published, many had bid deadlines that already had expired or were close to expiration. (See p. 12.)

Field offices

In most offices dissemination of trade leads was given low priority. (See pp. 12 and 13.)

Files for identification of potential suppliers were incomplete, outdated, or otherwise inadequate. As a result many leads were sent to firms with little or no potential for fulfilling the need. (See pp. 13 and 14.)

Follow-up efforts were sporadic. (See pp. 14 and 15.)

As stated above the program has reporting channels in U.S. Embassies and consulates throughout the world, and, during fiscal years 1968 and 1969, about 6,000 private trade opportunities were reported annually to Commerce.

In comparison the State of New York developed over 30,000 private trade opportunities with three overseas offices--in Brussels, Belgium; Tokyo, Japan; and San Juan, Puerto Rico.

The United Kingdom furnished over 30,000 opportunities for its suppliers in 1969 and, using a newly computerized system, plans to double its subscribers to this service. It estimated that 50,000 trade opportunities would be developed in 1971.

Benefits other than dollar sales would be achieved by an aggressive Trade Opportunities Program. By increasing contact with prospective buyers, Foreign Service officials abroad could learn of unexplored opportunities or trade barriers, which could then be dealt with as appropriate. (See pp. 12 to 24.)

There is a significant unrealized potential for increased benefits from the program through a more dynamic and imaginative approach.

Despite certain obstacles hindering program improvement--fragmented organization, restrictive trade policies, and the attitudes of business and Government officials--GAO believes that management can initiate actions to obtain greater benefits from the program. (See pp. 25 to 31.)

The program is not as effective as it could be principally because it does not receive the kind of attention necessary to maximize its potential.

The recent devaluation of the U.S. dollar and the revaluation of currencies of other major trading nations should make the price of U.S. goods more competitive in overseas markets and affords new opportunities for increased sales abroad. If the program is given an increased level of support, greater numbers of sales opportunities can be identified and translated into exports. (See pp. 32 to 34.)

A key ingredient in an improved program is the high degree of coordination required among the three operation activities--overseas, Washington, and the U.S. field offices. These activities are interdependent. Unless improvements are carried out in concert, maximum benefits cannot accrue.

RECOMMENDATIONS OR SUGGESTIONS

The Secretaries of Commerce and State should jointly determine the relative importance of the Trade Opportunities Program within the framework of current commercial activities. This determination should focus on the potential benefits of a more dynamic program rather than on the program's past accomplishments.

The Departments should examine into the features of the trade opportunities programs of New York State and the United Kingdom with a view to adopting practices that offer potential for improving the U.S. program.

The Departments should also consider

- centralizing management authority in a single business-oriented administrator;
- pursuing aggressively program objectives at overseas posts to identify, accumulate, and transmit trade opportunities;
- strengthening Washington procedures for reviewing trade leads;
- improving field office support of overseas submissions in bringing leads to the attention of businesses;
- expediting transmission of information obtained overseas to Washington and to potential suppliers;
- examining into the feasibility of an automated system; and
- studying the desirability of charging a fee for the service.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Commerce agreed that the Trade Opportunities Program had a potential for increased benefits. It is taking steps to improve the program, but it has pointed out that major improvements are dependent on the resources that the Departments of State and Commerce can allocate to the program in the light of other priorities and budgetary considerations. (See p. 34 and app. VI.)

The Department of State fully concurred in GAO's central recommendations. Although the Department shared the belief that a potential probably exists for an increase in benefits from an intensified program, the questions of priority and personnel and budgetary limitations clearly support the in-depth test study suggested by GAO. (See pp. 34 and 35 and app. VII.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Trade Opportunities Program, if properly organized and administered, could be an effective tool in increasing U.S. trade overseas and in helping to alleviate a continuing trade deficit.

CHAPTER 1

INTRODUCTION

The key component in the U.S. balance-of-payments equation, which has enabled the United States to finance its large international military and economic programs, has been the merchandise trade surplus. Until recently the United States exported considerably more than it imported. From a surplus high of \$7 billion in 1964, the merchandise trade balance has dropped to a deficit of more than \$936 million in the first 8 months of 1971.

Although U.S. merchandise trade is only a small percentage of the U.S. gross national product, it is the largest component in the balance of payments; continued substantial deficits have a disproportionate effect on the Nation's economic well-being. The need to expand exports was underscored by the President's pronouncements in August 1971 when several actions were taken to reverse the Nation's deteriorating trade situation.

The Department of Commerce carries out a variety of programs designed to stimulate and assist U.S. companies in developing and expanding foreign market sales. Part of its broad responsibilities include collecting and reporting information useful to U.S. businessmen interested in overseas markets. One feature of this service, called the Trade Opportunities Program, has existed in one form or another for many years, but only since about 1966 has Commerce attempted to take steps to improve the service's responsiveness to industry's needs. Briefly stated, the program relies on overseas posts of the Department of State to identify and report potential business situations to Commerce in Washington so that these leads can be passed on to American businesses.

Commerce does not have an overseas commercial service of its own; it relies on the Foreign Service of the Department of State for the implementation and support of its overseas programs. The Trade Opportunities Project (TOP) staff in the Bureau of Domestic Commerce is the focal point in Washington through which information flows for further dissemination. Dissemination is made through the facilities

of 42 Commerce field offices located in key industrial areas of the country or through Department of Commerce publications, such as Commerce Today and Commerce Business Daily. Also some leads are supplied directly to trade associations and businesses by industry specialists in Washington.

Reported leads are classified as either private trade opportunities or government tenders, depending on which sector of the economy they originate from. Collectively they are referred to as trade opportunities or trade leads. Other opportunities connected with North Atlantic Treaty Organization projects and United Nations Development Programs are not covered by this report. (Flow charts which show the processing of trade leads are presented as app. IV.)

According to records maintained by the TOP staff, about 6,000 private trade opportunities a year were received from overseas posts in fiscal years 1968 and 1969. In fiscal year 1968 these opportunities generated about \$25 million in initial sales. During 1968, government tenders totaled about 4,000 and reported sales totaled about \$33 million. In fiscal year 1969 private trade opportunities were conservatively estimated at \$16 million in initial sales. No sales data was calculated for government tenders.

Additionally TOP reported that there were 92 agency agreements consummated in fiscal year 1968 and 128 agency agreements consummated in fiscal year 1969. Commerce reports that its follow-up of fiscal 1969 private trade opportunities indicates that one lead out of every four is successful in either consummating an actual sale or agency agreement or continuing active negotiation still under way at the time of its follow-up. Although accurate operating costs could not be compiled from Departments of Commerce and State accounting systems, Government-wide costs are estimated at about \$1 million a year.

Our review covered the three levels of program implementation--overseas, Washington headquarters, and field offices in the United States. We did not examine into private commercial practices for identifying trade opportunities. We discussed the program with Embassy officials and with members of the business and banking communities. We also

spoke with representatives of the States of New York, Ohio, and Virginia and with Federal officials in Washington and in field offices.

The audit work overseas was performed at nine locations in five countries. The five countries consisted of two developed countries, Germany and Japan; a developing country, Korea; and two countries where the U.S. aid level was high, India and Vietnam. We believe that the overseas operations in these countries provide a sufficient basis for informed judgments. The Commerce field offices visited were: Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Cincinnati, Ohio; Dallas, Texas; Denver, Colorado; Detroit, Michigan; Kansas City, Missouri; Los Angeles, California; New Orleans, Louisiana; New York, N.Y.; Philadelphia, Pennsylvania; and Portland, Oregon.

The results of our review are presented in chapters 2, 3, and 4. Detailed information on our audit coverage and observations is presented in appendix I (overseas activities), appendix II (Washington activities), and appendix III (field office activities).

CHAPTER 2

MANAGEMENT ACTIONS NEEDED FOR

AN EFFECTIVE TRADE OPPORTUNITIES PROGRAM

Although the Trade Opportunities Program has enjoyed a measure of success in bringing opportunities to the attention of U.S. businesses, we found several areas in which management actions were needed to improve on the results obtained from this program. The areas of needed improvement apply to every level of program implementation--overseas, Washington, and field offices. These are presented below.

INCREASING NUMBER OF TRADE LEADS

Out of about 250 posts, about 154 reported private trade opportunities during fiscal years 1968 and 1969. The remainder of the posts, many of which are located in capital cities or areas of industrial activity, did not report any private trade opportunities. It is highly unlikely that businesses in areas covered by such posts as Genoa, Italy; Sapporo, Japan; Belfast, Ireland; Edinburgh, Scotland; New Delhi, India; as well as others in Mexico and Canada would not offer new opportunities for sale of U.S. commodities. Yet no private trade opportunities were reported during the 2-year period by these posts.

A perspective on the magnitude of lost private trade opportunities is suggested from an analysis of the 154 posts that did report. Over 75 percent of these posts reported 50 or fewer trade opportunities a year--an average of less than one each week. These included posts in Buenos Aires, Argentina; Tokyo, Japan; Copenhagen, Denmark; and Hong Kong. About 45 percent of the posts reported 10 or fewer trade opportunities a year.

We found that the primary thrust for establishing business relationships generally came from foreign businessmen. Most of the trade opportunities reported were the result of foreign businessmen's visiting, writing, or calling Embassies or consulates to inquire about U.S. products. Other leads came from U.S. businessmen's requesting credit information on foreign firms.

We found that, of the five countries visited, only in Seoul, Korea, did commercial section employees actively venture into the business community to seek out opportunities. Even so, we found that over 70 percent of the fiscal year 1970 submissions resulted from requests by Korean businessmen's visiting the commercial library or the Trade and Investment Division (TID) office in Seoul. Similar tests of leads submitted by posts at Frankfurt and Duesseldorf in West Germany during fiscal year 1970 revealed that none were the result of business solicitations by commercial officers. (See app. I, pp. 38 and 41.)

MORE DESCRIPTIVE INFORMATION DESIRED

An earlier study by the Departments of State and Commerce and the Agency for International Development echoed a common complaint that private trade opportunity submissions lacked the details necessary to enable U.S. firms to act on them. Our review revealed that the lack of detailed product descriptions remains a problem.

Commercial officers told us that they had tried to submit leads which identified the desired product as completely as possible. They stated, however, that certain detailed data was not readily obtainable and that in these instances they believed it better to submit incomplete leads rather than none. We were told that many firms had been unable to provide such descriptive data as quantity, size range, price, or quality of the commodity desired because they were seeking new products or lines and wanted more information on marketability. Despite the validity of the reasons advanced in some cases, incomplete product descriptions seriously impeded sales; more attention was needed to reduce the number of incomplete trade leads.

The effectiveness of private trade opportunities identified by overseas posts was diluted further because of a breakdown in coordination among staffs in Washington responsible for handling trade leads. We noted that leads which were inappropriate for publication--overly broad descriptions and wrong Standard Industrial Classification (SIC) codes--had been disseminated. Since the completion of our review, Commerce has instituted a system of documenting actions taken by industry specialists; this fixing of

responsibility should improve the quality of future disseminations.

Although it is true that firms respond even if the opportunity is less than complete, an examination of the reports of follow-ups indicated that generally more detail was needed. A substantial number of foreign buyers indicated that responses from U.S. firms did not meet their specifications. This was not unexpected in view of the general lack of detail provided.

Commerce, in recognizing the need for greater detail, has informed us that explicit instructions have been sent to posts and that trade leads are now submitted under a five-digit SIC code rather than the three-digit code previously used. (See app. I, pp. 49 to 52 and app. II, pp. 54 to 56.)

SPEEDING UP PROCESSING OF OPPORTUNITIES

Trade opportunities identified by Foreign Service posts usually are transmitted by mail on prescribed forms. Except in certain situations telegraphic transmission is not encouraged. At the time of our review, the requirement that a World Trade Directory Report (WTDR) (see app. I, p. 41) be available on the foreign firm prior to submission of leads further added to the possibility of delay in transmitting opportunities.

About 90 percent of the private trade opportunities received in Washington were routinely handled. About 3 weeks elapsed before these leads were published in Commerce publications. Western States were provided with advance notices of these routine opportunities. We noted that some advance notices had been provided to trade newspapers for publication. The remaining 10 percent was classified "special handling" and was sent to the 42 field offices for dissemination to firms in their geographic areas. Depending on the field office involved, a month or more elapsed from the time trade leads were prepared by the post to the time the supplier received them. When trade leads are reported, great competitive stresses make timeliness a critical factor. The present system, as indicated by the fact that it can take a month before a business is informed of a lead, is not responsive to the competitive needs.

The adverse effect of untimely reporting was brought to our attention by several commercial officers. Officers in Paris, France; Copenhagen, Denmark; Hamburg, Germany; and New Delhi, India, repeatedly stated that the system was cumbersome, too time consuming, and not effective.

Telegraphic transmission from overseas posts would be appropriate for certain opportunities. Centralized mailings out of Washington would provide potential suppliers with more timely notification of opportunities. The earlier described State of New York operation provides for overseas telegraphic transmission of leads which are matched by the computer against a file of suppliers maintained by SIC codes. The computer then automatically provides the information for mailing to prospective suppliers.

Commerce advised us that, beginning September 15, 1971, certain high-export potential trade leads would be placed under automated distribution out of Washington. This distribution will cover appropriately 1,000 of the 6,000 private trade opportunities received annually; the remainder will be handled in the usual way. (See app. II, pp. 58 and 59.)

ALLOWING MORE TIME ON GOVERNMENT TENDERS

We found that tenders forwarded by overseas posts often did not get published because of the short lead time provided for processing. In tests we made of tenders received between January and May 1970, we found that about 60 percent of those submitted were never published for the benefit of U.S. business. We noted that tenders often were published with bid deadlines that already had expired or were close to expiration.

