98-924 F

CRS Report for Congress

Received through the CRS Web

The Trade and Development Agency: Background and Funding

November 9, 1998

(name redacted)
Specialist in Foreign Policy and Trade
Foreign Affairs and National Defense Division

(name redacted)
Foreign Affairs and National Defense Division

ABSTRACT

The Trade and Development Agency (TDA) is one of several government agencies involved in "aid for trade" programs, combining development assistance and export promotion. For TDA's FY1999 funding, the Administration had requested $50 million, up 20% from the FY1998 level of $41.5 million, but down 23% from its peak funding level of $65 million in FY1994. Congress enacted $44 million for FY1999 in the omnibus appropriations bill (H.R. 4238, P.L. 105-277). This report provides TDA's background, budget history and ranks sector and state-by-state gains from TDA. This report will be updated as events affecting TDA occur.

The Trade and Development Agency

Summary

Congressional interest in linking foreign aid more directly with commercial interests has waxed and waned throughout the 1990s as increasing demands have been placed on the U.S. budget, constituent support for more traditional foreign aid has dwindled, and U.S. industries have increasingly sought federal assistance in garnering foreign sales. The Trade and Development Agency (TDA), operating since 1982, is one of several government agencies involved in "aid for trade"--programs that combine development assistance and export promotion. The agency provides grants directly to foreign countries enabling them to hire U.S. companies to conduct feasibility studies for in-country capital projects. Since several other countries provide this type of assistance, many believe the United States should also, in order for U.S. businesses to remain competitive with foreign businesses in host countries.

The Trade and Development Agency has been viewed quite favorably by many policymakers as a relatively inexpensive tool to promote U.S. exports and employment while keeping the United States relevant to the economic development of middle-income developing countries. However, the program has also encountered criticism from Members who view it as a form of "corporate welfare," and by those who oppose foreign aid generally.

TDA's primary activities include funding feasibility studies overseas and definitional missions (to assess the merits of funding a feasibility study project). Other activities include technical assistance grants, orientation visits, technical symposia, training, grants to multilateral development banks to hire U.S. consultants, as well as grants to state and local entities like the National Association of State Development Agencies (NASDA).

Although funding increased nearly ten-fold from FY1982 to its peak in FY1994, when Congress appropriated $65 million, TDA's budget remained modest when compared to most other agencies. Even at the time of its peak funding, many TDA proponents believed the request was still inadequate to fully utilize the agency and support its many potential projects. Others, concerned with budget reduction, overlap and duplication among government agencies, believed that "aid for trade" agencies and offices could be consolidated or better coordinated. Additionally, there were other matters associated with TDA, such as whether there was large company bias in the agency's activities and whether U.S. tax dollars should assist corporations with ample resources of their own for export development. Despite the controversy, Congress appropriated $65 million for TDA in FY1994.

For comparison, on October 20, 1999 Congress passed the omnibus appropriations bill (H.R. 4238, P.L. 105-277) which included $44 million for TDA's FY1999 funding level, 6% above the previous year's appropriation. (The Administration's request for FY1999 had been $50 million.) The FY1999 appropriation is 32% below the peak FY1994 level at the same time that TDA is expanding activities in new countries. Along with a reduction in funding since FY1994, congressional debate over the appropriateness of providing federal funds to TDA and other agencies involved with the aid for trade concept has also declined.

Contents

The Trade and Development Agency

Introduction

The Trade and Development Agency (TDA), created as the Trade and Development Program (TDP) in 1982, has been viewed quite favorably by many policymakers as a relatively inexpensive tool to promote U.S. exports and employment while offering aid to middle-income developing countries. Others opposed the concept as a form of "cooperate welfare" and raised specific issues about TDA's cost and effectiveness as Members addressed appropriations for foreign aid and export promotion agencies and programs. In the late 1990s, however, arguments against the aid for trade concept, TDA, and its mission have tended to decline. TDA acquired increased attention after the end of the Cold War as security and political arguments for supporting U.S. foreign assistance weakened. A debate over setting a new foreign aid agenda emerged which included the argument that American foreign assistance, in addition to promoting development overseas, could also be used as a tool that would benefit U.S. businesses. Interest in TDA intensified in the early 1990s as the U.S. budget became increasingly strained, constituent support for foreign aid dwindled, and U.S. industries sought help to sustain their international competitiveness. Some in Congress and in the export community advocated a strengthening of TDA and other "aid for trade" activities of the U.S. government.

TDA provides grants directly to foreign countries that hire U.S. companies to conduct feasibility studies[1] for in-country projects such as dam construction, energy production, and telecommunications development. Middle-income developing countries are among the world's fastest-growing markets for U.S. exports, and many foreign competitor governments fund "aid for trade" programs.

Some believe that the United States, in order to help its industry be more competitive in those markets, should continue current-level or modestly increased support for TDA activities. Others argue that too many agencies are conducting export promotion activities. Critics of TDA contend that the Office of Capital Projects at the Agency for International Development (USAID),[2] the Overseas Private Investment Corporation (OPIC), the Export-Import Bank (Eximbank), and TDA carry out similar, if not duplicative functions. They assert that elimination of

---

[1] A feasibility study is an assessment of a potential project to determine whether the project is economically, financially and technically possible.

[2] The Office of Capital Projects was first established by USAID in 1991 under the Bush Administration's *Partnership for Business and Development Program*. It was authorized by Congress in the Jobs through Exports Act of 1992, but has been minimally funded by USAID. It is currently operating primarily through funding from USAID field mission offices.

some of these functions or consolidation into one agency would improve effectiveness while reducing budgetary costs.

