Letter From Secretary Daley

Dear Mr. President and Mr. Speaker:

As Chairman of the interagency Trade Promotion Coordinating Committee (TPCC), I am proud to present this sixth annual report on the status of our National Export Strategy.

Since the release of last year's report, the global economic landscape has changed dramatically. For years, many forecasters expected the surging tide of global economic growth to continue indefinitely, carrying industrialized and developing nations alike into the next century on a wave of prosperity. Now, financial crises around the globe are creating whirlpools of uncertainty, lowering expectations for economic growth and world trade. The TPCC, however, is engaged in an ongoing and productive effort to help address these unprecedented challenges.

New Global Economic Uncertainty

Following years of generally uninterrupted economic growth in dynamic emerging markets around the globe, many regions have experienced severe financial and economic difficulty in recent months. The financial crises in several East Asian economies that first appeared in 1997 are well-documented. These crises have been followed by problems in Russia and have the potential to spread to other regions, such as Latin America.

We have focused much of our attention on the situation in Asia. The crisis there has exposed American firms to a highly uncertain environment in a region that represents almost one-third of their export opportunities. Our goal is to ensure that we mitigate, to the extent possible, this negative situation. The crisis has made U.S. exports more expensive, and made it much more difficult for foreign buyers to find commercial financing for the import of U.S. goods and services. The result is that U.S. exports to Asia have plummeted during the first half of 1998. Our exports to Asia have fallen at an annual rate of 30 percent; exports to Thailand have fallen at an annual rate of 38 percent, to Korea 46 percent, and to Indonesia 53 percent. Net private capital flows for the five most affected nations (Indonesia, Korea, Malaysia, Philippines, and Thailand) changed from an inflow of $93 billion in 1996 to an outflow of $12 billion in 1997. The sharp downturn in Japan's economy will continue to act as a drag on our exports to that important market. U.S. imports from Asia have also increased as the devaluation of many Asian currencies vis-a-vis the dollar reduced prices for Asian goods.

Declining exports to Asia have affected our overall trade profile with total U.S. exports up just one percent from a year ago. Measured on an annual basis, the U.S. merchandise trade deficit with geographic Asia worsened from $119.8 billion in the first half of 1997 to $165.2 billion in the first half of 1998, largely due to a decline in our exports to Asia of $25.5 billion and an increase in our imports from Asia of $19.9 billion. The increase in our trade deficit with Asia will likely lead to a substantial net deterioration in 1998 of our total global trade balance.

Focal points of the U.S. Government's commercial strategy for dealing with this crisis have been keeping our trade finance resources available to U.S. exporters and using technical assistance to assist these countries with structural reform. Despite our aggressive strategy for bolstering U.S. exports to Asia, it appears that we will have to postpone the achievement of our 1994 goal set by the TPCC of $1.2 trillion in U.S. exports of goods and services by the year 2000. We do, however, hope to achieve this goal early in the 21st century.

Finally, the U.S. Government has supported efforts aimed at helping to stabilize the region's financial system. As a result of its response to the Asian financial crisis, normal financial resources available to the International Monetary Fund (IMF) are approaching an historically low level. In light of recent economic events, the IMF might not have the capacity, with its current resources, to respond quickly and effectively to stabilize the international financial system, protect the U.S. economy, and restore the foundation for resumed growth in key U.S. export markets. This is why the Administration has requested immediate approval of its requests to Congress for $18 billion in additional financial resources for the IMF. Appropriation of these funds—which have zero impact on the Federal budget—would leverage about $90 billion in multilateral resources for the IMF and is critical to American national interests and leadership in the global economy.

Benefits of Trade

Even with the risks of the international marketplace, American companies and workers can benefit tremendously from the global market. Today, the United States is both the world's largest exporter and importer. Jobs tied to exports pay between 15 and 17 percent more on average than other jobs, and provide better benefits. Over the past five years, our economy has grown an average of about three percent annually in real terms, with little worry of inflation. With our economy's growth expected to continue into 1999, America remains an important engine of global economic prosperity.

Nevertheless, many Americans question the benefits of global free trade. One reason is the perception that an increasing trade deficit means that jobs are going overseas. In fact, the current trade deficit reflects, in part, low growth in the rest of the world - particularly in the Asian countries at the center of the crisis and in Japan, where reduced incomes have reduced demand and the ability to finance imports. At the same time, a strong U.S. economy has buoyed U.S. demand for cheaper Asian imports.

While we have limited control over many of the factors contributing to the trade deficit, the TPCC will play a critical role in increasing U.S. exports. Our goal is to open markets where structural impediments to trade exist, while promoting the economic reforms in those markets that are needed to restore economic growth. We want to ensure that growth through trade is a win-win proposition for all members of American society, and to assist in the adjustment of those who are most affected by changes in the global marketplace.

While the short-term outlook for U.S. exports and the trade balance is not particularly favorable, we must not lose sight of our longer-term economic and commercial interests. Successful export development efforts, by their nature, require an extended commitment of human and financial resources. Only by continuing these efforts can we be assured that

U.S. firms will be able to take maximum advantage of the economic recovery in Asia and elsewhere when it occurs. The TPCC is bolstering this message by addressing the risks and challenges associated with foreign trade.

Status of the National Export Strategy: Implementing Our Ten Point Plan

Last October, the TPCC set forth a 10-point plan to focus U.S. Government efforts in the coming year. As we undertook to implement these recommendations, it became clear that many of our efforts would have to address the financial situation in Asia and its effect on American exporters.