The Department of State's Foreign Affairs Manual instructs posts to submit tenders at least 45 days before the bid deadline date. Our tests of a selected number of posts showed that only about 45 percent of the tenders were submitted by the posts with at least a 45-day lead time. The review and publication time within Commerce shortened to 3 or 4 weeks the time available to suppliers for preparation of bids on some of these tenders. Although this shortened time frame might be adequate for stock items, it is inadequate in the case of large or complex procurements. Further the fact that the supplier frequently had to request the detailed specifications from Washington or from the foreign country increased the probability that the supplier could not respond in time. Thus a good part of the work by overseas posts in submitting tenders was negated by the late receipt and the inability of Washington to process them in time. (See app. II, pp. 60 to 62.)

IMPROVING DISSEMINATION OF LEADS

We found that field office dissemination of trade opportunities needed to be improved. Although the deficiencies noted did not exist in the same degree in each of the offices visited, the handling of leads at all offices needed attention. We found that, in most offices, the program was accorded little attention. Field offices generally disseminated only the special-handling leads and left the routine leads and Government tenders to be discovered by interested suppliers through listings in Commerce Today or Commerce Business Daily publications.

At one field office the entire program was turned over to a local university's Institute for International Commerce.

In many offices a clerk or secretary was assigned responsibility for selecting the companies, with little or no involvement by international trade specialists. The descriptions of many products are such that only a specialist more familiar with the diversity of U.S.-manufactured products could accurately match buyers with sellers. We noted that opportunities were sent out to firms which did not make the items, whereas firms that made the items were not notified of the trade opportunities. Officials with whom we discussed these examples readily acknowledged that these instances were attributable in part to the lack of familiarity of clerical help with products and product descriptions. It is evident that supervisory review by trade specialists would greatly improve this situation.

Commerce has informed us that, in an effort to improve field office activities, it has issued new instructions emphasizing the priority of this program and specifically directing how the program is to be carried out by the field offices. Also the field offices were directed to increase substantially their dissemination of trade opportunities. In fiscal year 1971 approximately 90,000 notices of opportunities were sent by field offices to U.S. firms. In addition, we were advised that a new monitoring system had been developed to closely supervise field implementation of this program. (See app. III, pp. 63 and 64.)

REFINING SOURCE DATA

Field offices maintain files of local suppliers by product lines which serve as the basis for identifying those firms which might carry the desired products. Most offices used a card file arranged by a four- or five-digit SIC code. These files usually are developed from State directories of manufacturers or from similar sources and are supplemented by information gathered by field office employees from out-of-office visits. A few of the offices we visited used the American International Traders Index (AITI), a listing of companies registered with Commerce and interested in international trade.

We found that card files did not effectively match buyers and suppliers. Files generally were outdated, incomplete, and not sufficiently detailed in descriptions of

products manufactured; firms not interested in exporting were also included. There were known weaknesses in the use of the AITI listing as the basis for sending out opportunities. A study conducted by Commerce in July 1967 on the feasibility of using AITI showed that only 5,200, or 40 percent, out of 13,000 responses indicated that exporters contacted made the product requested. About 6,300 known exporters were contacted in the test. In addition, not all companies interested in exporting chose to register with Commerce, and these do not appear on the index. (See app. III, pp. 64 to 67.)

MEASURING RESULTS OF PROGRAM

Overseas posts are to make follow-ups with the initiating foreign businessmen or government agencies to ascertain the results of submissions. Private trade opportunities are to be followed up 9 months after the origination date. Government tenders are to be followed up as soon as practicable. The accessibility of information and the availability of staff time are to be considered in this follow-up. Commerce reported that a follow-up rate of about 75 percent on private trade opportunity submissions was attained for fiscal years 1968 and 1969. No similar information for government tenders was available. On the basis of our tests in June 1970, we computed a rate of 44 percent for government tenders. Although the follow-up rate has improved over the years, there is insufficient attention by posts in making follow-ups, as well as the reluctance of some foreign businessmen and governments to provide the needed information.

Beginning in July 1969 a follow-up procedure was initiated which provided for computer tabulation of data in an expanded format. Posts were asked to indicate whether or not business resulted. If no business resulted, the reasons, such as "prices not competitive" and "goods did not meet specifications," were requested. This type of follow-up provides a basis for inquiry into the salient reasons and circumstances why business did or did not result. In turn, proper analysis of follow-up reports could indicate market trends and the need for corrective action to alleviate an obstacle to trade.

Commerce officials told us that the expanded follow-up format initiated in 1969 was for the purpose of providing a basis for discerning these matters. These officials also informed us that reports were not analyzed on a more current basis because they wanted to accumulate a full fiscal year's data which became available only in March 1971, between 9 and 21 months after the submissions. Results of this analysis were not available at the conclusion of our fieldwork in July 1971.

Field offices are supposed to collect data from U.S. companies that are sent opportunities. The same inconsistent manner which characterized other aspects of the program at field offices was evident on follow-ups. Some offices made follow-ups, others did not. Offices that made follow-ups often did not do it on a regular or consistent basis. The information obtained from these companies was used to identify new exporters as a measure of field office success in supporting the program. Offices generally did not attempt to ascertain the reasons for a lack of response by potential exporters to opportunities. Commerce informed us that in fiscal year 1971 copies of 6,000 responses (out of 92,000 sent) were received by field offices. These responses in turn were forwarded to the overseas posts for appropriate follow-up. (See app. I, p. 53 and app. III, pp. 68 and 69.)

OPPORTUNITIES PROVIDED TO FOREIGN COMPETITORS

On occasion more foreign offers than American offers on trade opportunities submitted by the Embassy were received by the foreign businessmen. One reason advanced for more foreign offers was that the full trade opportunity, including the name and address of the buyer, was printed in Commerce Today and that foreign consular staffs and firms obtained information on the leads from the magazine. The sales manager of one firm contacted stated that the firm's parent company at one time was a Canadian-based firm. During the short period of time that he worked for the company in Canada, he learned that many Canadian firms, such as his own, had subscribed to and had used the trade leads found in Commerce Today.

A field office director stated that printing the full lead in this magazine allowed foreign firms to take some

of the sales away from American companies. On the average foreign replies to these opportunities represented about 8 percent of all replies received. Coincidentally foreign subscribers to Commerce Today totaled about 9 percent of all subscribers.

In order to preclude competitors from acting on U.S. trade leads, some officials suggested that the requesting firm's name and address not be published. This, however, would only add to an already lengthy distribution time. A more practical suggestion might be to adopt the New York State system or the United Kingdom system of private dissemination to registered or otherwise eligible U.S. firms.

CHAPTER 3

POTENTIAL BENEFITS FROM

AN IMPROVED TRADE OPPORTUNITIES PROGRAM

Our review indicated that an aggressive, imaginative search for information from the foreign business community could significantly increase the potential benefits of the Trade Opportunities Program. The accumulation of trade intelligence information accruing from a dynamic program could be of assistance in shaping U.S. trade policies, in formulating market strategies, in providing useful data for management consideration, and in increasing specific sales.

Too many variables prevent a precise estimate of the additional exports which might result from an improved program. The potential for gaining additional exports would vary, depending on whether a foreign country had well-established trade relations with the United States; whether trade restrictions and nontariff barriers were imposed by the country concerned; whether the attitudes of business and Government were positively oriented; and for numerous other reasons.

PROBABILITY OF INCREASED SALES

The potential for increasing sales under the program might be gauged by comparing the results of Commerce's program with the results of those operated by the State of New York and by the United Kingdom. All three programs have a common objective--to identify export opportunities for suppliers in each country or the State of New York. Although the objectives are similar, the operating techniques and the attention and priorities accorded the program are not similar. The contrasting operating philosophies and results obtained are presented below.

The State of New York reported in 1969 that its program had developed over 30,000 private trade opportunities. This was achieved with about 10 Americans overseas in three locations--Brussels, Tokyo, and San Juan. By comparison Commerce, with about 154 posts reporting during fiscal years

1968 and 1969, averaged 6,000 private trade opportunities a year. We were unable to obtain comparable sales figures because Commerce did not include follow-on sales, whereas New York included these and other sales activities in its annual report. The State of New York, with but a fraction of the resources available to the Federal Government, however, developed five times as many trade leads than did Commerce.

Information obtained on the British system provided further evidence that Commerce could improve its performance. In 1969, when the United Kingdom operated under a manual reporting system, a total of 30,000 trade leads were developed. As a result of the establishment of a computerized system in 1970, the number of leads reported by the United Kingdom system grew to about 42,000; the system is now running at an annual rate of 50,000 trade leads.

An important feature of the United Kingdom system is the registering of interested export subscribers. It was forecasted that the 5,000 subscribers registered at the end of 1970 would increase ultimately to about 10,000 subscribers which are expected to handle nearly all the United Kingdom exports. Subscribers are charged a fee in return for which they may request market intelligence data on a variety of matters. This data is provided by approximately 220 overseas posts of the Government. Posts focus on high-potential product lines; leads uncovered are submitted for computer matching and dissemination within 48 hours to registered suppliers.

The information on New York and United Kingdom program results was not audited by us. The apparent success of New York State and the United Kingdom indicated to us, however, that Commerce could improve its results by a careful analysis of these programs. We believed that Commerce would undoubtedly find that some of its program features were superior and that these could be retained and reinforced by others which would complement and contribute to a more effective program. Commerce advised us that, in line with our suggestion, it had initiated a study of the New York system and that the United Kingdom system would be studied at some future date.

We believe that important reasons for the relatively small number of trade leads reported by U.S. overseas posts were the lack of emphasis of Foreign Service employees on this aspect of their work, coupled with program operating procedures which are cumbersome in comparison with the streamlined method of the State of New York. Although New York State representatives located overseas concentrate wholly on identifying and reporting leads, it is acknowledged that Foreign Service officers are burdened with a variety of functions which compete for their time and attention; the multiplicity of duties undoubtedly detracts from their concentration on the program.

Moreover the New York program is directed by a professionally conceived advertising campaign and by direct mailing, phone calls, visits, and personal contact. New York State representatives meet with local trade association officials, business clubs, and chambers of commerce and attend trade fairs and other gatherings. New York State representatives also utilize Embassy files and reports; in short they seek data from any source that might assist them in identifying leads.

Once an opportunity is identified, New York State representatives use the most appropriate means of transmitting the information to headquarters. "Hot leads" are communicated directly by cable. The Federal program primarily is a mail order system. Leads need not be screened against whether or not the foreign firm is reputable. This is a requirement imposed on Foreign Service officials. New York State overseas representatives do not perform follow-up functions. These functions are handled by stateside staff.

TRADE INTELLIGENCE BENEFITS

Apart from the benefits of specific dollar sales, potentially greater benefits might be realized through an aggressive trade opportunities program. We found that, through direct contacts with the foreign business community, Foreign Service representatives abroad could become aware of and act on matters affecting the ability of U.S. firms to compete in world trade. Examples of trade intelligence revealed by our review showed:

- A lack of effective U.S. competition in procurements financed by international lending organizations.
- A need for better coordination among U.S. agencies abroad.
- A need for greater awareness by importers of the export financing services available.
- A need for detailed analysis of causes for declining U.S. market shares.

These matters are further discussed below to illustrate the kind of useful intelligence that might be obtained by an imaginative and aggressive pursuit of program objectives.

Lack of effective U.S. competition in procurements financed by international lending organizations

The U.S. Embassy in Korea was not reporting the trade opportunity potential of development loans financed by international lending organizations. These loans generally are for procurement on a competitive basis and are provided to in-country banks for long- and medium-term financing of private industry in Korea. In 1969 these loans amounted to about \$145 million; further substantial loans were expected to be approved. We found that bid tender notices and similar documents had not been obtained by Embassy officials for dissemination to Commerce. We noted no action by officials to establish procedures with the banks to obtain the necessary data. This lack of

awareness indicated that effective U.S. competition probably was not being experienced on these loans.

We analyzed loans financed by one of the development banks which had about \$12.6 million committed for loan purposes. Of the \$11.9 million which had been expended for foreign procurement, Japan received about \$10.5 million (88.5 percent); Europe, \$1.16 million (9.8 percent); and the United States, only \$200,000 (1.7 percent).

The lack of effective competition was confirmed by our review of loan appraisal reports. In every instance the procurement sources were predetermined before the loan was approved, and in most instances the sources were Japanese trading concerns. We did not assess the potential competitiveness of U.S. sources.

Need for better coordination among
U.S. agencies abroad

In Vietnam and Korea significant amounts of trade leads, for which U.S. suppliers might have been competitive, were not reported. Embassy officials who had access to information about these procurements had not established procedures to coordinate the sources of their information and to pass these leads through Commerce to U.S. suppliers.

We found in Korea that there was no system under which information on potential trade leads available in other divisions of the U.S. Mission would be provided to the Embassy's TID for transmission to Commerce. In Korea the economic and commercial activities of the Embassy are integrated with those of the Agency for International Development. TID, under the Counselor for Commercial Affairs, is responsible for trade promotion activities.

We noted that TID was not advised of a feasibility study and development plan dated April 10, 1970, for installation of electronic data processing systems in the Ministry of Communications, Republic of Korea, costing about \$2.5 million (with possible significant follow-on procurements if the system is implemented). As a result of our calling attention to this matter, new procedures were adopted whereby TID would be advised of trade potential

by the Development Loan Division (DLD) when such information became known.

The need for better coordination among U.S. agencies abroad was again indicated in Vietnam. Embassy officials there were not advised of government tenders that were for offshore-procured commodities amounting to more than \$8 million a year and purchased with the Vietnam Government's own foreign exchange. Tenders for such items as radios, vehicles, scientific instruments, communication equipment, and other products available from manufacturers in the United States were not made available to the Embassy's commercial office. Vietnamese procurement officials claimed that copies of all tenders were sent regularly to the Agency for International Development (AID), but these were not being forwarded to the commercial office for transmission to American suppliers.