In the past, particularly in the early 1990s, some Members supported merging other "aid for trade" agencies into TDA and greatly expanding its funding levels. Proponents argued that eliminating "aid for trade" activities in less active offices, such as USAID's Office of Capital Projects, would result in greater budgetary savings without loss in policy effectiveness. Others contended that TDA was efficient, effective, and flexible. They feared that consolidating these agencies into a single entity would create inefficiencies that did not exist in TDA.

Political support for TDA peaked about 1994. Since then, Congress generally has been less enthusiastic about "aid for trade" programs. TDA's FY1998 core budget is similar to that prevailing in the early 1990s, despite TDA's expanding activities in new countries. TDA has increased the number of its programs from 307 in 1993 to 390 in 1997. TDA also conducted more activities in Latin America, Asia and Africa in 1997 than in previous years. The FY1999 Administration request for $50 million took into account TDA's crucial involvement in a number of middle-income developing country infrastructure projects. Congress enacted $44 million rather than the requested $50 million because of limited budgetary resources.[3]

This report provides background information on the Trade and Development Agency, including how it evolved, its budget, staff size and activities. It also compares TDA with similar programs in other countries and discusses current congressional issues and views.

Background

TDA provides grants to foreign governments enabling them to hire U.S. companies to conduct feasibility studies and other planning services for major industrial and infrastructure projects viewed as development priorities by the host country. Through these planning services, TDA activities subsequently assist U.S. businesses in exporting goods and services for major capital projects in developing and middle-income countries. TDA's stated mission is to:

- help position U.S. companies to compete successfully as suppliers of goods and services for major capital projects in developing countries;
- assist economic growth in the developing and middle-income world by increasing access to U.S. private sector expertise;
- serve as a front line agency for implementing U.S. trade and foreign assistance objectives by rapidly and effectively mobilizing U.S. technical expertise;

[3] Foreign Operations Appropriations, House of Representatives Report 105-719, pp.6-7.

- maximize the reciprocal benefits of U.S. foreign assistance.[4]

TDA' specific mission for FY1999 is to assist in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities.[5]

According to the Director of TDA in 1998, J. Joseph Grandmaison, the total volume of U.S. exports associated with TDA activities since its inception in 1982 has grown to about $10 billion to $11.5 billion. In March 1998 congressional testimony, he claimed that every dollar TDA invests in 1998 on behalf of American exporters results in $33 in U.S. exports — up from $30 in exports per dollar invested in 1997.[6] He also pointed out that during 1997 TDA funded 390 activities in 65 countries, which helped American companies establish themselves in a variety of projects in emerging markets.[7] Similar capital project activities conducted by USAID, on the other hand, may generate less than one dollar for every dollar invested, since USAID selects capital projects to meet the host country's development needs rather than projects with the greatest potential return for U.S. businesses.[8]

Origin and Evolution of the Program

The idea of reimbursable government services to foreign countries,[9] linking the U.S. private sector with development activities, dates back to the Mutual Security Act of 1954. Later the policy was reauthorized in section 607(a) of the Foreign Assistance Act of 1961. In 1974 Congress added section 661 to the Foreign Assistance Act of 1961, as amended. It provided authority to promote the use of U.S. government reimbursable services that would be paid for by foreign countries.

The Foreign Assistance Act designated USAID as the agency responsible for implementing both section 607(a)--putting foreign governments in touch with U.S. government agencies for reimbursable services--and section 661--funding planning studies which would lead to the use of such services. The two activities were housed in USAID's Office of Reimbursable Development Programs, directly under the Administrator. According to USAID, because of a congressional initiative in the early 1970s that shifted aid program emphasis to basic human needs and small scale poverty projects and away from promotion of the private sector, USAID's

---

[4] United States Trade and Development Program, Congressional Presentation, Fiscal Year 1993, U.S. International Development Cooperation Agency, and telephone conversation with Ned Cabot, Congressional Relations, Trade and Development Agency, July 28, 1998.

[5] Trade and Development Agency, Congressional Presentation, Fiscal Year 1999.

[6] Statement of J. Joseph Grandmaison, Director of U.S. Trade and Development Agency, Hearings, House Appropriations Subcommittee on Foreign Operations, Export Financing and Related Programs, March 11, 1998.

[7] U.S. Trade and Development Agency, 1997 Annual Report.

[8] Office of Special Projects, Agency for International Development, March 3, 1993, and telephone conversation with Agency for International Development, July 27, 1998.

[9] Reimbursable government services refers to services that are paid for, but not necessarily provided by, the U.S. government.

expenditures for activities linking U.S. businesses to development in 1976 and 1977 fell to only about $1 million annually.

By the end of the 1970s, however, there was a growing sense in Congress that the U.S. private sector should be more active in development programs. In 1978, Congress directed USAID to increase emphasis on U.S. private sector involvement in development assistance. By March 1979, USAID issued new guidelines facilitating the involvement of the U.S. private sector in development from the earliest planning stages of the projects through implementation.

In July 1980, to further underscore the link between private sector and U.S. development activities, USAID's Office of Reimbursable Development Programs was made a part of the International Development Cooperation Agency (IDCA), a newly created umbrella agency tasked with coordinating U.S. development assistance programs, and was renamed the Trade and Development Program (TDP). Independent from USAID by delegation of authority, TDP received a separate line item authorization and appropriation in 1982, pursuant to Section 661 of the Foreign Assistance Act.