- Regarding **technical assistance**, our Asia working group analyzed how our programs could better be used to bolster countries' abilities to meet the conditions setforth by the IMF—especially ways to help reinforce the financial services sectors and the legal and regulatory environments in Korea, Indonesia, Thailand, and the Philippines.

- Our second recommendation focused on **standards-related issues.** Standards requirements imposed by other national and regional authorities have a major impact on the competitiveness of American firms and workers, particularly in the emerging economies. The United States, therefore, must pursue a proactive, strategic approach to ensuring that U.S. companies are not unfairly precluded from competing for contracts in our most promising markets. The United States has been vigilant in monitoring our trading partners' compliance with World Trade Organization (WTO) obligations under the Technical Barriers to Trade (TBT) Agreement. The United States was an active participant in the first triennial review of the Agreement and actively used discussions in a number of regional fora to promote a common understanding of the benefits and obligations under the Agreement. An evaluation and discussion of specific standards-related trade issues is an integral component of the negotiations for countries acceding to the WTO, such as Russia, China, and Saudi Arabia.

  The United States is exploring many other mechanisms to facilitate trade. During the U.S.-EU Summit in May, the United States and the EU formally signed the Mutual Recognition Agreement (MRA) initialed last year. Implementation is now underway. This landmark agreement will improve market access and reduce costs associated with $50 billion in annual two-way trade. In June, the members of the Asia Pacific Economic Cooperation forum (APEC), including the United States, endorsed the conclusion of negotiations on a MRA for Conformity Assessment of Telecommunications Equipment that should streamline the costs associated with demonstrating product conformity. Participants in the Information Technology Agreement have committed to a work program including a survey of standards and approaches to conformity assessment. In 1998, Mexico assumed its NAFTA obligations to recognize U.S. conformity assessment bodies.

- Last year, our **advocacy** recommendations called for integrating a long-term perspective into our planning by supporting all U.S. bidders at an earlier stage of project development, examining the role of advocacy in private sector projects,

and developing ways to better coordinate advocacy and technical assistance. We have made progress on this front, and to date in FY 1998, our advocacy efforts have contributed to U.S. firms winning $9.6 billion in contracts that include over $6.4 billion in U.S. content. Of the 25 successes, 8 involved small and medium-sized enterprises.

- We also called for a more **integrated approach to overseas trade missions.** The TPCC Deputies group now puts the coordination of trade missions on its agenda to ensure there is a strategic approach to key markets. Combined with our travel and events calendars, we now have interagency coordination at the highest levels, including interagency participation in all of my trade missions. For example, in the aftermath of the Asia crisis, several TPCC agencies closely coordinated missions to the region to ensure a consistent and coherent U.S. Government message.

- Meeting the demand for **trade finance,** especially for exports to Asia, has been at the forefront of our efforts this year. The Export-Import Bank of the United States (Ex-Im Bank) has coordinated the response of the other G-7 export credit agencies to help keep the programs of all the G-7 export credit agencies open in affected countries. Organization for Economic Cooperation and Development (OECD) export credit agencies have followed the G-7 lead. Ex-Im Bank agreed to provide up to $1 billion in short-term financing to ensure letters of credit between U.S. and Korean banks and signed a Memorandum of Understanding with the South Korean Government to provide up to $2 billion in medium-term export credit support. Ex-Im Bank has also offered to provide Thailand and Indonesia each with $1 billion in short-term financing. The U.S. Department of Agriculture (USDA) has dramatically increased program allocations for Asia, making available over $2.5 billion for the General Sales Manager (GSM) export credit guarantee programs, $50 million for Asia under the Supplier Credit Guarantee Program (SCGP), and $40 million to cover agribusiness projects in Asia under the Facility Guarantee Program (FGP).

- TPCC agencies have begun an evaluation of the effectiveness of the Export Assistance Center (EAC) network to better assist **small business** exporters. In addition, the Trade Information Center (1-800-USA-TRADE) expanded its portfolio to include counseling on Western Europe, Asia, the Western Hemisphere, Africa, and the Near East—now handling everything from tariff rates to commercial laws for these regions. We also opened a Commercial Center in South Africa to make it easier for smaller U.S. companies to export to that growing market.

- In pressing forward on our **good governance and antibribery agenda,** we have joined with other countries in the multilateral development banks (MBDs) and in the OECD. Following the lead of the World Bank, the European, Inter-American, and Asian Development Banks have all added fraud and corruption language to their procurement policies over the last year. The African Development Bank held a good governance seminar, the Inter-American Development Bank hosted a conference on Efficiency and Transparency in Public Sector Procurement, and

recently, the Asian Development Bank Board adopted an Anti-Corruption Policy that strengthens its work on good governance. We continue to press the MDBs to take additional anticorruption steps. In April 1998, the G-7 finance ministers reiterated their earlier recommendation that the World Bank and the regional development banks work together to develop and adopt uniform procurement rules and documents with the highest antibribery standards. In the OECD, our efforts were critical to bringing about the December, 1997 signing of the OECD Antibribery Convention.

- We have made progress in deepening our **Big Emerging Markets (BEMs)** initiative. We are undertaking a reassessment of the market opportunities in the BEMs to ensure that our strategies and programs are appropriate for each market in light of recent economic and political events. Over the last year, Business Development Councils (BDCs) for Turkey, South Africa, and South Korea held their inaugural meetings. BDCs and similar mechanisms in the BEMs provide a private/public-sector dialogue to facilitate progress on issues of commercial importance. In addition, the USDA has established an Agricultural Trade Office in South Africa.