Need for greater awareness by importers
of the export financing services available

Our review did not specifically seek to obtain a statistical sampling of importers' awareness of financing available for exports from the United States. We noted several examples, however, where importers interested in purchasing U.S. goods had displayed little familiarity with the possibility that Export-Import Bank financing might be arranged or that the U.S. Embassy could offer advice and assistance in arranging for financing.

- A Small Business Administration official related his experience with Export-Import Bank's relending credits in Israel. He learned that relending credits had not been utilized because of the lack of knowledge as to their availability.
- A trucking executive in Taiwan wanted to purchase 50 truck tractors and trailers but could not for lack of financing. He was not aware of the Export-Import Bank's loan programs which might have been available for financing the export.
- Elevators manufactured in Japan were installed in an American-directed housing development in

Hong Kong even though the developer had expressed the preference for U.S.-made elevators. The buy decision was based on credit terms offered by the Japanese suppliers, since the buyer did not know of the Export-Import Bank's financing programs.

--An importer in South America could not purchase needed U.S. equipment for lack of financing. We advised the exporter of Export-Import Bank relending credits which were available in that country as a possible source of financing.

Because of these instances of unfamiliarity and in view of the fact that the availability of Export-Import Bank financing can be a significant factor in consummating export sales, there is a need for commercial officers and the Export-Import Bank to actively publicize the availability of financing and other services available to interested buyers.

Need for detailed analysis of causes
for declining U.S. market shares

In a concurrent review of trade intelligence reporting by overseas posts, we ascertained that little information was available on the specific reasons why the United States was losing its share of the market in certain product lines. Without an in-depth analysis, there is no way to determine the actions which could be taken to reverse or alleviate this situation in a particular country.

Our review focused on whether or not commercial officers were reporting regularly on the U.S. share of the market, on the potential for increasing the share, and on what actions were needed to further penetrate the market.

We found that reporting information relative to the reasons for the loss was not a regular requirement of the overseas posts and that it was done only at the post's initiative or in response to specific requests and guidance from Washington. To our knowledge only the U.S. Embassy in Brazil had initiated a pilot study in 1969 that called attention to certain factors unfavorably affecting the market in that country.

We selected three commodity categories for an in-depth analysis of reasons for the decline in the U.S. share of the commodity sales in Brazil. Our studies based on information obtained from Embassy and local business sources were later distributed to Commerce officials and to U.S. trade associations and firms. Our studies indicated that there were actions that Government and industry could take to enhance the U.S. market position. Both Commerce and business officials agreed that these studies were an improvement over the generalized information presently submitted by posts and that they were useful in identifying the underlying causes for our loss of market shares.

CHAPTER 4

CONSTRAINTS AFFECTING AN IMPROVED

TRADE OPPORTUNITIES PROGRAM

Our review revealed the existence of a number of matters which may not be within the overall control of the U.S. Government or of departmental authorities. The more important constraints are discussed below in an effort to provide an understanding of some of the factors affecting an improved trade opportunities program. Although certain constraints may preclude sales in some markets, the focusing of management attention on these matters is the first step in removing some or all of the impediments.

ORGANIZATIONAL CONSTRAINTS

A prime requisite for successful implementation of this program is teamwork. Commercial officers stationed overseas are expected to pick up news affecting potential markets for American products. This news must be transmitted rapidly to headquarters in Washington so that potential suppliers can be informed without undue delay. Yet, by its very diversity, the existing organizational structure encumbers successful implementation of this program.

The overseas arm is directed by Foreign Service employees of the Department of State. On the basis of our observations at most of the posts we visited, we think it fair to say that Foreign Service employee discipline tends to emphasize the economic reporting aspects of the work rather than the hard-sell business approach desired in a program of this type. This situation, coupled with the limited staff-to-duties ratio, relegates identification of trade opportunities to a relatively low order of priority.

The Trade Opportunities Project staff of the Department of Commerce in Washington coordinates the screening, editing, and dissemination of opportunities through 42 field offices by publication or by direct contact with trade associations or firms. We found that this function was being handled routinely by manual methods rather than by the modern electronic processing methods used by the State of New York and by the United Kingdom.

The function of maintaining liaison with American suppliers is handled by domestic field offices, the third arm of the team.

Concerning the overseas effort, Commerce has to rely on the resources of Department of State posts to identify and distribute trade leads. Commerce does not exercise direct organizational control. Program emphasis is subject to the availability of commercial staffs at posts and to the work load imposed by other duties, such as support of trade missions and trade shows. Also the personal emphasis of those responsible for carrying out the commercial functions determines the degree of attention given to this program. Commerce officials have advised us that effective implementation is severely hampered by staff reduction exercises conducted under Presidential directives, which since 1967 have reduced the resources available for commercial work.

Although our review was not aimed at evaluating the reasonableness of existing staffing levels, we noted that commercial office responsibilities generally included the following duties which required attention.

1. Assisting visiting businessmen.
2. Preparing commercial-economic reports.
3. Preparing World Trade Directory reports.
4. Providing lists of trade contacts for U.S. businessmen.
5. Providing lists of possible agents and/or distributors for U.S. businessmen.
6. Supporting trade fair and trade center activities.
7. Arranging contacts for visiting sales and investment missions.
8. Examining into possible investment licensing and trade opportunities.
9. Maintaining the commercial library.

10. Assisting foreign business inquires.

11. Responding to mail inquires.

Thus trade opportunities reporting is but one of many functions assigned to Foreign Service commercial staffs.

We found that, within Commerce itself, coordination between staffs of the Bureau of Domestic Commerce for review and dissemination of trade leads was lacking, even though the responsibilities seemed fairly explicit. We believe that the problem stemmed in part from the fact that the TOP staff, which has primary responsibility for the program, has no direct line of authority over industry specialists and over field offices. Both the industry specialist and field office staffs offer advice concerning the appropriateness of opportunities and disseminate leads to the local business community.

In February 1971 the field offices and the TOP staff were brought under the Office of Business Services. Under this arrangement the parent group has control over the processing and dissemination of leads and should facilitate future coordination of program efforts.

Management of the program, however, remains fragmented. Responsibility for review of opportunities remains with industry specialists in the Office of Business Research and Analysis--yet another group in the Bureau of Domestic Commerce.

Further, Commerce's liaison with the overseas Department of State posts is exercised through still another group, the Office of International Commercial Relations in the Bureau of International Commerce.

FOREIGN GOVERNMENT POLICY CONSTRAINTS

Although there were no legal restrictions against U.S. firms' competing for government procurements in West Germany, we were advised that, as a practical matter, such procurements were not usually open to American-based firms. Similar constraints exist in Japan. These barriers to trade restrict U.S. firms from many of the world's major procurements.

We noted during our review that no government tenders were being received from posts in West Germany. In discussions with officials at the U.S. Mission to the European Economic Community, we learned that U.S. firms effectively were precluded from competing for government contracts not only in West Germany but in all European Economic Community countries. Government procurements in Germany may total around \$12 billion a year (1966 figures). These officials have told us that, because of the political climate in these countries, outside firms, whether they are from European Economic Community countries or nonmember countries, are practically eliminated from competing for government contracts. Officials viewed this matter as holding little prospect for U.S. firms until the issue of whether or not outside firms can compete for government contracts is settled within the European Economic Community.

Also Japan adheres to a restrictive Government procurement policy. We were advised by the Embassy in Tokyo that, although Japan had no official Buy Japanese policy, there was little question that this practice was followed. The Japanese Government generally selected several appropriate Japanese companies and negotiated contracts within the group. On commercial procurements Japan still maintained quantitative restrictions over certain commodities and denied entry to several lines of U.S. products.

ATTITUDES OF AMERICAN BUSINESS

It generally has been recognized that American businesses traditionally are not export oriented. Many reasons advanced for the existence of this situation were: a large and lucrative domestic market, real and imagined problems in exporting, a reluctance to spread available management talent too thin, and many others.

An Interagency Task Force comprised of Commerce, State, and AID officials in October 1966 reported that, although 80 percent of the businessmen interviewed were familiar with the Trade Opportunities Program, only about a third made moderate to considerable use of them. Although only very few firms said that they had succeeded in obtaining business directly from these leads, most firms had used leads as additional sources for business contacts. We believe that the management problems discussed in other parts of this report contributed to the failure to elicit a more enthusiastic response to this program from business.

Another indication of business attitudes toward exporting is shown in the figures compiled by Commerce for its commercial exhibitions program. Even with the offer of an attractive participation package, Commerce trade center and industrial exhibitions succeeded in attracting only a low percentage of new-to-export firms into Commerce programs.

ATTITUDES OF OPERATING OFFICIALS

Although the consensus of officials at posts visited was that there were opportunities for increased reporting, several reasons were advanced for the relatively small number of leads submitted. A major impediment was the lack of confidence and enthusiasm of commercial officers regarding the program. These attitudes may be attributed to:

- The feeling that trade leads were not important, compared to other trade promotion programs (especially in highly sophisticated, industrialized countries, such as Japan and Germany).

--The many situations wherein opportunities submitted by posts received no response from U.S. businesses, with no reasons given.

--The few known actual successes.

We were advised that, regarding the relative importance of trade opportunities in a developed country, there were extensive American business interests already represented in Japan. Furthermore many American products were handled by Japanese trading companies whose organizational networks blanketed the country. Embassy officials advised us that, in view of the magnitude of trade between the two countries, the Trade Opportunities Program, which typically reported leads of a few thousand dollars, was relatively less important in Japan than in developing countries where trade was much smaller.

Although we do not disagree that other trade matters in Japan might be more important, we believe that this program is particularly suited to new exporters which generally lack the contacts and business arrangements abroad. Thus the specific business leads developed under the program offer a logical and effective way to introduce new companies into the exporting field--an important objective of U.S. governmental assistance.

We were advised by executives of Japanese trading companies specializing in electronics, machinery, and other lines that an important need was information on new product developments in the United States. We believe that this matter should receive priority consideration in view of the potential benefits to be found in introducing new exporters or new product lines of established exporters to this lucrative market. A reappraisal of emphasis might be more productive than the write-off of the potential for trade opportunities in the Japanese market.

In India we were advised of certain trade development and promotional steps needed to increase the U.S. share of the market. Commercial officers in New Delhi believed that sizable Indian foreign-exchange purchases could be met by U.S. sources if a more vigorous campaign were undertaken to inform suppliers of the potential in selling in India.

They did not, however, view the Trade Opportunities Program as being very important in comparison with other commercial work, such as increasing U.S. investment in India. At the time of our review, no substantial efforts were being made by Commerce to further develop the Indian market. As far as American suppliers were concerned, the market was still relatively untapped.

Although industry specialists at the Washington level agreed that there were serious shortcomings in describing trade opportunities, their actions indicated a lack of concern. Several of the specialists we talked to told us that they did not advise the TOP staff about these shortcomings because they thought the opportunities had already been disseminated before they received them for review. The TOP staff, on the other hand, assumed that, if no response was received from the specialists, the opportunity was acceptable for mailing or publication.

At the field office level, the trade opportunity function was handled by clerical employees unfamiliar with the variety of products desired, and there was little or no supervisory attention by international trade specialists.

Collectively the attitudes of employees overseas, of employees in some of the Washington staffs, and of employees in the field offices combined to diminish the program's ability to be more than a marginal contributor to increased exports.

CHAPTER 5

CONCLUSIONS, AGENCY COMMENTS AND OUR EVALUATION, AND RECOMMENDATIONS

CONCLUSIONS

The Trade Opportunities Program exists within the Departments of State and Commerce as a service to U.S. businesses. The program appears to be particularly well suited to small businesses which have not established lines of communication and thus are unaware of potentially favorable business relationships that might be developed. We concluded that the program was not as effective as it could be principally because it did not receive the kind of attention necessary to maximize its potential.

Our review did not attempt to measure the latent potential of the world marketplace with any degree of precision. By certain examples we have indicated that a good potential exists and that this potential is not being fully exploited. Our review identified certain management actions needed for a more effective program. Also we recognized the existence of constraints which impeded efforts at improvement. Despite these constraints certain steps can be taken to obtain greater benefits from the program.

The President's decision in December 1971 to devalue the U.S. dollar and the revaluation of currencies of other major trading nations should make the price of U.S. goods more competitive in overseas markets. The action thus affords new opportunities for increased sales of U.S. goods, which, we believe, are realizable under an improved and greater emphasized Trade Opportunities Program.

A key ingredient in an improved program is the high degree of coordination required among the three operation activities--overseas, Washington, and the field offices. These activities are interdependent. Unless improvements are carried out in concert, maximum benefits cannot accrue. Improper attention in Washington, for instance, wastes any increase in the quantity and quality of trade leads submitted by overseas posts. Even when leads are handled

expeditiously in Washington, potential benefits are not realized when field offices fail to carry out their responsibilities in a timely manner.

Interdependence of these activities for effective program implementation argues for vesting total operational responsibility in a single business-oriented administrator. Program implementation, however, is assigned to two Departments (State and Commerce). Within Commerce, program implementation is assigned to two major bureaus (International and Domestic) and to several staffs within the bureaus.

In view of the lower order of priority indicated to us by various commercial officers and field office directors, it is questionable whether substantial improvement can be effected simply by changing the organizational structure; under these circumstances the Trade Opportunities Program will continue to be of marginal value. Attention needs to be focused on the effective use of manpower resources and on clearly defined operating procedures and objectives for overseas posts and field offices. Equally important is the need for creating an interest on the part of U.S. suppliers--interest which will ensure a response to the situations identified for them.