Congress further strengthened TDP's autonomy with passage of the Omnibus Trade and Competitiveness Act of 1988 (P.L.100-418) which made TDP an independent agency and required the TDP Director to be appointed by the President. It established TDP as the primary federal agency providing information to the private sector regarding trade and development and export promotion. The 1988 Act further transferred to TDP the USAID tied aid[10] responsibilities directed by the Trade Expansion Act of 1983. It also expanded TDP activities to include education and training programs, and required that TDP be represented (and vote) at meetings of the National Advisory Council on International Monetary and Financial Policies whenever tied aid issues were discussed. Additionally, the Omnibus Trade Act required the Director of TDP to establish an advisory board which must include representatives from the private sector to make recommendations to the Director regarding TDP activities.

In December 1992 Congress enacted the Jobs through Export Act that renamed TDP the Trade and Development Agency (TDA). Lawmakers supported the name change to clarify and emphasize that TDA is an independent agency, and increase its visibility as the primary federal agency promoting private sector trade development in middle-income developing countries. In addition, the Act required annual independent audits of TDA's financial statements and increased TDA's spending authority to $65 million annually beginning in FY1994.

Funding History

Although TDA funding has increased dramatically since 1982, it remains one of the smaller foreign aid programs. Despite growing foreign aid budget constraints beginning in 1985, however, TDA appropriations have grown steadily. The Administration requested $60 million for FY1994--a 50 percent increase over the

[10] Tied aid is foreign assistance that is linked with a requirement that the recipient country purchase U.S. goods and services with the assistance.

FY1993 level and the largest increase since 1983--and Congress appropriated $65 million. While this seemed like a sizeable percentage increase, TDA stated that it would not be able to fund all project requests received even with the additional resources.[11] For FY1999 TDA requested an increase to $50 million, but received $44 million, $2.5 million above the previous year's level of $41.5 million, and well below the FY1994 peak of $65 million. The agency points out that since 1993 the number of projects has expanded by 27%, while the agency's core budget has declined by 32%. Table 1 provides a history of TDA's budget authority since 1982.

Table 1. The Trade and Development Agency Budget Authority, FY 1982 - FY 1999

Fiscal Year	Budget Authority ($1,000)
1982	6,907
1983	12,624
1984	16,565
1985	21,000
1986	18,087
1987	20,000
1988	25,000
1989	25,000
1990	29,916
1991	35,000
1992	34,575
1993	40,000
1994	65,000
1995	57,000
1996	48,994
1997	53,500
1998	41,500
1999	44,000

Source: Trade and Development Agency, February 16, 1993.
U.S. Agency for International Development, Congressional Presentation, 1996, 1997, 1998, 1999.

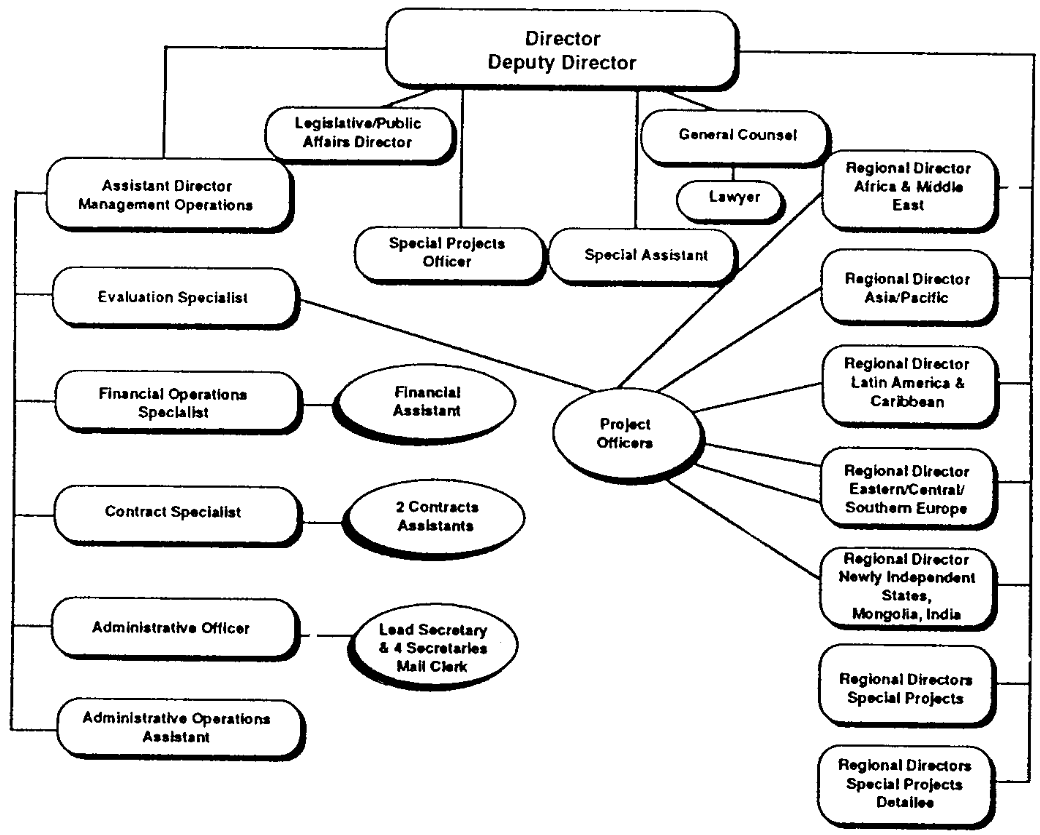
Staffing/Structure

The structure of TDA is shown in Figure 1. While staff size has been increasing somewhat over the years, TDA is a small agency when compared to most others. The Office of Management and Budget (OMB) sets a staff ceiling for TDA each year. (TDA staff numbers usually are maintained at the ceiling.) As recently as

[11] Meeting with Jonathan Raymond, Director of Congressional Affairs, TDA, February 8, 1993.