- The TPCC made progress on **offsets** over the past year. We continue to build an information base to evaluate the effects of offsets on the U.S. economy. This database is the basis for the annual report to Congress, Offsets in Defense Trade; this year's report covers 1993 to 1996. We have hosted a number of conferences to facilitate a dialogue among Government agencies, prime contractors, subcontractors, and labor representatives. Additionally, the offsets issue is one of several Government procurement topics that will be addressed through the Transatlantic Economic Partnership (TEP) Initiative adopted by President Clinton and his EU counterparts.

- Lastly, developing a **unified budget** is one of the cornerstone mandates of the TPCC. Over the past few years, we have developed a unified and transparent budget showing where Federal export promotion and trade financing expenditures are allocated. In fact, we are the only G-7 nation to do so. This year, we have included selected agency performance measures, and will look toward developing cross-cutting measures that will enable us to make even more informed resource allocations.

Other Accomplishments Over the Last Year

Our work of the past year has also included strategic responses to real-time events (e.g., the Asia Crisis), as well as continuing attention to initiatives of previous National Export Strategy reports.

- **Responding to the Financial Crisis in Asia:** We have developed a commercial strategy to address one of the most serious constraints on U.S. exports to Asia: the limited availability of trade finance. Ex-Im Bank and USDA expanded the level of financing support in Asia to meet U.S. exporter demand given the credit crunch in Asia. These programs now support over 20 percent of U.S. exports to Thailand and Korea, up from four percent last year. And trade finance barriers

involving tied and untied aid can be an important influence on regional trade flows. The Asia working group, headed by Ex-Im Bank and strongly supported by USDA, is developing a matrix of agency activities and an Internet web site to highlight current U.S. Government efforts aimed at helping exporters. Three subgroups—trade finance, technical assistance and business development—have developed a comprehensive Government-wide strategy.

- **Monitoring and Ensuring Compliance with Trade Agreements:** In 1996, the Commerce Department created the Trade Compliance Center (TCC) to step up the Administration's ongoing efforts to monitor, investigate, and evaluate foreign compliance with bilateral, multilateral, and other international trade agreements and standards of conduct concluded by the U.S. Government. The Center helps resolve market access and trade complaints received directly through a web site established this year called TCC On-Line located at **http://www.mac.doc.gov/tcc**. This site already registers an average of 3,000 hits per week. In pursuit of the Administration's compliance efforts, the TCC works closely with other TPCC agencies, such as the Office of the United States Trade Representative (USTR), USDA, and the Departments of Treasury and State.

The Commerce Department's Import Administration has established the Subsidies Enforcement Office (SEO) to coordinate with the USTR on subsidy enforcement activities under disciplines embodied in the WTO Agreement on Subsidies and Countervailing Measures. The Agreement provides remedies for subsidies affecting competition. The SEO examines subsidy concerns raised by U.S. exporters and monitors foreign subsidy practices. Problem resolution is pursued through informal and formal contacts, and where warranted, dispute settlement action under the WTO.

U.S. Trade and Development Agency *Crossroads of the World* Conference: Interagency Cooperation at its Best

The U.S. Government is promoting multiple oil and gas pipeline projects in the Caspian region to support the security of the New Independent States and to prevent any single nation from gaining a stranglehold on oil and gas transport routes. The May 1998 "Crossroads of the World" conference sponsored by U. S. Trade and Development Agency (TDA) in Istanbul, Turkey advanced this foreign policy objective while promoting vital U.S. commercial interests. With over 700 people attending, former Secretary of Energy Federico Peña led a U.S. team including Senator Chuck Hagel; Ex-Im Bank Chairman James A. Harmon; Overseas Private Investment Corporation (OPIC) President George Muñoz; TDA Director J. Joseph Grandmaison; International Trade Administration (ITA) Under Secretary David L. Aaron; White House officials; and the Ambassadors to 13 of the 15 countries in the region.

With the support of the Commercial Service, a project profile book was developed featuring 65 projects representing over $20 billion in potential U.S. exports. Project sponsors met with the more than 250 U.S. business representatives with an eye to early involvement in project planning.

Former Secretary Peña used the occasion to announce a Caspian Sea Initiative involving TDA, OPIC, and Ex-Im Bank in developing oil and gas infrastructure in the region. The U.S. Information Agency (USIA) orchestrated an impressive public diplomacy campaign to showcase these efforts to promote trade and cooperation in Central Asia.

- **Monitoring Tied and Untied Aid, Potential Trade Distortions:** Finance on concessional terms for development projects may be "tied" to the subsequent purchase of goods and services from a donor country, or it may be "untied" and allow future related purchases to be open to international competitive bidding. The Department of the Treasury and Ex-Im Bank's implementation of the OECD tied-aid rules has produced dramatic results for U.S. exporters. We have succeeded in reducing tied aid offers from as much as $10 billion annually in 1991-1992 to $3.4 billion in 1997, the lowest level in decades. Overall, from 1993-1997, cumulative foreign tied-aid offers have been reduced by $30 billion. Perhaps more importantly, the overwhelming majority of tied aid that remains is for bona fide development projects that cannot be supported by commercial financing. In general, U.S. exporters can now compete for most energy, manufacturing, and telecommunications projects without facing tied concessional financing from their competitors.