We concluded therefore that the Departments of Commerce and State must jointly reevaluate this program and must decide the level of support that they are willing to provide the program. We believe that, if the program is given an increased level of support, greater numbers of sales opportunities can be identified and translated into exports. This is indicated by the results achieved by the New York State agency and the United Kingdom with their programs. The trade intelligence which accrues from increased contacts with the foreign business community would contribute toward shaping trade policies, formulating market strategies, generally creating a more favorable trading environment for U.S. businesses, and increasing specific sales opportunities.

We believe that the potential for increased benefits calls for a coordinated reassessment of the situation. Although other activities assigned to overseas posts and field offices might be equally or more important, neither Commerce

nor State had completed any studies on the relative importance of the various commercial activities carried out by overseas posts.

AGENCY COMMENTS AND OUR EVALUATION

A copy of our draft report was sent to the Departments of Commerce and State for comments.

The Department of Commerce agreed that the Trade Opportunities Program had good potential for increased benefits. It advised us that steps had been taken and were being taken to improve the efficiency of this program. Major improvements, including the automation of all trade leads and the assigning of more responsibilities to the foreign commercial officers for this activity, are dependent, however, on the resources that State and Commerce can allocate to the program in the light of other priorities and budgetary considerations. Commerce further advised us that a private firm had been engaged to study the effectiveness of other elements of its export expansion programs. It is expected that some reordering of program emphasis and thus of the responsibilities of commercial officers will result. Therefore Commerce did not comment specifically on our central recommendation and our suggestions for improving the effectiveness of the program.

Although Commerce appreciated the thoroughness of our report, it pointed out that the draft report overlooked or did not emphasize sufficiently some of Commerce's activities in carrying out the Trade Opportunities Program. Its comments with respect to these points have been reflected in the body of the report where appropriate.

Also Commerce provided us with a list of actions it had taken in the last year or so to increase the effectiveness of the program. These actions have been acknowledged in the report also.

The Department of State fully concurred in the central recommendations of the report that there be a determination of the importance of this program within the framework of all commercial activities and that the decision on its worth be based on the benefits potentially achievable.

Although the Department shared the belief that a good potential probably exists for an increase in benefits from an intensified program, the question of priority and personnel and budgetary limitations clearly support the in-depth study suggested in the report. The Department of State will be reviewing jointly with Commerce all overseas activities. It felt that the observations and conclusions of the report would be of considerable value in the planned joint study. (See app. VII.)

RECOMMENDATIONS

We recommend that the Secretaries of Commerce and State jointly determine the relative importance of the Trade Opportunities Program within the framework of current commercial activities.

The decision on the relative worth of the program should be based not on what has been accomplished but on the potential benefits that might be achieved with a more dynamic effort.

Notwithstanding the indications of greater benefits from increased emphasis, we realize that the outcome cannot be predicted with certainty; management must still make subjective decisions. To the extent that management lacks the degree of confidence to pursue a more aggressive course, we believe that the pertinent features of the State of New York and the United Kingdom trade opportunities programs should be more closely examined with a view to adopting practices that offer potential for improving the U.S. program. The Departments of Commerce and State may wish to supplement the examination with an in-depth test study involving selected firms and countries and including all factors they consider significant to this study.

We recommend also that the Secretaries of Commerce and State give consideration to:

- Centralizing management authority in a single business-oriented administrator.
- Pursuing aggressively program objectives at overseas posts to identify, accumulate, and transmit trade opportunities.

- Strengthening Washington procedures for reviewing trade leads.
- Improving field office support of overseas submissions in bringing leads to the attention of businesses.
- Expediting transmission of information obtained overseas to Washington and to potential suppliers.
- Examining the feasibility of an automated system.
- Studying the desirability of charging a fee for the service.

RESULTS OF REVIEW AT SELECTED OVERSEAS POSTS
OF THE DEPARTMENT OF STATE

IDENTIFICATION OF TRADE OPPORTUNITIES
NOT AGGRESSIVELY PURSUED

Our review showed that posts did not have a program for systematically identifying possible trade opportunities. In the area of private trade opportunities, posts did not aggressively seek out opportunities but instead relied on foreign businessmen to provide the impetus for overtures to the U.S. businessman. Concerning foreign government procurements open to U.S. bidding, some posts were unaware that government procurement agencies had made available large sums for international purchases. Thus significant opportunities in both the private and the public sectors went unreported through State and Commerce channels.

The State Department Foreign Affairs Manual provides guidance on reporting private trade opportunities and government tenders for foreign posts. Posts are expected to submit only those opportunities which represent bona fide opportunities with reputable firms. The manual states that assistance should be given to American businesses in locating commercial opportunities abroad through the Embassy's reporting and counseling and through its public relations functions. Reliance is placed upon the personal contacts, initiative, and know-how of commercial officers. The manual allows them sufficient discretion in the manner in which the function is to be carried out.

A previous U.S. Government study of commercial reporting suggested that commercial officers devote more time to making direct contact with foreign business and government officials. Although officers undoubtedly spend part of their time with the foreign business community, we found little evidence of their having made extensive contact for the purpose of developing specific trade opportunities. The results of our review, which treats the manner in which each of the posts we visited identified private trade opportunities and government tenders, are shown below.

APPENDIX I

Private trade opportunities--Korea

During our review in Seoul, the Counselor for Commercial Affairs advised us that, as a result of calls on local businesses, officers had developed a trade opportunity for \$1 million worth of air conditioning and elevators for the Korean Traders Association.

We found, however, that, of the posts we called upon, only Seoul had a regular program of visiting the business community. Even there we noted a need for more aggressive direct contacts with business and government officials. Embassy officials cited a number of methods, including personal contacts, by which opportunities were identified. Examination of the source of 55 trade opportunities, submitted in fiscal year 1970, indicated that the Embassy's TID played a relatively passive role in the development of leads. We found that 71 percent of the submissions resulted from requests by Korean businessmen visiting the commercial library or the TID office, as shown below.

<u>Source</u>	<u>Number</u>	<u>Percent</u>
Office and library visits	39	71
Direct contacts	3	5
In-country travel and visits	2	4
Commerce Department referrals	2	4
Unknown	<u>9</u>	<u>16</u>
	<u>55</u>	<u>100</u>

In our opinion, the foregoing information indicated that TID officials did not follow a policy of identifying trade opportunities by actively seeking out Korean businessmen. We believe that this was due in part to the absence of specific guidelines and to a lack of emphasis of the need for commercial officers and their Korean associates to identify trade opportunities through direct contacts with the business community.

We found that TID did not take into consideration other areas offering potential for increasing U.S. exports to Korea. TID officials were not aware of and had not attempted to develop the trade opportunity potential resulting from

development loans extended to Korea by various international lending organizations. These loans, which were generally available for foreign procurement on a worldwide competitive basis, amounted to about \$145 million in calendar year 1969, and further substantial loans were expected to be approved. IBRD alone was considering seven project loans amounting to \$100 million for Korea.

The need for TID action in this area was illustrated by the use of more than \$30 million in development loans made available in the last 3 years to the Korea Development Financing Corporation (KDFC) and the Medium Industry Bank. These loans were provided by IBRD and the Asian Development Bank for long- and medium-term financing of private industry in Korea. We found that bid tender notices and similar documents had not been provided to TID for dissemination to Commerce and that no action had been taken by officials to establish procedures under which the data on these loans would be obtained on a regular and timely basis from the Korean lending institutions.

Analysis of certain KDFC loans financed by IBRD showed that, as of May 30, 1970, subloans amounting to about \$12.6 million had been made. About \$11.9 million of the subloan amount was expended for foreign procurement, of which amount Japan received about \$10.5 million (88.5 percent); Europe, \$1.16 million (9.8 percent); and the United States, \$0.2 million (1.7 percent).

The preponderance of procurements from Japan indicated a lack of competition. This lack was confirmed by our review of appraisal reports prepared by KDFC before approval of the subloans. Bidding procedures require that, after approval of the loan application, two or more bids be received before the bank approves the procurement source. We found that in every instance the procurement source was predetermined before the loan was approved and that in most instances the source was Japanese trading concerns. We found no evidence that American firms had had an opportunity to bid on these procurements.

Also our review showed a need for improved coordination between TID and other divisions of the U.S. Mission in Korea to ensure that potential trade opportunities identified by

APPENDIX I

other divisions were transmitted to TID. At the time of our review, there was no system under which TID was to be notified of such information.

The problem was illustrated by a feasibility study and development plan, dated April 10, 1970, which was completed under the auspices of DLD. The study indicated that installation of an electronic processing system for the Korean Ministry of Communication, costing about \$2.5 million, would lead to substantial savings for the Korean Government and might generate significant future procurements if the system were expanded. TID was advised neither of the study nor of the trade development potential, although the DLD files contained detailed information on the study.

We brought this matter to the attention of the Director for Economic Affairs and Director of AID and suggested that he consider establishing a system for internal dissemination of information concerning potential trade areas--a system which would ensure that TID was aware of this information in time to notify Commerce of the opportunities for dissemination to U.S. firms. We were advised that procedures would be adopted whereby TID would be notified of trade potential information.

Private trade opportunities--Japan

In Japan we found that submission of trade opportunities constituted a relatively insignificant part of the Embassy's trade promotion efforts. Discussions with commercial specialists revealed that they had no time to develop trade opportunities through contacts with Japanese business or Government officials since they were occupied with other work. Private trade opportunity submissions by posts in Japan totaled only 84 for fiscal years 1969 and 1970. Examination of these submissions confirmed the lack of emphasis on the development of trade opportunities. Most of the opportunities were initiated by Japanese businessmen who telephoned, wrote, or visited the commercial office to request assistance in locating American firms selling specific products.

Private trade opportunities--Germany

Of the 522 trade leads generated by the posts in Germany during fiscal year 1970, Dusseldorf and Frankfurt submitted 202 and 96, respectively. We reviewed 94 of these submissions and discovered that they resulted from the following sources.

<u>Source</u>	<u>Number</u>		<u>Total</u>	<u>Per- cent</u>
	<u>Dussel- dorf</u>	<u>Frank- furt</u>		
Updating WTDR data--requested by Department of Commerce	34	8	42	45
Updating WTDR data--initiated by post	10	21	31	33
Direct approach by German firm	7	11	18	19
Trade Fair lead	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>
Total	<u>53</u>	<u>41</u>	<u>94</u>	<u>100</u>

WTDR is prepared by the post, usually at the request of a U.S. company through Commerce. WTDR contains information on foreign companies' capitalization, officers, products, credit references, and overall soundness. It is used by U.S. businessmen as an indicator of a foreign firm's reliability.

As shown above, 78 percent of the leads came from updating WTDR data. None of the leads were related to direct contacts made by commercial officers to solicit German trade organizations or business firms. We were informed that personal contacts with German businessmen had been directed primarily toward explaining the advantages of investing in the United States. According to U.S. officials, personal visits by commercial office officials to German firms to develop trade opportunities were not made because of insufficient staff.

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Private trade opportunities--Vietnam

We found that the Embassy did not actively promote the sale of U.S. goods other than promoting the sale of goods through AID programs. Of the 52 private trade opportunities submitted in fiscal years 1969 and 1970, 51 came from invitations to bid issued by the Industrial Development Center (IDC), a Vietnamese Government agency concerned with the procurement of industrial machinery and equipment. Since IDC invitations were subject to international competition, Embassy commercial officers relied on them as sources for trade opportunity submissions. The allocation of funds to finance 34 of the submissions, however, was later canceled or postponed because of the Government's concern over its foreign exchange position.

We found that none of the 51 submissions represented truly valid trade opportunities, although U.S. sales of \$891,000 were reported as resulting from them. Interviews with businessmen concerned in the sales revealed that in every instance suppliers under consideration had been consulted prior to issuance of the IDC invitation and that bidders would not have received serious consideration even if they could have responded within the 45 days allowed. The \$891,000 in sales were not attributable to the trade opportunity submissions because suppliers were aware of and competing for the procurements prior to the submission of the trade opportunities. The businessmen advised us that consultation prior to the IDC invitation was necessary for a thorough evaluation of proposals by both bidders and end users.

An IDC official advised us that, although representation was not legally required, in practice it was unlikely that a firm without representation in Vietnam could bid successfully on an IDC invitation. He stated that (1) a supplier's representative would be needed to assist in processing the bid through IDC and (2) Vietnamese businessmen were reluctant to buy from firms not represented in Vietnam.

The other private trade opportunity submitted in the 2-year period was reported to have resulted in a sale of \$259,250. This trade opportunity, however, was subject to the requirement that the foreign company be represented in

Vietnam. The sale was made by an American company with such representation. We were advised that bids from companies not represented in Vietnam would not have been considered.

In our opinion, the foregoing information shows that IDC invitations to bid were not valid trade opportunities in that U.S. firms responding without prior consultation or representation in Vietnam had no chance to compete successfully for the procurements. It shows also that, if U.S. companies are concerned with doing business in Vietnam, existing ground rules necessitate establishing in-country representatives to have a reasonable chance to compete.

Private trade opportunities--India

Our review at the three major consulate districts in India--New Delhi, Calcutta, and Bombay--which accounted for about 90 percent of India's industrial production, showed that, during fiscal year 1970, a total of 13 private trade opportunities had been submitted--eight by Calcutta and five by Bombay.

As evidenced above, there were no private trade leads from New Delhi, in spite of the fact that from 12 percent to 15 percent of India's industrial production comes from the New Delhi district. Commercial section officials in New Delhi informed us that they had not had sufficient manpower to develop this segment of their reporting responsibility.

The sources of leads were as follows:

<u>Source</u>	<u>Number</u>			<u>Percent</u>
	<u>Bombay</u>	<u>Calcutta</u>	<u>Total</u>	
Direct approach by firm	1	1	2	15
Follow-up of advertisements in local trade journals	4	-	4	31
Personal visits by commercial office officials	-	7	7	54
	<u>5</u>	<u>8</u>	<u>13</u>	<u>100</u>

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Commercial officers in India stated that they did not place much importance on the program in relation to their other commercial work. In their opinion, efforts to increase U.S. investments in India were more important. This opinion resulted from (1) India's import licensing policy, (2) the finalized nature necessary for the reporting of an opportunity, and (3) the unsuitability of forms to convey information on those private offers which would cause a firm to try to enter the difficult Indian market. These officials felt that more relevant trade expansion work was done before the opportunity became finalized enough to report through the formal program. When opportunities were identified, however, they were reported.