1987, the Trade and Development Program ceiling was 15 full time employees. In 1988 the staff ceiling increased to 17; in 1992 it was 32; and by 1998 it was 41 full time employees. By comparison, other aid and export promotion agencies have much larger staffs and also manage much larger programs: in FY1998 OPIC's full time staff, which extended $4 billion in insurance to U.S. firms, was 198; Eximbank's full time staff, managing programs worth more than $12.2 billion, was 371.

Figure 1. Trade and Development Agency Organizational Chart



Source: TDA, 1997.

Current TDA Activities and Frequently Asked Questions

TDA Program

TDA funds a wide range of activities, the largest category being feasibility studies. A feasibility study is an assessment made by a U.S. firm (hired by the host country with a TDA grant) to determine whether a potential project is economically, financially and technically possible. In FY 1997, 69 percent of the TDA budget was devoted to financing 105 feasibility studies.

Another important TDA activity is definitional missions/desk studies. TDA uses technical consultants to develop reports, which are used to assist in the agency's decisions on funding requests for feasibility studies and other assistance. These reports are categorized into two types: definitional missions (DM) and desk studies (DS). Definitional missions involve a short-term visit to a host country to gather additional information and evaluate the project. Desk studies involve information gathering, but do not require overseas travel. Based on the recommendations contained in the DM or DS analysis report, the advice of the U.S. embassy, and TDA's internal analysis and budget capabilities, the agency makes investment decisions on funding requests for feasibility studies. All definitional missions and desk studies at TDA are contracted exclusively with small and minority-owned businesses. TDA contracted for 168 definitional missions and desk studies during 1997.[12]

Other TDA activities include technical assistance grants, orientation visits, technical symposia, training, grants to multilateral development banks to hire U.S. consultants, as well as grants to state and local entities like the National Association of State Development Agencies (NASDA).

TDA conducts projects involving agriculture, energy and natural resources, human resources, manufacturing, multi-sector services, telecommunications, transportation, and water/environment. In recent years the largest number of projects (85 in FY1997) and the largest amount of funds ($9.6 million in FY1997) have been in the transportation category. The smallest have been in the agribusiness and human resources categories (14 and 12 projects and about $1.1 million and $1.4 in FY1997, respectively). (See Figure 2.)

TDA's project selection criteria are as follows:[13]

- *Development Priority*: TDA projects must be development priorities of the host country and likely to be implemented. TDA must receive a formal request from the host country government, and the U.S. Embassy must endorse TDA's involvement in the proposed project.

- *U.S. Export Potential*: Projects must present an opportunity for substantial sales of U.S. goods or services relative to the cost of the requested assistance.

- *Financing Availability*: There must be a likelihood that project implementation financing which is not tied to award to a particular foreign country will be available and that procurement will be open to U.S. firms.

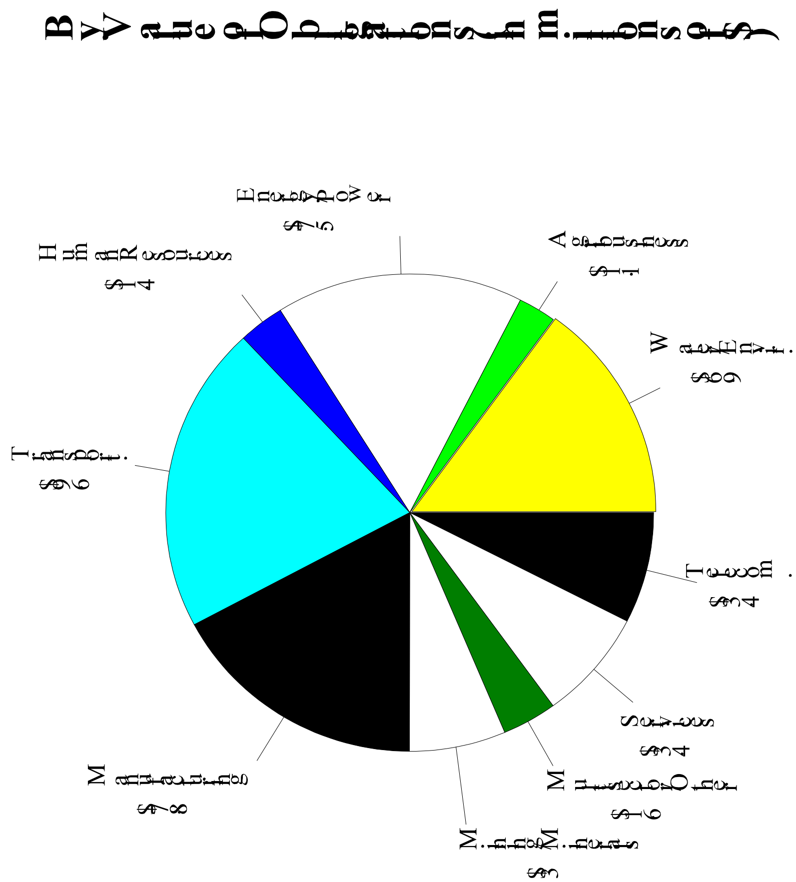
- *Competition*: There must be a likelihood that U.S. companies will face strong competition from foreign companies that receive various kinds of subsidies and support from their governments.