  The benefits of this monitoring effort are substantial. We estimate that U.S. capital goods exports are higher by $1 billion annually as a result of reducing aid by our foreign competitors and allowing U.S. exporters to compete fairly for contracts. In the absence of the tied-aid rules, achieving that same $1 billion of exports would require a U.S. budget expenditure of approximately $300 million annually in subsidies necessary to keep U.S. exporters competitive (the average tied-aid subsidy rate is 35% versus the average standard subsidy rate of 5%).

  Opportunities: The TPCC Initiative on Japanese Untied Aid, launched in 1995, continues to provide timely access to information necessary for U.S. exporters to prepare competitive bids for projects funded with untied aid. Information on untied-aid projects, and particularly those funded by the Japanese Overseas Economic Cooperation Fund (OECF), is collected by U.S. Embassies in China, India, Indonesia, Japan, Philippines, Thailand, and Vietnam, and disseminated to U.S. firms through a Department of Commerce Internet web site (**http://www.ita.doc.gov/untiedaid**). Nearly 295 (mostly Asian) projects totaling $22 billion have been posted. Information on projects financed by non-Japanese donor countries falling outside of this Initiative are also posted on this web site. Despite improved access to information, concerns persist that untied aid programs have the potential to create trade distortions and, in the long run, to undermine existing tied aid disciplines.

- **Reducing Government-Imposed Obstacles to Exporting:** Over the last year, the Department of Commerce continued to reform the export control system by removing controls that are not needed to protect national security or foreign policy interests. We have harmonized items on the Wassenaar Control List with the European Union dual-use list and the lists of other international control regimes. We have reduced the destinations for which licenses are required for pumps, pipes, and valves to countries involved in terrorist activities or that have not signed the Nuclear Non-Proliferation Treaty. And, we have developed procedures to expedite the processing of humanitarian medical licenses to Cuba as part of the President's announcement of steps to increase the flow of humanitarian aid to the Cuban people.

- **Furthering Our Domestic Export Promotion Efforts:** In 1997, the Export Assistance Centers (EACs) logged almost 8,500 export actions helping 3,700 different U.S. firms register export sales of more than $2 billion—an 80 percent increase over three years. From their inception in 1994, the EAC's have provided "one-stop shops" for export assistance based on the synergy of federal, state, and local partnerships. Working together at the point of service delivery is the most effective way to help the American exporter. These partnerships have taken many forms. The Foreign Agricultural Service and the Agency for International Development (USAID) have been added to the EAC network to expand and enhance the assistance we are able to provide clients. Commercial Service Teams are linking more directly the expertise of our overseas operations with the needs of our domestic clients served by the EACs. We currently have National Teams for Europe and Africa and a Western Region Team for the Western Hemisphere. Recognizing the importance of reaching out to underserved communities, the Rural Export Initiative is coordinating a national outreach program to provide export assistance to rural manufacturers. We are also working to improve the quality of our export assistance. The Commercial Service Institute (CSI) is an online training curriculum designed to provide our international trade specialists and foreign service officers and nationals with knowledge and skills necessary to more effectively assist U.S. companies.

- **Services Initiative:** As we celebrate the third anniversary of the Services Initiative launched under the auspices of the TPCC, U.S. services exports now exceed services imports by $84 billion annually. The Initiative is an excellent example of how Commerce's public-private partnerships are matching the strengths of the Federal Government with industry. Achievements include: launching of 19 trade missions; helping U.S. firms win contracts resulting in $326 million in U.S. services exports; organizing 91 trade promotion activities including conferences and roundtables to address issues such as financing needs of small businesses and protection of intellectual property rights; and implementing an Electronic Commerce Team to promote U.S. services exports through electronic commerce.

Update on Foreign Competitive Practices

Keeping close tabs on the practices of our competitors is still fundamental to our strategy. U.S. exporters compete in the international marketplace with companies from a small group of industrialized countries. These top competitor countries include Canada, France, Germany, Italy, Japan, and the UK. While the competition over the last decade has been intense, U.S. exporters have performed admirably. In fact, over the last ten years, total U.S. exports of goods and

Country	Five Year Annual Export Growth Rate 1992-1997	Ten Year Annual Export Growth Rate 1987-1997
United States	8.6%	10.3%
Canada	9.7%	8.5%
Italy	5.5%	7.8%
UK	7.9%	7.7%
France	2.7%	6.6%
Japan	4.6%	6.5%
Germany	3.4%	5.8%

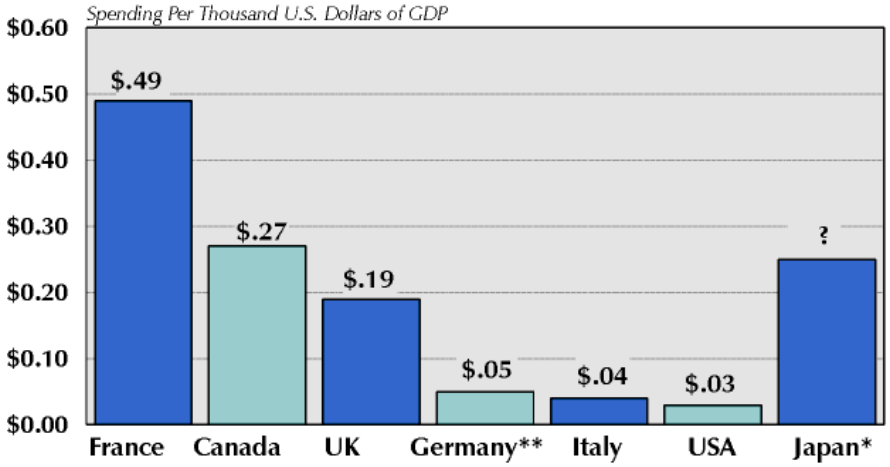
services have grown at a faster clip than those of any of our major competitors. And over the last five years, only one country, Canada, had a higher export growth rate. As a result, the United States has pulled ahead of the pack as the world's leading exporter. In 1997, the United States exported over $340 billion more than Germany, the next highest competitor. Although exports still represent only 12 percent of our gross domestic product, these numbers are a testament to the growing awareness among U.S. entrepreneurs, producers, and workers that exporting is essential to their competitive strength.