Government tenders--Korea

We found that procedures for submitting Government tenders were effective. Tenders were picked up from the Office of Supply, Republic of Korea (OSROK), twice a week and were sent by air pouch to Commerce. In connection with reviewing follow-up procedures, we reviewed 50 tenders submitted in the period January 1 to June 30, 1970. We noted that TID was able to determine the successful bidders on 39 tenders. U.S. firms were successful bidders on a majority of the tenders, as shown below.

Number of tenders	39
Total value of awards	\$25,125,185
Awards to U.S. suppliers	\$22,978,894 (91.4%)
Awards to Japanese suppliers	\$ 1,023,050 (4.1%)
Awards to other suppliers	\$ 1,123,241 (4.5%)

U.S. responses to Government tenders were rewarding on those tenders for which follow-up data was obtained. TID was not successful, however, in obtaining adequate follow-up data on all Government tenders. Since January 1970 TID has obtained lists of successful bidders from OSROK but has not been able to obtain the number of U.S. responses on other tenders or the reasons why U.S. firms were not successful.

We were advised that OSROK officials felt that developing such data for TID would be inconvenient and time consuming. At our suggestion TID employees renewed efforts to obtain follow-up data through discussion with OSROK

officials at higher executive levels. Officials subsequently informed us that OSROK was preparing a list of bidders responding to all tenders after January 1, 1970, and would continue to provide this information in the future.

Government tenders--Japan

We found that no Government tenders had been reported from Japan because the Government had dealt almost exclusively with local firms. Commercial officers advised us that, although Japan had no official buy Japanese policy, there was no doubt that this policy existed and that it was followed for Government procurements. They told us that the Japanese Government generally had selected several Japanese companies capable of meeting Government requirements and had negotiated contracts with them.

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Government tenders--Germany

In Germany we were unable to find any instances in which Government-planned procurements were reported as trade opportunities. The latest figures available showed that Government procurements constituted a market of about \$12.7 billion in 1966. We assumed that these procurements were substantial each year.

We found that, although there were no legal restrictions against foreign bidders, U.S.-based firms could not effectively compete for procurements. Government procurement practices which necessitated maintaining in-country inventories, preregistration of interested suppliers, other technical regulations that had to be met, and the use of non-public tenders gave U.S. companies little chance to successfully compete. We were later advised by officials at the U.S. Mission to the European Economic Community that the political climate precluded outside firms, whether they were from European Economic Community countries or nonmember countries, from competing for Government contracts. These officials viewed this matter as holding little prospect for U.S. competition until the issue was settled within the European Economic Community.

Government tenders--Vietnam

Vietnamese Government tenders originated from two Vietnamese agencies, the Central Logistics Agency and the Military Central Supply Office. The Central Logistics Agency was responsible for all Government-financed offshore procurements, except for foodstuffs. These procurements amounted to about \$8 million in 1969 and included such items as radios, vehicles, scientific instruments, communications equipment, and a variety of other products.

We found no evidence that tenders were passed by the economic section of the AID mission to the commercial attache or that any attempt had been made by commercial officers to identify and submit Central Logistics Agency tenders to Commerce. Further we found no evidence that commercial officers were even aware that such funds had been made available or that the trade opportunity potential existed.

The Military Central Supply Office was responsible for procurement of foodstuffs for the armed forces of Vietnam and imported about \$15 million in Government-financed canned goods annually. Most of these items were oriental foods not produced in the United States, but some items--such as pork luncheon meat, pork meat spread, tuna fish, sardines, and cooking oil--were available from U.S. sources. We found that commercial officers made no effort to obtain tenders from the Supply Office on items which could be procured from the United States.

We suggested to Embassy officials that tenders from both the Central Logistics Agency and the Supply Office be obtained through frequent scheduled calls on these agencies. We considered that these actions were necessary to ensure that U.S. firms were made aware of the trade potential offered by procurement agencies and were given the opportunity to compete for an equitable share of the procurements.

Government tenders--India

The commercial office obtained most of its leads on Government tenders through direct mailing by Indian Government agencies. In addition, local newspapers were scanned to identify any tenders which were not mailed to the commercial office. Although the commercial office requested the various Government agencies to provide them with automatic distribution of any global tenders offered, there was no system established to determine the degree of compliance with this request.

An Embassy official informed us that there were probably some cases where Indian Government agencies decided to send tenders to specific countries which would not include the United States. It was his opinion that only extensive commercial intelligence work would show the extent to which this was being done. A total of 50 Government tenders were submitted during fiscal year 1970--31 by New Delhi, 10 by Calcutta, and nine by Bombay.

These methods of identifying opportunities presented by Government tenders failed to provide sufficient lead time for U.S. firms to make meaningful bids. This is illustrated by the fact that, out of 50 Government tenders submitted in

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fiscal year 1970, 30 (60 percent) had fewer than 45 days lead time before the bid deadline. The 45-day lead time is the minimum required, but, as discussed in appendix II, pages 60 to 62, this is hardly adequate.

Discussions with commercial office officials indicated that the problem of a lack of sufficient lead time resulted from the host Government's not scheduling more bid time. It was further believed that, as long as the Indian Government received enough worthwhile bids to cause it to maintain its system, there was little the Embassy could do to get it to lengthen the bidding time.

MORE DESCRIPTIVE DETAIL NEEDED IN
PRIVATE TRADE OPPORTUNITIES

A most essential element for successful conclusion of business is a meeting of the minds on what the buyer wants and on what the seller has to offer. Such a basis could be provided by the detailed description supplied by the post when it submits an opportunity for further dissemination to the business community. We found, however, that trade opportunities usually did not contain the descriptive details necessary to inform the potential supplier of exactly what was being sought.

Instructions for preparing submissions required that products be identified by the post as completely as possible, including quantity, specification, delivery, etc. A U.S. Government study of commercial reporting in 1966 commented that a common complaint about private trade opportunity submissions was that they lacked sufficiently detailed specifications, which hindered effective action upon them. A responsible official, therefore, was required to review each opportunity before submission to ensure its completeness and accuracy.

Follow-up action on 13 trade opportunities submitted in fiscal year 1970 by the Tokyo office showed that in seven instances the Japanese businessmen stated that the items offered did not meet their specifications. Examination of the seven submissions showed that the descriptive data supplied generally lacked the detail necessary to enable prospective sellers to be sure of the desired specifications. These submissions and descriptive data are shown below.

Trade opportunity <u>number</u>	<u>Date</u>	<u>Description</u>
3	9-19-69	Automobile exhaust gas analyzer, compact type, for use at auto repair shops and gas stations.
6	12-10-69	Apple juice extractors and apple sauce manufacturing and pasteurizing units.

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<u>Trade opportunity number</u>	<u>Date</u>	<u>Description</u>
7	12-16-69	Carbon dioxide gas absorbent of U.S.P. grade, for use with anesthesia apparatus.
10	3-25-70	Plumbers flaring hand tools, for use in connecting ends of flexible metallic hoses with brass fittings (inside diameters of hoses, 3/8, 1/2, and 3/4 inch; working water pressure, 2 to 3 kg. per cm.).
11	4- 7-70	Four-wheel-drive land cruisers, especially designed for use in sandy areas.
14	4-17-70	Laboratory and scientific instruments, spectrophotometers and parts, cryogenic equipment and parts, color motors and parts, densitometers and parts.
15	4-17-70	Medical instruments (automatic blood and urine analyzers).

All Japanese firms contacted reported that the equipment offered did not meet specifications. Trade opportunity 6 was still being negotiated, and trade opportunity 10 was to be resubmitted with more precise specifications. The remaining five submissions did not result in sales and were not resubmitted. Commercial section employees told us that the Japanese businessmen were reluctant to supply complete specifications initially and preferred to discuss the specifications with the potential suppliers at a later date.

We found that commercial officers in Duesseldorf reviewed submissions once in draft form and again prior to mailing to Commerce. At Frankfurt submissions were not reviewed by responsible officers.

The commercial officers informed us that the desired products were described as completely as possible. They stated, however, that certain detailed data was not readily obtainable and that submissions at times were forwarded regardless of completeness. We were advised that many German firms were unable to provide such descriptive data as quantity, size range, price, or quality of the product desired, because they were interested in new products or product lines and could not predict consumer acceptability or marketability of the products. None of the files we reviewed contained correspondence from either Commerce or U.S. businessmen requesting more detailed data for opportunities submitted.

We noted 22 instances in which business did not result because the items offered by U.S. firms did not meet specifications or because the items offered were not suitable. We were unable to determine whether this was due to lack of essential product description or to failure of U.S. businessmen to read the submissions closely enough to be responsive. In any event many offers by U.S. firms were not for the products requested. (See examples below.)

<u>Product requested</u>	<u>Products offered by U.S. firms</u>
Newly developed types of automotive maintenance equipment	All four U.S. firms responding offered <u>spare</u> automotive parts.
Acid-proof thermoplastic parts for the chemical industry	Responding firms all offered <u>non-acid-proof</u> thermoplastics.
Agency opportunity for bakery machines and other food-processing machines	The two firms responding apparently thought the agent was a bakery. One U.S. firm was willing to inspect the agent's plant to advise the agent of his machinery needs. The other firm was prepared to send an engineer to Germany to supervise the installation of machinery at agent's "bakery."

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Product requested

Products offered by U.S. firms

Plain or printed poly-
ethylene bags for custom-
ers of supermarkets and
chain stores

Offers received were for plastic
sheeting and wrapping material.

Two submissions requested
that replies come specif-
ically from manufacturers
only

All offers received were from
distributors or wholesalers.

To find out why no responses were made by U.S. firms, we attempted to trace a number of seemingly promising opportunities sent in from overseas posts through the distribution system. Because of the lack of records in the field offices, we were unable to state that the inadequacy of specifications was responsible for the lack of response by U.S. firms. Nevertheless, on the basis of (1) our review at the overseas posts, (2) our discussions with Commerce industry specialists, and (3) the results of our examination of follow-up reports, it seemed likely that more detailed explanations of what was being sought would have elicited a better response from U.S. firms.

FOLLOW-UPS NOT MADE ON GOVERNMENT TENDERS

The State Department's Foreign Affairs Manual states that posts should follow up on submitted government tenders as soon as practicable and should report the total amount of the award and the successful supplier of the goods or services.

During fiscal years 1968 and 1969, the 15 overseas posts included in our tests of follow-up information submitted about 572 tenders on the prescribed forms. We found that, as of June 1970, for these 572 tenders, only about 256 follow-up forms were returned, or about 44 percent of those originally submitted. In 37 of the 71 cases we examined, the follow-ups were made over 1 year after the bid deadline date.

In an attempt to determine whether information on contract awards was being submitted, we examined 73 follow-up reports. We found that, of the 73 reports, only 43 contained any of the required information. In some cases the posts advised that the lack of data was caused by the recipient government's failure to award the tender, in which case no information could be provided. In many cases, however, the posts reported that attempts to elicit information on the award of contracts were frustrated both by governmental policies which prohibited release to companies other than those submitting bids and by failure of governments to respond to Embassy requests for the information.

Industry specialists at Commerce advised us that they considered follow-up information to be extremely important in providing (1) an excellent basis for market research and (2) U.S. firms with information about foreign competition, which could be used in formulating future bids. Thus there appeared to be a need for posts to aggressively pursue follow-up information on tenders. A collateral need to review and analyze the data collected existed at the headquarters level.

APPENDIX II

RESULTS OF REVIEW AT WASHINGTON OFFICE

DEPARTMENT OF COMMERCE

INEFFECTIVE REVIEW OF PRIVATE TRADE OPPORTUNITIES

We commented in another section of this report (see app. I, p. 51) that overseas posts often submitted trade leads irrespective of the detail needed by suppliers to respond effectively. Under the processing system in effect, all trade leads received from the posts were subject to an additional review in Washington by the TOP staff and by industry specialists in the Bureau of Domestic Commerce. This review should have identified any lack of required documentation on the part of the post. In Commerce industry specialists were the experts on the products manufactured by the U.S. industrial community to whom trade leads would be directed.

Our review conducted on a sample basis within four major commodity offices--the Offices of Consumer Goods, Producer Goods, Basic Materials, and Textiles--revealed that a review and approval process was not being carried out effectively.

The principal instruction outlining industry division responsibilities on reviewing trade leads was a memorandum dated May 18, 1966, from the Acting Administrator, Bureau of Domestic Commerce, to office directors and division directors. Essentially the instruction called for industry specialists to review private trade opportunities so they could be published in International Commerce (now Commerce Today) and could be distributed to field offices. Discretion was allowed specialists in making dissemination directly to interested businesses and trade associations.

We found that, although some opportunities were considered inappropriate for publication and many lacked the basic information for potential suppliers to respond intelligently, the specialists had not routinely or regularly taken action to inform TOP so that (1) the opportunity would not be published or (2) a request for additional information could be made.

We had discussions with industry specialists in connection with the information they felt U.S. firms needed to respond to private trade opportunities. In the opinion of industry specialists, the following information was considered important and should be provided when possible.

1. Price range.
2. Quality of product.
3. Quantity of product desired.
4. Specifications of the product.

Because of the manner in which the data was kept, we did not apply statistical sampling techniques in our examination. Instead we selected 200 private trade opportunities submitted by five Foreign Service posts (Frankfurt, Germany; Dar es Salaam, Tanzania; Nicosia, Cyprus; Seoul, Korea; and Tokyo, Japan) to inquire into whether opportunities contained the information held important by the industry specialists. Posts in different parts of the world were chosen to determine whether a consistent pattern of providing information existed.