---

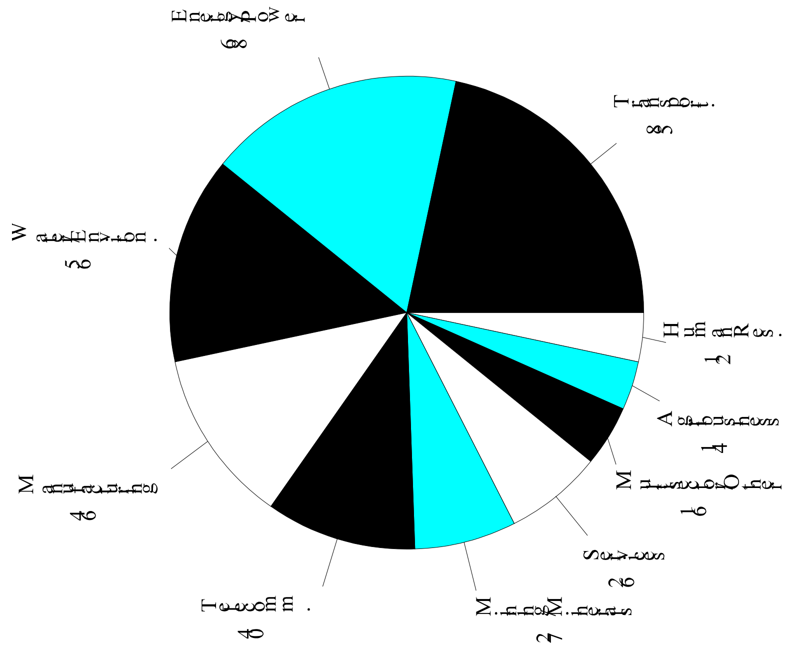
[12] U.S. Trade and Development Agency, 1997 Annual Report, p. 6.

[13] U.S. Trade and Development Agency, 1997 Annual Report, p. 4.

FIGURE 2.
FY1997 TDA ACTIVITIES BY ECONOMIC SECTOR



By Type and Number of Activities



Source: TDA 1997 Annual Report, pp. 17 and 19.

What U.S. Companies Participate?

A wide variety of U.S. companies have exported goods and services overseas as a result of TDA activities. Through FY1997 more than 1,000 companies have been actively involved in TDA-financed activities around the world. Companies range in size and include very small firms, minority-owned businesses, and large corporations (such as AT&T, General Electric, COMSAT, and Westinghouse).[14] Businesses in a majority of states benefit from TDA projects, according to data compiled by TDA. In FY1997 District of Columbia-based companies (83) were the most from any one "state" to benefit from TDA projects, followed by Virginia (69), California (39), Maryland (29), New Jersey (19), Illinois (16), Colorado (13), New York (13), Texas (10), and Massachusetts (10). (For a complete ranking of states, see the appendixes on pages 15 and 16.)

How Can U.S. Companies Participate?

One concern among policymakers, as well as TDA administrators, has been how to inform U.S. businesses about TDA and explain how they can participate in its programs. For that, TDA began to interact with the National Association of State Development Agencies (NASDA) to inform businesses of export opportunities at the local level. Generally, what TDA has shared with NASDA is the following activity path:

1--Host government contacts TDA with a prospective project, or a U.S. company operating in a region becomes aware of a potential project in a foreign country and notifies TDA;

2--Regional TDA officer evaluates worth of project, puts together an assessment of the scope of work, completes a definitional mission--the consultant that does this can not be one that could benefit from the project. At this stage, TDA coordinates with the Trade Policy Coordination Committee (TPCC), AID, OPIC, Eximbank;

3--If the project assessment is favorable in meeting TDA's criteria, a regional TDA director presents the project to the Project Review Board, consisting of TDA's Director, Deputy, and General Counsel; if the review committee does not approve, the process ends here;

4--If the review committee approves the project, the host country signs an agreement for TDA to provide a grant which requires the host country to hire a U.S. company to do a feasibility study;

[14] The number of companies involved in TDA activities at any given time can not be accurately counted, according to TDA. Many times, after a company wins one contract, the country may continue to employ that company years after the initial project because of familiarity with the company name, staff, and quality of work. Also, often large companies win the contracts, but then subcontract the work to a number of smaller ones, making an accurate count difficult.

5--The feasibility study project is announced in the Commerce Business Daily (CBD) and U.S. firms are invited to bid. To learn of the announcements, companies must subscribe to the newsletter;

6--U.S. companies can offer a bid within a specified time period;

7--The bids are reviewed by the host country;

9--The host country selects a U.S. company to do the study.

Where Have TDA Projects Concentrated?

In 1997, 65 countries received TDA grants. African, Latin American, Eastern European, and Asian countries were heavily represented among the list of countries. Specific countries with the largest number of TDA projects in 1997 were Russia (38), Brazil (23), South Africa (19), Indonesia (19), Thailand (16) and Bosnia & Herzegovina (15). Additionally, five TDA projects which were regional or worldwide in scope, were categorized as: Latin America Regional, Asia Regional, Africa Regional, Europe Regional and Worldwide. The number of TDA activities in Latin America, Asia and Africa has increased from 46% of the total activities in FY1993 to 63.6% in FY1997. The funding level has also increased from 52.2% of the totals in FY1993 to 57.3% in FY1997.[15]