Export Promotion Spending and Staffing

At the same time, our competitors are not sitting still. We continue to scrutinize how our foreign competitors promote their exports. Three years ago, we performed an in-depth analysis of the tactics employed by our foreign competitors, revealing intensified support for their domestic firms' commercial activities, particularly through government-to-government lobbying. Our competitors also continue tc pursue traditional forms of governme assistance and encouragement includi concessionary financing, financial assistance for companies participating in overseas trade shows, promises of technology transfer to third countries, and the linkage of aid flows to contract awards. The United States continues to be outspent and outstaffed by our major competitors in relation to our Gross Domestic Product (GDP). A notable trend is that our competitors are shifting their staffing to emerging markets. For example, after abolishing 195 job positions in OECD countries, France has created 213 new job positions in emerging markets, where 15 new offices have been created.

Export Promotion Spending

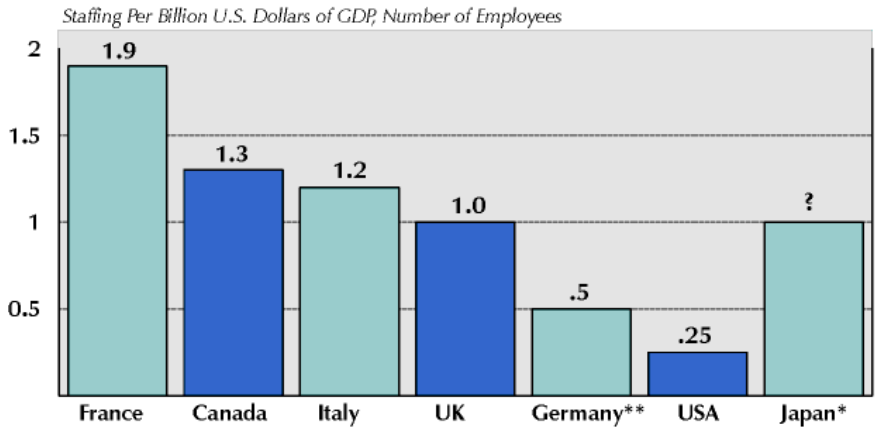
In Relation to GDP; 1997 Non-Financial and Non-Agricultural



* Figures for Japan are difficult to interpret because the government of Japan maintains that its non-financing trade promotion activities are devoted to import promotion. Commerce believes that there is substantial support for export promotion that is supplemented by industry associations with close ties to government.
** German figures are also likely to be understated since they exclude German Economics Ministry headquarters personnel.
Source: Based on Commercial Service spending estimates and OECD GDP figures

Export Promotion Staffing

Domestic & Foreign Personnel Engaged in Export Promotion in Relation to GDP, 1997 Non-Financial and Non-Agricultural



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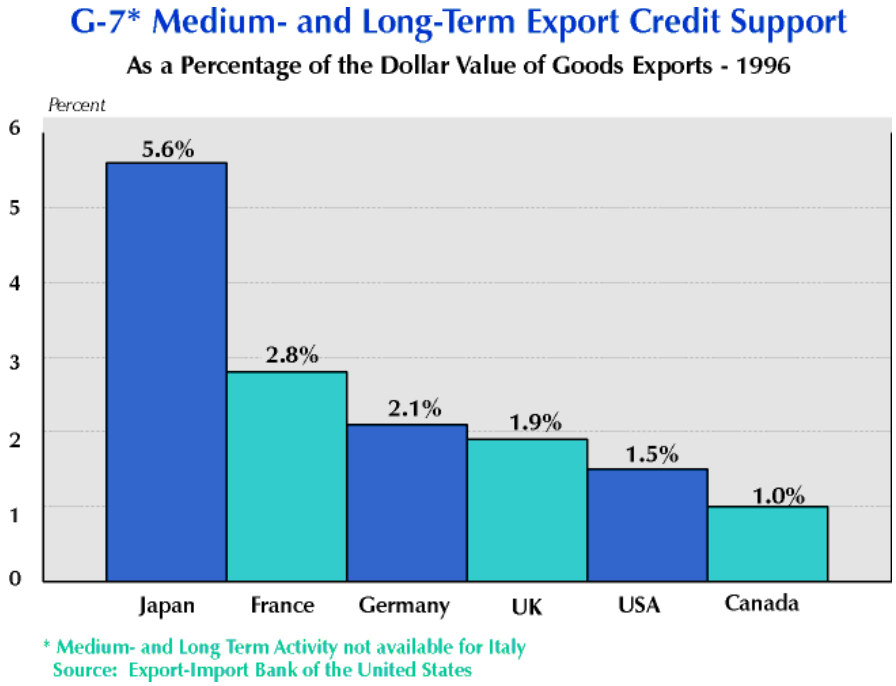
Source: Based on Commercial Service staffing estimates and OECD GDP figures