For 141 of the 200 trade opportunities examined, we found that only a general description of the product desired or no description at all was provided. Specific facts, such as quantity and quality, were consistently omitted. For the other 59, additional information was contained which added to the depth of the product description. Most, however, lacked the information necessary to describe the product sought. For example, in no case was the product price range included.

The industry specialists informed us of facts which would have been helpful to U.S. firms in answering the trade opportunity. For one product described as men's belts, the specialist felt that the information on the type of material, weight, sizes desired, and price range would have been useful. Another product described as synthetic organic chemical solvents should have contained the chemical name of the basic ingredients to identify the intended end use. Another trade opportunity requesting all kinds of yarns for weaving and knitting mills should have provided a more specific description of the product desired and the end use.

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Even though industry specialists readily pointed out to us that trade opportunities information needed to be specific, we found no evidence that the specialists played an important part in ensuring the specificity of the trade opportunities disseminated. Several specialists told us that they did not regularly advise the staff because opportunities were disseminated before the specialists received them or the specialist simply took no action to advise TOP. The TOP staff assumed that, if no response was made, the opportunity was adequate, and it took steps to publish it. Thus the specialists' advisory roles and their ability to ensure that information was adequate were not consistently used to advantage.

RESULTS OF PRIVATE TRADE OPPORTUNITIES NOT ANALYZED

We found that follow-up reports were not analyzed to ascertain the underlying causes why business did not result from trade opportunities submitted. So that U.S. businessmen may be induced to respond in a meaningful fashion and so that needless correspondence and travel may be eliminated, leads should be as explanatory as possible. We considered that, if leads were not successful, the reasons why could be obtained from follow-up reports. Information in these reports is obtained by the posts through contact with the foreign firm originating the trade opportunity.

Previous to July 1969 the follow-up reports by posts consisted of statements of whether business resulted and, if so, the amount of the sale. In July 1969 Commerce began using a new follow-up form which provided more descriptive data than did the previous follow-up reports. The new form permitted analysis of the many reasons business did not result. As a test of the current situation, we examined some 800 follow-up reports received by Commerce during the period January to August 1970. Out of the 800 examined, there were 440 cases in which business had not resulted. Following is a tabulation of the reasons business did not result.

<u>Reasons</u>	<u>Number</u>	<u>Percent</u>
Quoted prices not competitive	143	24.0
Prices not competitive because of transportation costs	36	6.0
Prices not competitive because of tariff duties	28	5.0
Prices not competitive because of nontariff barriers	2	.3
Offers did not meet specifications	111	18.0
Could not agree on payment terms	1	.1
Could not agree on agency terms	4	.6
No offers from U.S. firms	146	24.0
Foreign firms no longer interested	66	11.0
Other reasons	<u>67</u>	<u>11.0</u>
	<u>604^a</u>	<u>100.0</u>

^a604 reasons are shown for the 440 trade opportunities because some forms contained more than one reason.

As shown above, out of the 604 reasons cited in 466 cases, or 77 percent, the follow-ups showed that (1) the prices offered were not competitive, (2) no U.S. firms made offers, and (3) offers did not meet specifications.

On the basis of other parts of our review, the failure to provide detailed information on the product sought or a breakdown in field office dissemination procedures were likely explanations why no business resulted. In any event there appeared to be a need for Commerce to inquire further into the underlying reasons. Our discussions with TOP staff members revealed, however, that follow-up data was merely being accumulated or tabulated and that certain parts of the information, such as the dollar sales and the number of follow-ups made, were being extracted for statistical reports on the success of the program.

We were advised that the new form introduced in July 1969 was for the purpose of providing a basis for discerning market trends and impediments to trade. We were advised also that Commerce officials were waiting until a full year's activity was accumulated; this information became available in March 1971. The need to have a large enough sample from

which to draw some overall conclusions is understandable. Under these circumstances, however, Commerce will be looking into matters which may be up to 21 months old and which may not be timely when it is trying to deal with such matters as tariff duties, nontariff barriers, and noncompetitive quoted prices.

UNTIMELY PROCESSING OF PRIVATE TRADE OPPORTUNITIES¹

When posts believed a trade lead represented a "hot item," they designated the lead for special handling. Upon its receipt in TOP, the opportunity was copied and dispatched to each of the field offices. Other opportunities considered routine were simply published in International Commerce, except that west coast offices received advance notice about 1 week prior to publication. In such a competitive situation as trade leads represent, a critical element to success is the ability to communicate the information as quickly as possible to the business community. Therefore we tested Commerce procedures for handling the respective types of opportunities by tracing receipts, during a 2-week period in May 1970, through the dissemination system.

We found that, during the test period, a total of 224 trade opportunities from 50 different posts were received at the Commerce mail room. Of the 224 trade opportunities, 23, or about 10 percent, were designated as special handling. The other 201, or 90 percent, were routine. Our examination of special-handling opportunities showed that it took between 11 and 18 days from the time they were prepared by the post until copies were mailed to the field offices. About 70 percent of all routine opportunities fell into the range of 24 to 28 days from the date of preparation to publication.

¹At the time of our review, opportunities were published in International Commerce, a weekly Department of Commerce magazine. Subsequent to our tests in this area, Commerce integrated the old International Commerce into a new publication called Commerce Today, which is now published every 2 weeks. The times for processing cited in this section are conservatively stated in view of the new method of handling opportunities.

The tests we made, therefore, indicated substantial delays in disseminating trade lead information to the general business community. The tests pointed out that the system of disseminating this information was incapable of eliciting a timely response. In the case of special-handling leads which were identified for expedited treatment, depending on the office involved, it could take a month or more from the time they are prepared by the post to the time they are put into the hands of the businessman. For those businesses that relied on publication in International Commerce, it took nearly a month or more before they were aware of special-handling and routine opportunities.

The results appeared to bear out the feelings expressed to us by many commercial officers overseas. These officers commented they had little confidence in the system's ability to elicit responses from U.S. businessmen within a satisfactory time. Officers, therefore, tended to use trade opportunities only when other means of satisfying a foreign businessman's inquiries failed.

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MANY GOVERNMENT TENDERS NOT PUBLISHED FOR USE BY BUSINESS

We estimated that Commerce received about 4,000 government tenders yearly from U.S. overseas posts, foreign governments, and foreign government supply missions located in the United States. The State Department's Foreign Affairs Manual sets forth instructions to foreign posts for handling government tenders. The instructions provided that a minimum of 10 days be allowed for air transit time plus 5 days for processing in Washington. Thirty days were allowed for tendering stock commodities and longer for large projects or where products must be manufactured to order. Thus a total of about 45 days in advance of the bid deadline date was considered the minimum allowance for proper notification to and action by U.S. firms. If the deadline was proximate and if the tender represented a good opportunity for U.S. firms, essential details could be telegraphically transmitted to Commerce. During the first 5 months of calendar year 1970, approximately one third of all tenders were submitted in this manner.

If, in the opinion of the industry specialists, the tender should be published, a script was prepared for insertion in Commerce Today or Commerce Business Daily, which provided information as to the product desired, bid deadline, and name and address of the purchasing authority. The script was sent to the Commerce Today publications department located in Washington, D.C., and to the Commerce Business Daily which is published in Chicago, Illinois.

We examined 117 government tenders submitted during fiscal year 1970 by seven overseas posts and one supply mission to ascertain whether the 45-day minimum allowance suggested for processing was being provided. These were posts in Paraguay, Guatemala, Singapore, India, Ivory Coast, Ethiopia, and the Democratic Republic of the Congo. The supply mission was the India Supply Mission, Washington, D.C. The absence of certain information precluded consideration of some tenders during each step of the processing cycle.

The results of our examination, however, reveal the general inadequacy of processing procedures.

1. The average time from the date the tenders were prepared by the posts until they were received by the TOP staff was 9.6 days. Fifty-five tenders, or approximately 65 percent of those submitted, were received within the 10 days allowed for air transit time. Thirty tenders averaged more than 10 days and some took up to 20 days to reach TOP.
2. The average number of days required from the time the TOP staff received a tender until it was mailed to Commerce Business Daily was 7 days. Of the 51 appropriate for examination in this step, 18, or 34 percent, were processed and mailed within the suggested 5-day period. An additional 10 to 15 days were required before the tender actually appeared in Commerce Business Daily. Acknowledging this, no tenders were published within the 5-day period proposed for processing and publication.

Our review, therefore, pointed up the unrealistic criteria for submitting government tenders. The criteria of 45 days from date of mailing from the post to the bid deadline date could hardly be considered an appropriate minimum time frame since it takes over one half the time just to get the tender into print. This was further demonstrated by another test we made which showed that the average number of days available for responding to tenders following publication in Commerce Business Daily was between 22 and 27 days. Only 27 tenders, or about 33 percent of those examined, provided at least the minimum of 30 days.

Our review also showed that only about 600, or 38 percent, of some 1600 tenders received between January and May 1970 were published in Commerce Business Daily. Thus 62 percent of the tenders received during this period were never published for the general benefit of U.S. business. We attempted to ascertain the reason why so many tenders were not published, but available records did not indicate the reasons for nonpublication. It is likely that at least some of these tenders were disseminated directly by industry specialists, whereas others were considered inappropriate for publication.

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Late submissions by the posts plus the extensive processing time for publication thus combined to lessen the possibility that U.S. businessmen would have even the minimum time to prepare and submit bids. In addition, on many procurements bidders had to send to the foreign country to obtain a copy of the specifications on which to base their bids. A substantial part of the time permitted suppliers after seeing the tender in print was therefore taken up in the international mails requesting the specifications and then mailing their bids.

RESULTS OF REVIEW AT SELECTED FIELD OFFICES

DEPARTMENT OF COMMERCE

Field office efforts supplemented the publication of opportunities in Commerce Today and Commerce Business Daily. Although these offices were not the sole means of informing businesses, they played a part in prompting businesses to take advantage of the trade opportunities. Certain field offices had fairly effective and productive programs. On an overall basis, however, trade opportunities were not accorded a great deal of attention.

The results of our visits to 13 of the 42 field offices are summarized on the following pages. Mention of particular field offices is not meant to indicate that the condition existed only at these offices or that they were the most flagrant. The purpose of our presentation is to demonstrate the situations noted by using certain field offices as examples.

OPPORTUNITIES NOT DISSEMINATED

Field offices had access to and were in a position to make known to businesses, on a personal basis, in fiscal year 1969, about 6,000 private trade opportunities and from 1,500 to 2,000 government tenders. Our review showed, however, that offices usually disseminated only special-handling trade opportunities, which approximated only 10 percent of the private trade opportunities received. Some disseminated routine opportunities as well, but government tenders rarely received any distribution. Thus field offices did not exploit the full range of opportunities made available to them from overseas posts and TOP.

We found that in most offices the program was given little attention by management. Even though leads required the advice of skilled specialists to suitably match buyer and seller, few international trade specialists were involved and clerical employees generally were given the task of selecting potential suppliers. The principal reason for the failure to disseminate information on all opportunities appeared to relate to the lack of a consistent management approach in the degree of attention given the program. The

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inconsistent manner in which opportunities were disseminated by field offices is shown by the following selected examples.

The only private trade opportunities disseminated by the Philadelphia field office were those designated as special handling. Routine-type opportunities were not disseminated. We found that the Los Angeles field office had not disseminated special-handling trade opportunities from September 1969.

At the New Orleans office, we found that government tenders appearing in International Commerce occasionally were reprinted in the Port of New Orleans bulletin; otherwise the field office did not concern itself with disseminating this type of trade opportunity. The Dallas, Philadelphia, and Chicago field offices similarly made no direct distribution of government tenders to businesses in their areas.

INADEQUATE DATA USED TO IDENTIFY POTENTIAL EXPORTERS

Our review showed that the data used by field offices did not adequately describe suppliers who might take advantage of the opportunities presented. As a result, potential suppliers were not contacted and many opportunities were misdirected to firms who did not make the product sought.

The principal instruction governing field office dissemination responsibilities was contained in a memorandum dated May 31, 1963, from the Director, Office of Field Services, to all field offices. Briefly, the memorandum called for field offices to:

1. Establish a file of exporters and potential exporters by SIC classification.
2. Mail specific opportunities appearing in International Commerce to exporters and potential exporters.
3. Advise Foreign Service officers of the negotiations between U.S. and foreign firms on specific opportunities.
4. Follow up with U.S. manufacturers on the results of opportunities furnished to them.

The Philadelphia office used AITI as a means of identifying companies to which trade opportunities were to be sent. We found that firms interested in exporting were not sent copies of special-handling trade opportunities because they were not registered on AITI. About 1,500 firms were listed on AITI for the Philadelphia area. A business directory prepared by the Philadelphia Chamber of Commerce, however, showed that there were at least 262 other firms interested in exporting which were not listed on AITI. We did not determine whether the firms not included in the AITI had been invited to register or, if they had been, whether they did not submit the required data for inclusion. Since not all firms interested in export are included on AITI, its use as the source to disseminate trade opportunities was questionable.

The Denver field office used an index file containing information on about 700 business firms in Colorado from which it made its selection for dissemination of special-handling trade opportunities. The card file, in four-digit SIC number sequence, showed the names and addresses of the firms and the products produced. The business firms included in the file were selected by the Chief, International Trade Division, Denver field office, on the basis of his personal knowledge of exportable products. The selection was made from the 1968 and 1969 directory of Colorado manufacturers published by the Business Research Division of the University of Colorado. The business firms listed in this directory were not necessarily exporters, and there was no designation of those, if any, that did export.