Prior to China's Tianamen Square incident, TDA provided about one-third of its grants to Beijing. TDA officials defend this heavy concentration on one country by saying that all these grants were based on specific criteria, as well as potential for U.S. benefit and export potential. After Tianamen Square, TDA voluntarily suspended activities in China, and later was prohibited from conducting projects there by legislation. Currently China, along with Vietnam, North Korea, and Burma, is ineligible for TDA assistance.[16]

Similar Programs in Other Industrialized Countries

According to the Coalition for Employment through Exports, the United Kingdom annually spends over $35 million for various agencies that fund feasibility studies, bid on major overseas projects, and fund privatization studies and technical advisors. The Canadian International Development Agency annually provides an industrial cooperation program of approximately $46 million for feasibility studies and technical assistance. The Japan International Cooperation Agency annually spends $229 million in support for feasibility studies. Germany's Kreditanstalt fuer Wiederaufbau annually provides $98 million in support for feasibility studies. Other agencies provide additional funding for technical assistance, training and equipment procurement. France's total program amounts to $45 million annually which is distributed throughout several government agencies.[17]

---

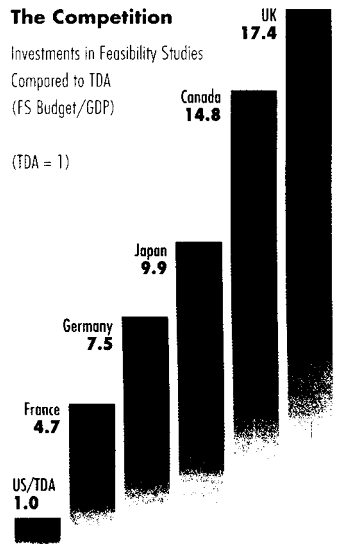
[15] U.S. Trade and Development Agency, 1997 Annual Report, p. 32.

[16] U.S. Trade and Development Agency, web site (http://www.tda.gov/)

[17] Source: telephone conversation with Monique Roske, Legislative Representative, Coalition for Employment through Exports, July 1, 1998.

Figure 3, according to TDA, compares the size of aid programs of several donor countries.

Figure 3. TDA's Budget Compared with Competitors', 1997



Source: TDA.

Issues for Congress

Over the years, policymakers' attitudes on U.S. foreign aid have changed. In the 1960s and 1970s, many supported U.S. foreign assistance for security and foreign policy reasons with the continuation of the Cold War. Throughout the 1980s, the Reagan Administration shifted the focus of foreign assistance away from government-to-government assistance and toward fostering growth of the private sector in developing countries. In the 1990s, foreign aid advocates have been looking for a new rationale and purpose of U.S. foreign assistance in the absence of the threat of communism. Foreign aid activity that promotes U.S. businesses in development programs is one of several new purposes that has received support and is under consideration. TDA's role in an expanded U.S. government export promotion initiative is also under review by the Clinton Administration.

In recent years, some Members of Congress supported the aid for trade concept as conducted by TDA and other agencies. Congressional debate has focused not on whether to conduct aid for trade projects, but rather, how much should be appropriated and under what agencies. Congress has focused on two overriding issues concerning the Trade and Development Agency: 1) the optimal funding level, and 2) the designated responsibilities of the agency (and the related issue of possible overlap of responsibilities with other agencies). Additionally, policymakers have examined other matters associated with TDA and its activities, such as whether TDA was an aid or export promotion agency, whether there was company-size bias in TDA activities, and whether U.S. tax dollars should assist large corporations.

Should the U.S. Government Intervene in the Markets?

Currently some Members question whether the U.S. government should even intervene in the markets at all. They feel that the U.S. government should abstain from assisting the business community in meeting the demands of the global marketplace on grounds that such intervention skews the marketplace. If the overseas activity were worth doing, they say, the businesses should take it upon themselves to do it. If it is not worth doing, the U.S. government should not be involved in it.

The U.S. business community, on the other hand, points out that it faces highly competitive markets where foreign competitors such as European and Japanese companies enjoy the full backing and support of their respective governments. Many Members of Congress maintain that the competitiveness of a great number of international businesses (and thus the U.S. economy) depends on the quality of project financing, and therefore that the role played by TDA is essential.[18]

Is There Bias Involving Company Size?

Some have claimed that TDA has a large-company bias. Since TDA provides grants directly to foreign governments, it is the host country that selects U.S. companies to conduct feasibility studies. As a result, U.S. companies do not receive any taxpayer dollars *directly* from TDA. Thus, there is no direct U.S. government action showing bias toward larger companies involved in TDA activities. However, there may be some bias in favor of larger, better-known companies on the part of the host country because they may be more comfortable with a large or well-known company. Also, the larger companies can afford the money, staff, and paper work involved in marketing themselves to the host country and are more able to have staff in Washington, D.C., who are familiar with procedures and potential projects. Large firms also are better equipped with staff and resources to be more competitive in bidding, especially on engineering and large construction projects.

Small businesses can benefit whenever they have a particular expertise, specialty skill, knowledge of a region or culture in the world, or have developed a particular niche in the market. In many cases, large businesses that win contracts subcontract some of the work to smaller businesses. Furthermore, small and minority-owned businesses do all definitional missions, according to TDA officials.

A large number of feasibility studies have been conducted by small firms as well. According to agency data, one-third of TDA's program budget has gone to small firms. TDA has also sponsored conferences and orientation visits, which have been beneficial to small business.[19]

---

[18] Source: telephone conversation with Monique Roske, Legislative Representative, Coalition for Employment through Exports, July 31, 1998.