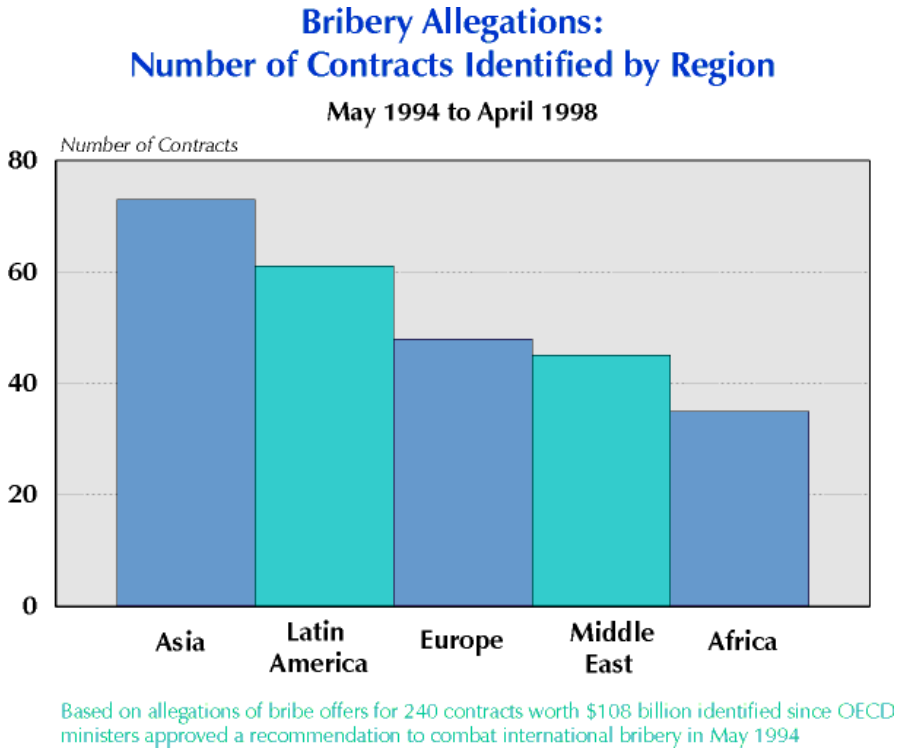
Export Financing

Official support for export financing agencies is another means by which our competitors support their exporters. Historically, the United States has been outspent in absolute terms by the export credit agencies of both Japan and Germany. While the Ex-Im Bank spent $9 billion on medium- and long-term export financing in 1996, the export credit agencies of Japan and Germany spent $23 billion and $11 billion respectively. Another way to compare relative support for exports is to compare export credit support as a percentage of total goods exports. By this comparison, only Canada directed less financial support to its goods exports than the United States. The relatively low level of U.S. support for exports arises in part from the willingness of foreign export credit agencies to compete with private sector financing sources. The United States has taken the position that its official export credit programs should not compete with private sources of financing. Nevertheless, in those instances where the private market cannot meet the financing needs of U.S. exporters, Ex-Im Bank financing is highly competitive.



Transnational Bribery

Perhaps the most troubling of all foreign competitor practices is bribery. Since the OECD adopted antibribery recommendations in mid-1994, we have learned of significant allegations of bribery by foreign firms in approximately 240 international commercial contracts valued at $108 billion. Of these, 61 occurred from May 1997 to April 1998, which is the largest number of alleged bribery incidents since the 12 month period from May 1994 to April 1995. We estimate U.S. firms lost at least 13 of these contracts, valued at nearly $3 billion, and believe U.S. firms declined other contracts in the face of bribery demands.



Clearly, bribery continues to be pivotal in many export competitions, with the alleged bribing companies winning the lion's share (an estimated 90 percent) of the contract decisions involving bribes. Exporting companies from OECD nations are the worst offenders, and a few foreign multinational firms consistently are alleged to be making the most bribe offers. Competitor firms from emerging economies are increasingly a problem. Furthermore, since these figures represent only cases that have come to our attention, it is likely the magnitude of the problem is much greater.

The counterpart to bribe giving—bribe taking—appears, meanwhile, to be spreading in some regions such as Latin America and Asia. For the first time since we began collecting data in 1994, Latin America led in the number of contracts sought with allegations of bribes, although the deals in Asia and Europe for which bribe offers were allegedly made are estimated to be worth substantially more.

Progress in the OECD

OECD trading partners are moving in the direction of discouraging bribery of foreign officials, although they still lead in bribe offers. Over the past few years, OECD members have come to accept the need to end bribery of foreign officials, partly in response to U.S. pressure and growing public concern over domestic corruption scandals linked to international bribery. Since 1977, the United States has had domestic legislation that criminalizes bribery: the Foreign Corrupt Practices Act (FCPA). Achieving comparable prohibitions in other developed countries has been a major priority of the U.S. business community, the U.S. Congress, and successive Administrations since the 1970's.

Under the combined leadership of the Departments of State, Commerce, and Justice, and with strong support from the other TPCC agencies, we have finally achieved this goal: the OECD Antibribery Convention was signed in Paris on December 17, 1997, by thirty-three countries, whose governments agreed to enact criminal laws that would closely follow the prohibitions found in the FCPA. The OECD Ministers have established December 31, 1998, as the goal for the ratification of the Convention and enactment of implementing legislation.