We found that the SIC file had not been an effective tool for identification of potential suppliers. The main problem with the file appeared to be a lack of appropriate detail concerning the products manufactured by the firms. Also the file had not been maintained. The international trade specialist stated that the file had not been updated from the time of its establishment, about a year before our review. We noted that, out of 104 responses received by Denver from companies sent special-handling trade opportunities, 85 stated that they did not manufacture the products sought. The remaining 19 stated that the trade opportunities could not be followed up on or that the wrong person was contacted.

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Even at the Kansas City field office, which had one of the better programs, we found that improvements were needed in the data used to identify potential exporters. We found also that some trade opportunities were not sent to all firms which manufactured the desired products. The primary causes were:

- The card files did not list all products manufactured by firms even though the information was available.
- Product descriptions did not permit accurate matching of the product needed against the product manufactured.
- Cards were overlooked during the matching process.

At the Kansas City office, we reviewed 15 special-handling trade opportunities which appeared to have good sales potential in the area. Twenty-seven routine-type opportunities were selected at random from the International Commerce magazine. We found that, for 19 of the opportunities, leads were not sent to all firms which manufactured the desired product. This happened because some firms were not listed in the card files, even though this information was available at the office or could have been determined by contacting the firm.

For example, no lead was sent out in connection with girder-type overhead cranes, although, according to advertising brochures in the files, a firm in the area made this item. In another instance a trade opportunity for truck- or trailer-mounted winches for self-loading of containers was not sent to several firms which, according to their advertising material and State manufacturers' directories, made this product. These firms were not listed in the field office files.

We also interviewed representatives of nine firms to which trade leads were sent but from which there was no response. In several cases we found that the types of items manufactured were not the types described in the trade opportunities. For instance, several firms were sent a trade lead for container, tank, dump, and other truck-mounted bodies. Some of the firms to which the leads were sent manufactured only custom-type bodies in limited quantities or

bodies that had a limited application. The representatives felt that their products had no potential for this type of lead and, in fact, had very little export potential at all.

Our review at the Portland office showed that trade opportunities were not sent to all possible firms interested in exporting. On the other hand opportunities were sent to firms not interested in exporting. We analyzed the dissemination of opportunities contained on two lists of private trade leads received by the field office in July 1970. Of 184 direct sales opportunities and 33 agency opportunities listed, the field office mailed to firms information concerning only 26 of the direct sales opportunities and only two of the agency opportunities. Following up on two of the direct sales leads, we noted that a lead on refrigeration equipment had not been mailed out, even though a firm making refrigeration equipment was listed on a card in the files. Only two letters were sent to firms selling fishing tackle, although 12 firms were listed on cards in the file. In two other cases companies told us they were not involved in international trade and did not want leads.

UNTIMELY DISSEMINATION OF LEADS

Timely dissemination was considered by many of the officials we spoke with as being essential to a successful trade lead because competing foreign suppliers also were seeking business. We found, however, that some field offices disseminated information that was probably too stale to be of much use. Although we were unaware of any specific criteria governing the time allowed for distribution, we were advised by Office of Business Services officials that offices were expected to make immediate contact with companies on special-handling opportunities. Routine-type opportunities were to be distributed after selection from the former weekly publication International Commerce.

To give the west coast offices equal opportunity with east coast offices to contact businesses, Commerce sends galley proofs of the insertions on forthcoming Commerce Today issues about a week ahead of the actual printing. We found, however, that clerks in the Los Angeles office selected leads from proofs received more than 3 weeks previously. We noted that in one case a clerk used up to

APPENDIX III

September 10 a galley proof received sometime prior to August 18. Since the information disseminated was already several weeks old before it reached the Los Angeles office, it was of marginal value to any company interested in responding.

During our review at the Chicago field office, we were advised that the goal was to disseminate special-handling trade opportunities immediately but that, because of staffing, this rarely happened.

We found that, in a sample of 10 special-handling trade opportunities, the Boston office took an average of 14 calendar days to distribute eight opportunities. The other two opportunities required about 30 days. We noted that the University of Michigan Institute of International Commerce, which operated the program for the Detroit office, sometimes took up to a month to make distribution of opportunities sent them.

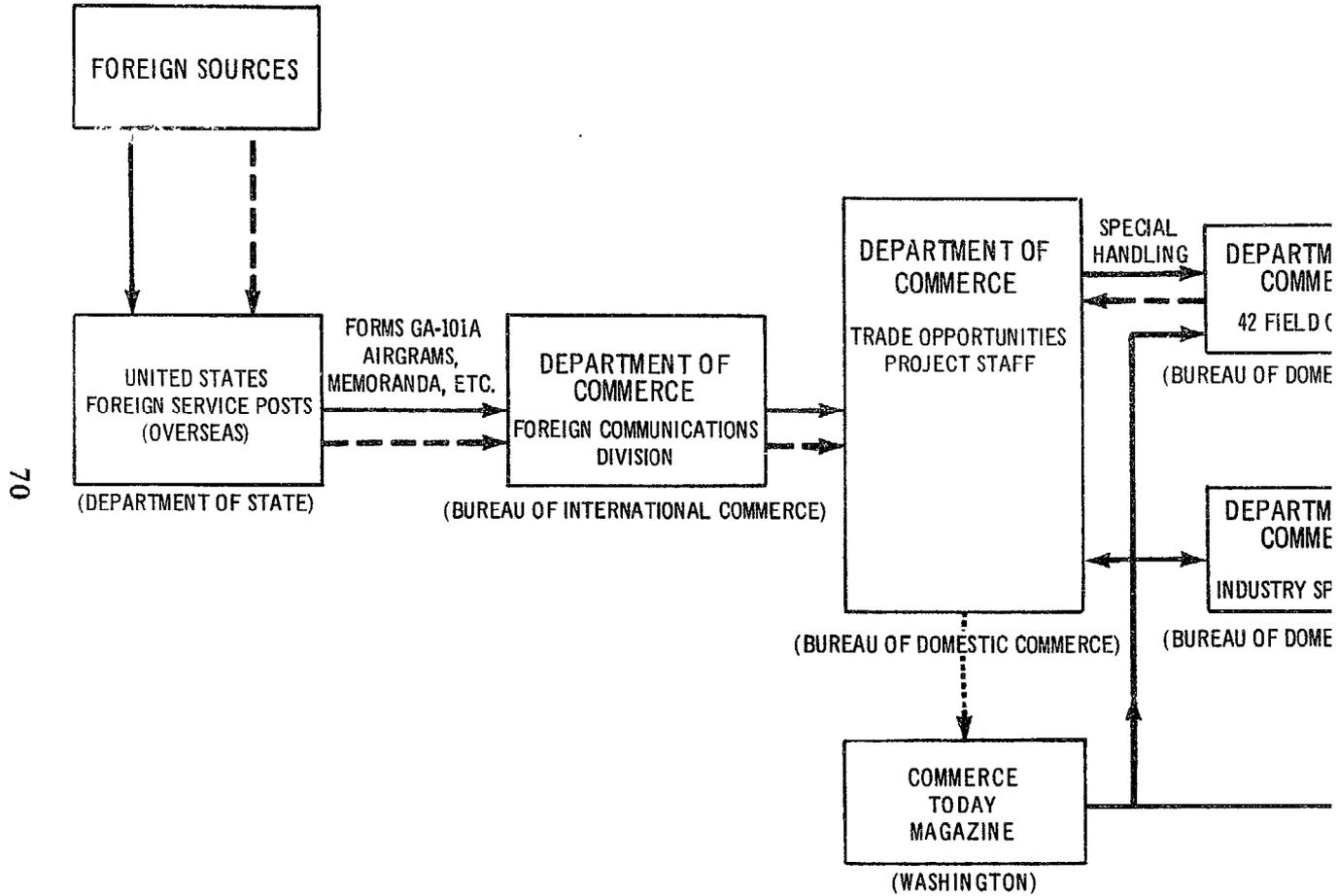
FOLLOW-UPS NOT MADE BY FIELD OFFICES

Headquarters instructions require field offices to follow up with manufacturers to determine the results of the trade opportunities furnished to them. Field offices used a variety of means to carry out the responsibility, although some offices made no follow-ups at all.

Our review showed that field offices making follow-ups generally did not obtain information which identified companies in need of assistance on export matters. The follow-ups made were usually for statistical reporting purposes and provided little useful data on improvements, assistance, or other services which the office could offer to encourage potential exporters. Thus a large measure of the potential value of making follow-ups was lost in these offices. Although information obtained was beneficial in indicating field office performance on this particular program, it was not complete enough to be meaningful. We found that, of the 12 offices reviewed, eight made no follow-ups. The New York office, for example, which, during the 8-month period January through August 1970, disseminated about 10,000 trade leads, initiated no follow-ups to determine the results. Similarly the Philadelphia office, which disseminated 1,065 trade

opportunities during the first 6 months of 1970, made no follow-ups or evaluations of the results obtained. New Orleans, Los Angeles, and the other offices performed no follow-ups.

FLOW CHART OF PRIVATE TRADE OPPORTUNITIES PROCESSING

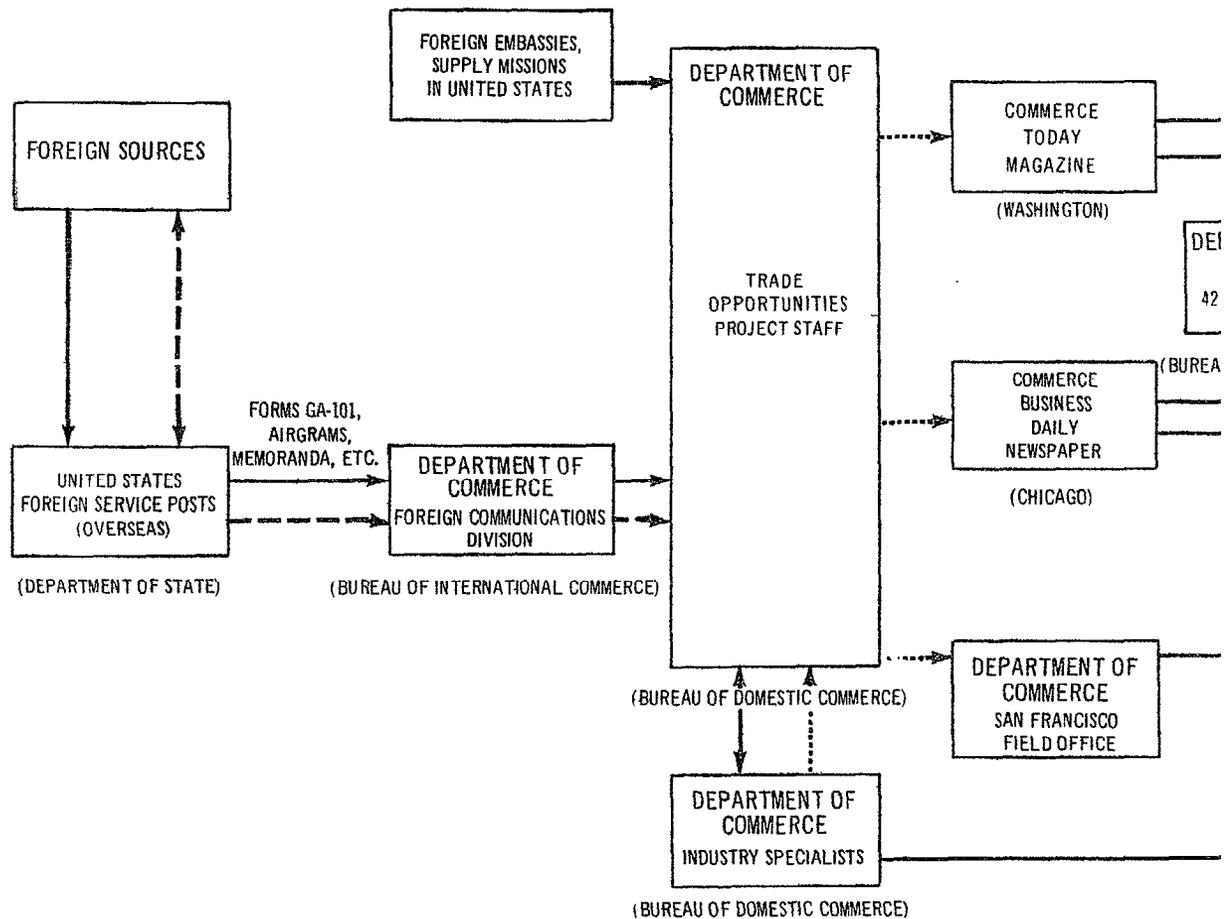


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LEGEND:

- FLOW OF PRIVATE TRADE OPPORTUNITY SUBMISSION.
- - - - FLOW OF FOLLOW-UP INFORMATION ON SUBMISSION.
- FLOW OF SCRIPT FOR PUBLICATION.