[19] Source: telephone conversation with Ned Cabot, Congressional Relations, U.S. Trade and Development Agency, September 2, 1998, and U.S. Trade and Development Agency, 1997 Annual Report, p. 8.

Should U.S. Tax Dollars Assist Large Corporations?

Some have questioned whether it is really necessary to provide American tax dollars to multi-billion dollar corporations to develop foreign markets. They maintain that if the foreign market were profitable, the companies would be conducting these activities on their own. American companies should be just as competitive as their foreign counterparts, they argue, without government assistance.

On the other hand, supporters argue that, at least until recently, many U.S. companies have not had as much experience and history in bidding on foreign capital projects, since they traditionally have concentrated their business in the U.S. market. Other competitor country governments, moreover, have funded feasibility studies as a normal way of obtaining foreign contracts for their national firms. Supporters of TDA argue that U.S. companies would be at a disadvantage if the United States were to withdraw from this activity. Some trade experts believe that if the United States wants to remain competitive in the world and in these fast-growing middle-income markets, it must offer similar grants to host countries. Moreover, they say, U.S. taxpayers would benefit with a subsequent increase in domestic employment and economic activity as TDA projects would promote U.S. exports.

However, critics of U.S. government activities linking U.S. businesses to development assistance programs assert that large and small companies alike seem to want to be "spoon fed"; it has been observed that often, once government funds dry up, the companies seem to drop their promotional activities in a particular country. This suggests to critics that TDA funds are supporting projects that are not really commercially viable.

Furthermore, critics of TDA contend that the agency lacks technical, development, and engineering expertise, saying that often projects are approved without adequate technical review. As a result, businesses might be able to overprice estimates for feasibility studies, or might recommend a project when it may not be sound technically, developmentally, or economically. TDA needs to have the technical expertise to know if/when overpricing occurs, or unsound projects are considered, critics claim, if taxpayer dollars are to be spent to promote U.S. business activity overseas.

Another idea raised by some is that private enterprises benefitting from government-funded TDA activities should return some of the TDA grant if the company wins follow-on contracts. According to those who espouse this concept, such rebates to TDA could be placed in a revolving fund to reduce the size of future TDA appropriations and to deflect criticism that large businesses are receiving a subsidy from American taxpayers.

Appendix 1
Trade and Development Agency Program Activities
Number of Participating Companies (State by State)

(FY 1997) STATE (NUMBER)	(FY 1996) STATE (NUMBER)	(FY 1995) STATE (NUMBER)	(FY 1994) STATE (NUMBER)	(FY 1993) STATE (NUMBER)
District of Columbia (83)	District of Columbia (70)	Virginia (90)	District of Columbia (81)	District of Columbia (62)
Virginia(69)	Virginia(59)	District of Columbia(88)	Virginia (62)	Virginia (43)
California (38)	California (31)	California (30)	California (28)	California (25)
Maryland (28)	Massachusetts (16)	Pennsylvania (22)	Massachusetts (25)	New Jersey (21)
New Jersey (19)	Texas (14)	Maryland (20)	Maryland (24)	Texas (20)
Illinois (15)	New Jersey (13)	New Jersey (20)	New Jersey (15)	Colorado (14)
Colorado (13)	Pennsylvania (12)	Texas (19)	Texas (12)	Maryland (14)
New York (13)	Colorado (11)	Illinois (14)	Colorado (9)	Georgia (12)
Texas (12)	Georgia (10)	Colorado (13)	Georgia (9)	Pennsylvania (12)
Pennsylvania (11)	Illinois (9)	Massachusetts (9)	Ohio (9)	Massachusetts (11)
Massachusetts (10)	Florida (8)	Georgia (8)	Pennsylvania (8)	Illinois (11)
Ohio (8)	Maryland (7)	New York (8)	New York (7)	Ohio (6)
Florida (6)	New York (7)	Ohio (7)	Connecticut (6)	Missouri (5)
Maine (6)	Montana (6)	Michigan (6)	South Carolina (6)	New York (5)
Montana (6)	Connecticut (4)	Florida (5)	Illinois (5)	Washington (4)
Georgia (4)	Oregon (4)	Washington (5)	New Hampshire (4)	Connecticut (3)
Minnesota (3)	Louisiana (3)	Connecticut (4)	Florida (3)	Louisiana (3)
Washington (3)	Michigan (2)	Tennessee (4)	Michigan (3)	Michigan (3)
Louisiana (2)	New Hampshire (2)	Missouri (3)	North Carolina (3)	Tennessee (3)
New Hampshire (2)	South Carolina (2)	Oklahoma (3)	Washington (3)	Alabama (2)
North Carolina (2)	West Virginia (2)	New Mexico (2)	Wisconsin (3)	Florida (2)
Tennessee (2)	Arizona (1)	North Dakota (2)	Louisiana (2)	Idaho (2)
Wisconsin (2)	Idaho (1)	Arizona (1)	Minnesota (2)	Hawaii (1)
Alabama (1)	Iowa (1)	Indiana (1)	South Dakota (2)	Indiana (1)
Alaska (1)	Kansas (1)	Kentucky (1)	Alaska (1)	Iowa (1)
Arizona (1)	Maine (1)	Michigan (1)	Alabama (1)	Minnesota (1)
Connecticut (1)	New Mexico (1)	Nebraska (1)	Indiana (1)	Nebraska (1)
Hawaii (1)	Ohio (1)	Nevada (1)	Nebraska (1)	Oklahoma (1)
Idaho (1)	Washington (1)	New Hampshire (1)	North Carolina (1)	South Carolina (1)
Michigan (1)	Wisconsin (1)	North Carolina (1)	Oklahoma (1)	West Virginia (1)
Nevada (1)			Oregon (1)	
Utah (1)			Tennessee (1)	
Vermont (1)			Utah (1)	
West Virginia (1)				