Most OECD members are taking serious steps to ratify the OECD Antibribery Convention and pass necessary implementing legislation by the end of this year. Since the signing in December 1997, President Clinton submitted the Convention to the Senate for advice and consent to ratification, and the Administration transmitted to the Congress proposed amendments to the Foreign Corrupt Practices Act to conform the FCPA to the Convention. The Senate has ratified the Convention and approved implementing legislation. The House is currently considering the implementing legislation. The goal is to complete legislative action by the end of 1998.

This Convention has the potential to ban most bribe offers, and we will actively encourage signatories to ratify and implement it by the deadline set by Ministers. In the coming year, the OECD will also address some additional areas of concern, such as bribes to political parties and bribes by foreign subsidiaries. We also will continue pressing for OECD members to end tax deductions for overseas bribes which are still allowed in a number of member countries. The OECD is also undertaking an outreach program to educate non-signatories about the Convention and to encourage them to adopt antibribery and anticorruption agendas domestically.

Concerted multilateral efforts, however, may soon begin to reverse the tide. Recent anti-corruption initiatives around the globe are indicative of a changing international environment reflecting greater willingness to address the problem of international corruption. The U.S. Government is fighting against foreign corruption on many fronts: leading the anti-corruption efforts in the OECD, the Organization of American States, the United Nations, and the World Trade Organization; encouraging international financial institutions, such as the World Bank, the regional multilateral development banks, and the IMF, to target corruption in their policies and programs; prohibiting U.S. firms from bribing foreign public officials; and funding USAID activity to promote good governance.

Foreign Expenditures to Influence International Standards

Standards, conformity assessment, and measurements play an increasing role in international trade. The Europeans, primarily Germany, the United Kingdom, and France, provide extensive training programs, donated equipment, and advisors to key laboratories and ministries in emerging economies. The table below shows the disparity in competitor nation spending to influence international standards. This information likely understates actual outlays by our competitors, since it does not include activities by organizations other than those listed.

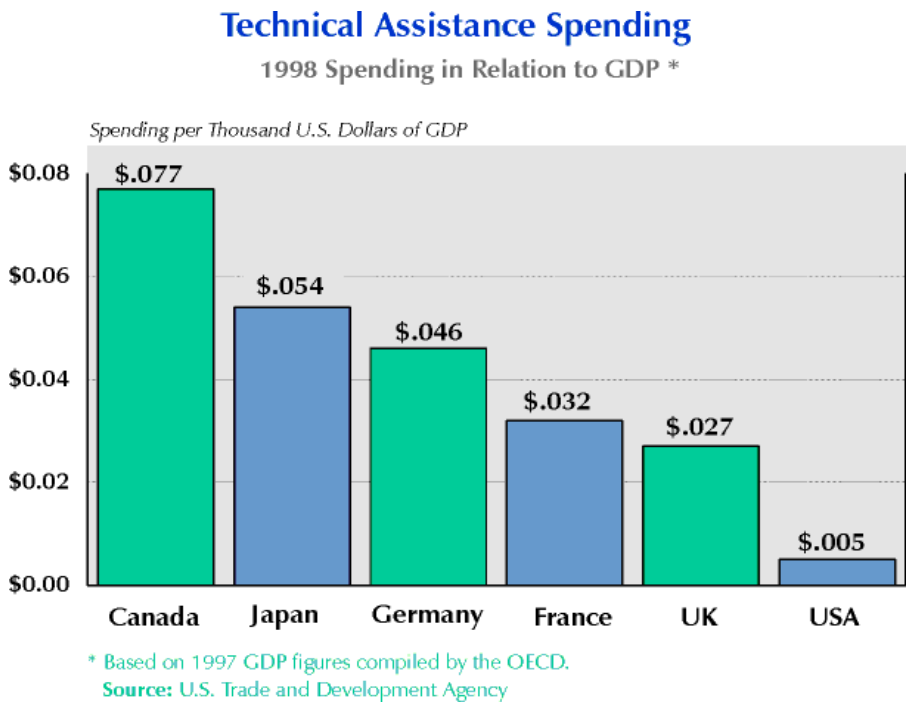
Competitor Nation Data
Expenditures to Influence International Standards
(Note: 1996 figures based on ISO Member Body Annual Budgets)

Country/Organization	Budget	Government Funding
United Kingdom/BSI	$150 million	$6 million (4%)
Germany/DIN	$111 million	$18 million (16%)
France/AFNOR	$89 million	$20 million (22%)
Japan/JISC	$27 million	$27 million (100%)
United States/ANSI	$21 million	$0.02 million (0.001%)

Foreign Expenditures on Technical Assistance

Technical assistance provided by competitor governments can be a key factor in the success or failure of a foreign sale in the competitive international environment. In a comparison based on the size of their economies, the Canadians, Japanese, and Germans all invest ten times or more than TDA in feasibility study programs, procurement assistance, and trade advisory services.

The U.S. Government is working to level the playing field for our exports and sales, both by reducing the use of trade distorting policies and market barriers overseas, and by undertaking cost-effective government support for our firms. U.S. firms are remarkably adept at finding new opportunities and forging smart strategic relationships. The TPCC will continue to play a key role in ensuring that they have a fair global market environment in which to do so.



