

III. BACKGROUND

The Mutual Educational and Cultural Exchange Act of 1961 (Fulbright-Hays Act), as amended, grants USIA the exclusive authority and responsibility for providing American participation in international fairs and expositions. Prior to Lisbon, USIA participated in seven international expositions since 1975: Okinawa, Japan (1975); Tsukuba, Japan (1985); Vancouver, Canada (1986); Brisbane, Australia (1988); Seville, Spain (1992); Genoa, Italy (1992); and Taejon, Korea (1993). Typically, international expositions operate about 6 months and attract millions of visitors. The next major exposition is scheduled for Hannover, Germany in 2000.

International fairs and expositions are held for many reasons, such as to celebrate a national event, promote trade and tourism, and highlight international themes. Expo 98 was held in Lisbon, Portugal from May 22 through September 30, 1998. Expo 98's theme, "The Oceans: A Heritage for the Future," highlighted the importance of ocean resources and tried to motivate the international community to preserve the oceans for future generations. In addition, this event provided the opportunity for officials at Embassy Lisbon to work on the finalization of the Law of the Seas Treaty.

In the past, the Federal Government, with rare exceptions, provided the primary funding for most fairs and expositions supplemented by cash and in-kind donations from the private sector. One exception was in 1993 when a private company, the Amway Corporation, provided the bulk of the funding and spearheaded Expo 93 in Taejon, Korea. In this instance, little or no Federal funds were spent; consequently, USIA provided guidance as needed but was not involved in managing and operating the event.

Expo 92 in Seville, on the other hand, was funded more traditionally, with the Federal Government eventually providing most of the funds. OIG's audit of Expo 92 in Seville reviewed selected aspects of USIA's plans and efforts to design, fund, construct, and operate the U.S. pavilion. Funding expected from the private sector did not materialize, and construction offers to complete the pavilion were higher than anticipated. As a result, most of the original design and foundation work costing about \$2.1 million had to be abandoned. Despite these problems, the pavilion opened as scheduled. Costs, however, exceeded USIA-authorized funding by \$2 million. At the request of Congress, the General Accounting Office (GAO) reviewed the U.S. participation in Expo 92, and on February 19, 1993, GAO concluded that this overrun should be borne by USIA as opposed to the contractor or the other agency involved in the exposition, the Navy. Consequently, USIA had to obtain Congressional approval to reprogram funds to pay the additional costs.

As a result of the overruns and management problems encountered with the Seville exposition in 1992 as well as Congressional reluctance to provide Federal funding for international fairs and expositions, Congress enacted certain provisions in P.L. 103-236 on

April 30, 1994. Section 230 of the law provides that USIA shall not obligate or expend any funds for a U.S. Government funded pavilion or other major exhibit at any international exposition or world's fair registered by the Bureau of International Expositions in excess of amounts expressly authorized and appropriated for such purpose. Congress, however, did not authorize or appropriate any funds to USIA for Expo 98, nor did the Agency request an appropriation.