Appendix 2. Trade and Development Agency Program Activities Funds Obligated (State by State)

(FY 1997)
STATE (FUNDS)

D.C. ($8,068,752)
California ($4,006,063)
Maryland ($2,771,119)
Texas ($2,578,493)
Virginia ($2,564,867)
New Jersey ($2,123,420)
Pennsylvania ($1,805,834)
Colorado ($1,610,148)
New York ($1,490,460)
Illinois ($1,087,768)
Wisconsin ($960,000)
Ohio ($882,846)
Massachusetts ($854,334)
Minnesota ($697,490)
Alabama ($600,000)
Missouri ($577,399)
North Carolina ($487,867)
Michigan ($482,000)
Florida ($443,144)
Maine ($384,189)
Georgia ($378,029)
Tennessee ($352,500)
Louisiana ($350,000)
Connecticut ($305,000)
Utah ($200,000)
Vermont ($184,952)
Hawaii ($175,000)
Alaska ($150,000)
Nevada ($150,000)
Washington ($100,308)
New Hampshire ($25,242)
Idaho ($23,973)
Arizona ($16,863)
West Virginia ($2,500)

(FY 1996)
STATE (FUNDS)

D.C. ($6,209,944)
California ($4,322,337)
Virginia ($3,022,434)
Texas ($2,725,200)
Georgia ($2,137,750)
Pennsylvania ($2,000,200)
New York ($1,651,414)
New Jersey ($976,935)
Illinois ($874,976)
Massachusetts ($816,875)
Louisiana ($705,496)
South Carolina ($574,906)
Maryland ($524,280)
Kansas ($510,000)
Florida ($504,281)
Missouri ($461,950)
Colorado ($332,178)
Arizona ($350,000)
Oregon ($211,518)
Idaho ($299,045)
Connecticut ($187,065)
New Mexico ($160,000)
Michigan ($146,300)
Washington ($113,093)
Wisconsin ($40,000)
Maine ($29,000)
Iowa ($27,489)
New Hampshire ($27,315)
West Virginia ($5,000)

(FY 1995)
STATE (FUNDS)

D.C. ($8,593,119)
California ($5,039,526)
Pennsylvania ($4,466,723 + $408,900 with New York)
Virginia ($3,851,688)
Illinois ($2,818,023)
Washington ($1,988,235)
Colorado ($1,576,763)
New Jersey ($1,458,779)
Nebraska ($1,000,000)
New Mexico ($1,000,000)
New York ($920,697 + $408,900 with Pennsylvania)
Florida ($848,425)
North Dakota ($800,000)
Ohio ($702,500)
Michigan ($658,500)
Georgia ($643,765)
North Carolina ($625,000)
Oklahoma ($612,638)
Maryland ($602,990)
Missouri ($425,277)
Arizona ($399,000)
Tennessee ($355,000)
Connecticut ($315,104)
Indiana ($300,000)
Nebraska ($300,000)
Texas ($250,000)
Kentucky ($215,000)
Massachusetts ($183,787)
Michigan ($148,000)
New Hampshire ($24,054)

(FY 1994)
STATE (FUNDS)

D.C. ($5,509,556)
Virginia ($4,479,323)
Massachusetts ($4,067,585 + $104,000 with Pennsylvania)
California ($3,883,626 + $400,000 with South Carolina)
Texas ($3,020,165)
Maryland ($2,377,741)
Pennsylvania ($2,209,500 + $104,000 with Massachusetts)
New Jersey ($2,205,976)
South Carolina ($2,180,000 + $400,000 with California)
New York ($1,602,500)
Ohio ($942,364)
Illinois ($877,000)
Louisiana ($641,250)
South Carolina ($600,000 + $400,000 with California)
Washington ($573,441 + $150,000 with Alaska)
Connecticut ($558,224)
Indiana ($550,000)
New Hampshire ($460,000)
West Virginia ($437,000)
Colorado ($425,425)
Wisconsin ($415,000)
Florida ($321,500)
Michigan ($306,500)
Nebraska ($215,000)
Utah ($200,000)
Alaska ($150,000 with Washington)
Georgia ($130,595)
North Carolina ($106,580)
Vermont ($72,582)
Oklahoma ($49,000)
Oregon ($23,361)
Minnesota ($5,000)
South Dakota ($4,000)
Alabama ($2,500)
Tennessee ($2,500)

(FY 1993)
STATE (FUNDS)

D.C. ($4,656,486)
California ($4,141,969)
Texas ($4,037,530)
Virginia ($3,890,667)
Illinois ($2,116,318)
Colorado ($2,019,086)
New Jersey ($1,833,335)
Missouri ($1,772,500)
Pennsylvania ($1,718,212)
Georgia ($1,457,857)
New York ($1,421,972)
Massachusetts ($1,023,684)
Louisiana ($658,900)
Idaho ($650,000)
Nebraska ($500,000)
Washington ($447,500)
Maryland ($435,688)
Ohio ($277,450)
Florida ($201,000)
Indiana ($200,000)
West Virginia ($173,000)
Alabama ($151,500)
Connecticut ($93,705)
Iowa ($80,000)
Hawaii ($40,000)
South Carolina ($24,300)
Michigan ($7,500)
Tennessee ($6,500)
Oklahoma ($5,736)
Minnesota ($2,500)

Source: TDA