This Year's Report: Timely Responses to Regional Developments

Eight New Strategic Initiatives

As seen in the report to follow, we continue to focus on commercial policy challenges and opportunities in terms of both regional developments and cross-cutting issues. Our key strategic objectives for the coming year are:

Exporter Awareness: We will work to increase the understanding of U.S. businesses and workers that exporting increases competitiveness and enhances job security. The TPCC's message will include highlighting the importance of exports to the American standard of living. A major theme of this message will be our continued work to assure that the United States receives the full benefits of its trade accords. TPCC agencies will help businesses resolve international trade complaints; create innovative ways of monitoring foreign compliance with trading partners; act as an information clearinghouse for U.S. businesses; and develop working public and private partnerships.

Asia Crisis/Trade Finance: TPCC agencies will continue to take steps to shore up the position of U.S. exporters in the wake of the crisis. At the same time, we are developing strategies to promote market liberalization and policy reform in these countries and are providing U.S. exporters with the information and instruments needed to build a market presence in Asia. Commerce is coordinating a series of Asian finance seminars on issues critical to exporters overcoming the current difficulties. Exporters will have direct access to providers of trade financing such as Ex-Im Bank, USDA, and the Small Business Administration (SBA).

Untying Tied Aid: In May 1998, the Development Assistance Committee (DAC) of the OECD committed to develop by April 1999 a proposal to untie aid to the Least Less Developed Countries (LLDCs). Treasury, Ex-Im Bank and USAID are working closely together to ensure that the DAC untying proposal produces aid that is not only develop-

mentally sound, but de facto untied. While this work is still in the early stages, at a joint OECD DAC/Export Credit Participants meeting in July 1998, Treasury presented a paper proposing multilateral rules and procedures to govern aid untying. The key issues addressed in the paper are notification, bidding procedures and timetables, and ex-post transparency on bid award winners.

U.S.-China Trade Deficit: TPCC agencies will undertake strategies to increase our exports by expanding commercial cooperation and targeting sectors with the greatest potential for export growth. During the China Summit, the President asked the Secretary of Commerce to lead a multi-cabinet mission to China in early 1999 to highlight the need for progress on the trade deficit and to encourage greater participation of U.S. firms in China's infrastructure development. Every opportunity will be taken to impress upon China that for its own domestic reforms to succeed, China must open its markets to more U.S. goods and services.

Euro: TPCC agencies are taking steps to ensure that U.S. companies, particularly small and medium-sized firms, are prepared for European Monetary Union and the transition to the euro currency beginning on January 1, 1999. We will adjust our European export promotion efforts to take into account the EMU's likely impact on the European Market, focusing on new opportunities as well as on challenges that may arise. To that end, the Department of Commerce is holding more than a dozen seminars around the country this fall to provide U.S. firms with export advice and timely information.

BEMs: Recent market events have required a fresh assessment of how best to amplify U.S. Government efforts in the Big Emerging Markets. We will develop a new BEMs framework to focus government-wide efforts on short-, medium-, and long-term priority markets and couple this with an assessment of sectors that provide the greatest opportunities to American exporters.

Small Business: TPCC agencies will continue to focus on improved services for small and medium-sized firms, with particular focus on internet applications. Additionally, TPCC agencies will strive for improved communication between agencies in the field and at headquarters and between federal, state, and local partners through better training and technological compatibility. The results of the Export Assistance Center (EAC) review will be used to improve interagency cooperation and to better coordinate the delivery of services to the small exporter. In addition, we are utilizing the Internet to help our businesses export. With these refinements, we will be better positioned to tackle the two most important obstacles inhibiting small business exports: lack of information and lack of access to reasonably priced financing.

Advocacy Review: TPCC agencies, in particular the Commerce Department's Advocacy Center, will develop customized approaches to key growth markets where advocacy support could be more effective (e.g., China).

Conclusion

This sixth National Export Strategy presents the TPCC's region-by-region strategy for ensuring that our export promotion programs and activities respond to real-time developments and market dynamics in key regions. We will promote U.S. exports to Asia and encourage economic reforms in Asia. We will zero in on our trade deficit with China through high-level engagement and advocacy. We will maximize U.S. penetration of dynamic Latin American markets. We will prepare U.S. exporters for the introduction of a common European currency, the "euro," in the $8 trillion European Union market. We will join Africa in a real partnership with benefits for businesses and workers on both sides of the Atlantic. We will continue to assist small and medium-sized firms through new electronic means of delivering information and export financing and through a reappraisal of our domestic front-line offices. In addition, we will aggressively monitor compliance by our trading partners and enforcement of U.S. rights to secure the benefits of trade derived from trade agreements. Finally, we will continue our efforts to develop a unified budget and a set of cross-cutting performance measures for TPCC agencies and programs.

Region-by-Region Web Sites

The Commerce Department's Trade Information Center (TIC) has set up web sites for each region of the world dedicated to helping business people export and conduct business in each region. The sites include market information and referrals to other U.S. Government region-related sites as well as to sites hosted by international financial organizations, trade associations, commercial interests, and foreign government and regional organizations. The TIC sites are located on the internet in the Country and Regional Market information section at **http://www.ita.doc.gov/tic**.

More than ever before, developments in one part of the world can rewrite the competitiveness equation in other parts of the world. The U.S. Government, therefore, must be prepared to respond immediately to the changing needs of exporters—especially small-and medium sized firms—for information, assistance, and advocacy. In the coming year, I would like to see the TPCC agencies reach out in new ways to other segments of society affected by our economy's interdependence on global trade. We all have a stake and should all have a role—both in maximizing the contribution exports make to job creation and in ensuring that international trade works to enhance the standard of living of all Americans.