FLOW CHART OF GOVERNMENT TENDERS PROCESSING



LEGEND:

- FLOW OF GOVERNMENT TENDER SUBMISSION
- FLOW OF FOLLOW-UP INFORMATION ON SUBMISSION
- FLOW OF SCRIPT FOR PUBLICATION

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APPENDIX V

LISTING OF PRIVATE TRADE OPPORTUNITIES SUBMITTED BY REPORTING POSTS

FOR FISCAL YEARS 1968 AND 1969

	<u>Fiscal year 68</u>	<u>Fiscal year 69</u>		<u>Fiscal year 68</u>	<u>Fiscal year 69</u>
Afghanistan:			Chile:		
Kabul	189	218	Concepcion	-	-
Argentina:			Santiago	5	5
Buenos Aires	11	13	Valparaiso	-	-
Australia:			China:		
Adelaide	-	-	Taipei	49	67
Brisbane	7	6	Colombia:		
Canberra	-	-	Barranquilla	40	4
Melbourne	25	10	Bogota	20	21
Perth	4	10	Cali	-	-
Sydney	202	75	Buenaventura	-	-
Austria:			Medellin	3	2
Vienna	122	161	Leticia	-	-
Barbados:			Congo (Democratic Republic of the):		
Bridgetown	8	5	Kinshasa	1	2
Belgium:			Lubumbashi	-	-
Antwerp	66	6	Costa Rica:		
Brussels	63	61	Puntarenas	-	-
Bolivia:			San Jose	3	-
Cochabamba	-	1	Cyprus:		
La Paz	8	5	Nicosia	30	27
Botswana:			Czechoslovakia:		
Gaberones	-	-	Prague	-	-
Brazil:			Dahomey:		
Brasilia	-	-	Cotonou	-	-
Belem	1	3	Denmark:		
Belo Horizonte	9	-	Copenhagen	33	22
Manaus	-	-	Dominican Republic:		
Porto Alegre	3	1	Santo Domingo	12	-
Recife	-	5	Santiago de Los Caballeros	-	-
Rio De Janeiro	23	85	Ecuador:		
Salvador	3	-	Guayaquil	1	30
Sao Luis	-	-	Quito	16	10
Sao Paulo	15	27	El Salvador:		
Bulgaria:			San Salvador	2	5
Sofia	1	-	Ethiopia:		
Burma:			Addis Ababa	61	71
Rangoon	-	-	Asmara	-	-
Mandalay	-	-	Finland:		
Burundi:			Helsinki	2	27
Bujumbura	-	-	France:		
Cameroon:			Bordeaux	118	96
Douala	-	26	Lyon	3	10
Yaounde	1	1	Marseille	20	24
Canada:			Martinique	6	13
Calgary	-	2	Nice	-	-
Halifax	-	-	Paris	501	29
Montreal	6	6	Strasbourg	64	36
Ottawa	3	14	Gabon:		
Quebec	-	-	Libreville	-	2
Saint John	-	-	Gambia (The):		
St. John's	-	3	Bathurst	-	-
Toronto	18	11	Germany:		
Vancouver	-	1	Berlin	19	10
Windsor	-	-	Bonn	1	2
Winnipeg	-	1	Bremen	18	98
Central African Republic:			Dusseldorf	179	141
Bangui	1	-	Frankfurt	64	106
Ceylon:			Hamburg	69	55
Colombo	12	5	Munich	16	20
Chad:			Stuttgart	76	80
Fort Lamy	-	-			

APPENDIX V

	<u>Fiscal</u> <u>year 68</u>	<u>Fiscal</u> <u>year 69</u>		<u>Fiscal</u> <u>year 68</u>	<u>Fiscal</u> <u>year 69</u>
Ghana:			Jordan:		
Accra	4	5	Amman	6	4
Greece:			Kenya:		
Athens	42	42	Nairobi	5	14
Thessaloniki	26	9	Korea:		
Guatemala:			Seoul	23	90
Guatemala	73	47	Kuwait:		
Guinea:			Kuwait	5	12
Conakry	-	-	Laos:		
Guyana:			Vientiane	-	-
Georgetown	7	2	Lebanon:		
Haiti:			Beirut	12	16
Cap Haitien	-	-	Lesotho:		
Port au Prince	1	2	Maseru	-	-
Honduras:			Liberia:		
San Pedro Sula	18	13	Monrovia	5	4
Tegucigalpa	52	51	Libya:		
Hungary:			Baida	-	-
Budapest	-	-	Benghazi	7	3
Iceland:			Tripoli	21	46
Reykjavik	7	11	Luxembourg:		
India:			Luxembourg	7	1
Bombay	7	5	Malagasy Republic:		
Calcutta	2	1	Tananarive	1	2
Madras	-	-	Malawi:		
New Delhi	-	-	Blantyre	2	487
Indonesia:			Malaysia:		
Djakarta	-	9	Kuala Lumpur	108	43
Medan	-	-	Kuching	-	-
Surabaya	-	-	Mali:		
Iran:			Bamako	-	-
Isfahan	1	-	Malta:		
Khorramshahr	-	-	Valletta	-	-
Tabriz	-	-	Mauritius:		
Tehran	33	29	Port Louis	-	-
Ireland:			Mexico:		
Dublin	43	72	Chihuahua	-	-
Israel:			Cuidad Juarez	-	-
Haifa	-	-	Guadalajara	-	-
Tel Aviv	27	88	Hermosillo	-	-
Italy:			Matamoros	-	-
Florence	3	14	Mazatlan	-	-
Genoa	-	-	Merida	-	-
Milan	110	97	Mexicali	-	-
Naples	5	2	Mexico, D.F.	7	4
Palermo	24	10	Monterrey	2	2
Rome	5	14	Morelia	-	-
Trieste	5	-	Nuevo Laredo	-	-
Turin	19	27	Nogales	-	-
Ivory Coast:			Piedras Negras	-	-
Abidjan	25	121	San Luis Potosi	-	-
Jamaica:			Tampico	-	-
Kingston	18	23	Tijuana	-	-
Japan:			Veracruz	3	4
Fukuoka	-	1	Morocco:		
Nagoya	4	21	Casablanca	75	39
Naha	-	-	Rabat	2	-
Osaka-Kobe	3	6	Tangier	6	8
Sapporo	-	-	Nepal:		
Tokyo	14	22	Kathmandu	-	1
Jerusalem:					
Jerusalem	-	-			

APPENDIX V

	<u>Fiscal</u> <u>year 68</u>	<u>Fiscal</u> <u>year 69</u>		<u>Fiscal</u> <u>year 68</u>	<u>Fiscal</u> <u>year 69</u>
Netherlands:			Soviet Union:		
Amsterdam	316	268	Moscow	-	-
Curacao	1	-	Spain:		
Paramaribo	3	4	Barcelona	13	3
Rotterdam	233	167	Bilbao	6	-
The Hague	191	99	Las Palmas	-	-
New Zealand:			Madrid	126	181
Auckland	7	35	Palma De Mallorca	-	-
Christchurch	-	-	Seville	-	-
Wellington	14	15	Valencia	10	-
Nicaragua:			Sudan:		
Managua	28	9	Khartoum	7	10
Niger:			Swaziland:		
Niamey	-	-	Mbabane	-	-
Nigeria:			Sweden:		
Ibadan	2	-	Goteborg	190	202
Kaduna	-	-	Stockholm	176	84
Lagos	19	12	Switzerland:		
Norway:			Basel	10	-
Oslo	31	11	Bern	111	426
Pakistan:			Zurich	204	64
Dacca	23	85	Tanzania:		
Karachi	83	65	Dar Es Salaam	14	61
Lahore	8	15	Zanzibar	-	-
Peshawar	1	-	Thailand:		
Rawalpindi	-	-	Bangkok	116	119
Panama:			Chiang Mai	-	-
David	-	-	Songkhla	-	-
Panama City	18	5	Udorn	-	-
Paraguay:			Togo:		
Asuncion	4	55	Lome	1	1
Peru:			Trinidad and Tobago:		
Arequipa	-	-	Port of Spain	31	11
Lima	9	9	Scarborough	-	-
Piura	-	-	Tunisia:		
Philippines:			Tunis	3	1
Cebu	4	9	Turkey:		
Manila	5	55	Adana	-	-
Poland:			Ankara	-	1
Poznan	-	-	Istanbul	-	-
Warsaw	-	1	Izmir	7	18
Portugal:			Uganda:		
Funchal	-	-	Kampala	166	23
Lisbon	98	76	United Kingdom:		
Lourenco Marques	-	1	Belfast	-	-
Luanda	-	1	Belize City	2	-
Oporto	17	93	Edinburgh	-	-
Ponta Delgada	-	-	Hamilton	1	1
Romania:			Hong Kong	72	8
Bucharest	-	-	Liverpool	-	1
Rwanda:			London	148	79
Kigali	-	2	Nassau	-	-
Saudi Arabia:			Salisbury	-	-
Dhahran	21	3	Suva	-	1
Jidda	12	2	Upper Volta:		
Senegal:			Ouagadougou	-	-
Dakar	7	-	Uruguay:		
Sierra Leone:			Montevideo	17	13
Freetown	-	-	Venezuela:		
Singapore:			Caracas	132	45
Singapore	-	36	Maracaibo	-	-
Somalia:			Puerto La Cruz	-	2
Hargeisa	3	-	Vietnam:		
Mogadiscio	1	2	Saigon	-	-
South Africa:			Yugoslavia:		
Cape Town	72	60	Belgrade	57	48
Durban	9	11	Zagrab	1	-
Johannesburg	45	12	Zambia:		
Pretoria	-	-	Lusaka	1	9
Southern Yemen:			Total	<u>6,015</u>	<u>5,931</u>
Aden	-	-	Number of reporting posts	154	155



THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

August 18, 1971

Mr. Oye V. Stovall
Director
International Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Stovall:

Secretary Stans has asked me to reply to your letter of July 23, 1971, requesting our comments on your draft report on the "Potential for Increasing Benefits from the Trade Opportunity Program."

We have reviewed the draft and agree that the Trade Opportunity Program has a good potential for increased benefits. As we have indicated in earlier discussions with your staff, steps have been taken and are being taken to improve the efficiency of this program. However, major improvements, including the automation of all trade leads and assigning more responsibilities to the Foreign Commercial Officers for this activity, are dependent on the resources that State and Commerce can allocate to the program in light of other priorities and budgetary considerations. In this connection, we have engaged a private firm to study the effectiveness of other elements of our export expansion program. The study will undoubtedly result in some re-ordering of program emphasis and, thus, of the responsibilities of our Commercial Officers overseas.

While we appreciate the thoroughness of your report, we feel that it overlooks or does not emphasize sufficiently some of our activities in carrying out the Trade Opportunity Program. Our comments with respect to these points are attached as Enclosure 1.

We also believe you will be interested in reviewing the actions we have taken in the last year or so to increase the effectiveness of the Trade Opportunity Program by the Foreign Service, Washington and the Field Offices. These activities, which include the starting of an automated process for the dissemination of trade leads, are listed in Enclosure 2.

APPENDIX VI

We will give careful consideration to the conclusions and recommendations in your report, as well as to those of the private firm mentioned above. We shall then determine, in cooperation with the Department of State, what further changes we should make to render our programs and resources more effective.

Sincerely,

Harold B. Scott
Acting Assistant Secretary for
Domestic and International Business

Enclosures - 2



DEPARTMENT OF STATE

Washington, D. C. 20520

SEP 1 1971

Mr. Oye V. Stovall
Director
International Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Stovall:

Thank you for your letter of July 23, 1971, inviting our comments on your proposed report to the Congress on the Trade Opportunities Program.

We fully concur with the central recommendations of the draft report, that there be a determination of the importance of this Program within the framework of all commercial activities and that the decision on worth be based on the benefits potentially achievable. Since the Trade Opportunities Program is but one of the many responsibilities of Foreign Service commercial staffs, we are working closely with the Department of Commerce in deciding upon the relative priorities within the whole range of activities.

In deciding on the priorities it will be necessary to determine the level of support which can be allocated for each activity. As the draft report notes, the BALPA and OPRED staff reduction exercises, conducted under Presidential directives, resulted in some tightening of staff resources in our embassies and consulates. While we share the belief that a good potential probably exists for an increase in benefits from an intensified Trade Opportunities Program, the question of priority and the personnel and other budgetary limitations clearly support the in-depth test study suggested in the draft report.

Because we will be reviewing jointly with Commerce all of the overseas activities, we are not commenting in detail on the many findings, observations and conclusions included in the draft report. They will be of considerable value however in the planned joint study of this and other export promotion programs.

Sincerely yours,

Richard W. Murray
Richard W. Murray

Acting Assistant Secretary
for Administration

APPENDIX VIII

PRINCIPAL OFFICIALS OF
 THE DEPARTMENT OF COMMERCE
 AND
 THE DEPARTMENT OF STATE
 RESPONSIBLE FOR ADMINISTRATION OF
 ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF COMMERCE</u>		
SECRETARY OF COMMERCE:		
Maurice H. Stans	Jan. 1969	Present
Cyrus R. Smith	Mar. 1968	Jan. 1969
UNDERSECRETARY OF COMMERCE:		
James T. Lynn	Apr. 1971	Present
Rocco C. Siciliano	Jan. 1969	Apr. 1971
Joseph W. Bartlett	Aug. 1968	Jan. 1969
Howard J. Samuels	Nov. 1967	July 1969
ASSISTANT SECRETARY FOR DOMESTIC AND INTERNATIONAL BUSINESS:		
Harold B. Scott	Oct. 1971	Present
William R. McLellan	July 1970	Aug. 1971
Kenneth N. Davis, Jr.	Mar. 1969	July 1970
Vacant	Jan. 1969	Mar. 1969
Lawrence C. McQuade	Aug. 1967	Jan. 1969
DEPUTY ASSISTANT SECRETARY AND DIRECTOR, BUREAU OF DOMESTIC COMMERCE:		
Hudson B. Drake	Apr. 1971	Present
William D. Lee	Dec. 1969	Apr. 1971
Robert McLellan	Oct. 1969	Dec. 1969
Forrest D. Hockersmith	Apr. 1969	Oct. 1969
Rodney L. Borum	Sept. 1966	Apr. 1969

Tenure of officeFrom ToDEPARTMENT OF COMMERCE (continued)DEPUTY ASSISTANT SECRETARY AND
DIRECTOR, BUREAU OF INTERNA-
TIONAL COMMERCE:

Robert P. Beshar	Oct. 1971	Present
Harold B. Scott	May 1969	Aug. 1971
Lawrence A. Fox	Sept. 1965	Apr. 1969

DEPARTMENT OF STATE

SECRETARY OF STATE:

William P. Rogers	Jan. 1969	Present
Dean Rusk	Jan. 1961	Jan. 1969

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