

Testimony of Ambassador Miriam Sapiro
Deputy U.S. Trade Representative
Before the House Committee on Small Business
May 16, 2012

Chairman Graves, Ranking Member Velazquez and Members of the Committee, thank you for convening this hearing today and for the opportunity to testify about the efforts of the Office of the U.S. Trade Representative (USTR) to help U.S. small businesses export, thereby creating greater economic growth and jobs.

Under President Obama's National Export Initiative, I am pleased to report that USTR is working more closely than ever with our partner agencies to provide American businesses of all sizes with the export opportunities and resources to succeed in the global marketplace.

Despite a slowly growing global economy, the growth of U.S. exports over the last year has been a bright spot. America's exports of goods and services have surpassed their pre-crisis peaks and we are making progress towards meeting the President's goal of doubling exports by the end of 2014. During the past 12 months, the United States exported more than \$2 trillion in goods and services, the highest level of exports over such a period in U.S. history. As our economic recovery continues, we have added private sector jobs for 26 straight months, for a total of 4.25 million jobs over this period.

In particular, U.S. manufacturing continues to grow. We have added nearly 500,000 manufacturing jobs since January 2010 – the strongest growth for any 26-month period since 1995. And our manufacturing production is up 13 percent over the same period, which represents a 6 percent annual rate of growth that is the fastest since the 1990s.

I note these figures because America's small businesses are key engines of our nation's economic growth, job creation, innovation and success. In the past two decades, nearly two-

thirds of new private sector jobs were created by small businesses. Small businesses are also a critical source of designing innovative processes, products and services.

I speak as someone who started and ran a small business before re-entering government in 2010 and knows well the challenges, risks and opportunities involved.

America's small businesses are already playing a major role in international trade – accounting for nearly 98 percent of all U.S. exporters. Direct and indirect exports by U.S. small businesses support about four million American jobs and account for an estimated 40 percent of the total value of U.S. exports of goods and services. The latest available Census data shows that the value of exports by U.S. small businesses in 2010 was over \$380 billion, an increase of more than 24 percent from 2009. The number of identified small exporters increased by six percent in 2010, to 287,000 firms. And small businesses that export tend to grow faster, add jobs faster, and pay higher wages than those that do not.

These trends are positive, but we believe that our small businesses still have significant room for export growth. Only a small fraction of small businesses in the United States currently export. And of those small businesses that do export, most tend to do business in only one market overseas. With 95 percent of the world's consumers living beyond our borders, we can – and must – do better.

President Obama is deeply committed to this mission. He has already cut taxes for small businesses and facilitated access to the capital they need to expand further and create more jobs. Just last week, the President asked Congress to invest in small businesses by passing legislation that would give a 10 percent income tax credit to firms that create new jobs or increase wages in 2012.

A Robust Trade Agenda Benefits SMEs

As part of the President's Export Promotion Cabinet, USTR is collaborating closely with other agencies to develop new ways to make trade work for the benefit of America's small businesses. We are pursuing a robust trade policy that supports small businesses and broader economic

growth by tearing down barriers to trade and creating new opportunities for U.S. farmers, ranchers, manufacturers, and service providers of all sizes. We are also vigorously enforcing our trade rights, insisting that countries fulfill their commitments and act according to the rules to which they have agreed.

Our free trade agreements (FTAs) with nearly 20 countries offer valuable export opportunities for small businesses. Trade agreements help them, in particular, by reducing costs through tariff reduction and elimination, increasing transparency in customs procedures, creating more predictable regulatory and legal frameworks, and promoting stronger intellectual property rights protection and enforcement. In a number of FTAs, we have established Small and Medium-size Enterprise (SME) Working Groups to engage with our trading partners on ways small businesses can take advantage of the export opportunities that these agreements provide, and to address specific trade barriers these companies face.

With this Committee's strong support, Congress approved FTAs with South Korea, Colombia, and Panama last October, providing small businesses with important new market access opportunities. The United States–Korea Trade Agreement, which entered into force on March 15, opens significant new export opportunities for our small firms in that trillion dollar economy, which was the 8th largest market for U.S. small business goods exports in 2010. Almost 20,000 U.S. small and medium companies already export to South Korea, selling over \$11 billion in merchandise. As a result of the FTA, South Korea's \$580 billion services market is now open to our companies, including in areas where U.S. small businesses are particularly competitive, such as computer systems design, software publishing, and other information and communications technology services. The Agreement also targets services barriers that can be especially challenging for small businesses, such as having to establish a local office before conducting trade.

Likewise, the United States-Colombia Free Trade Agreement, which entered into force just yesterday, makes it easier and less expensive for our small businesses to export to this important Latin American market. In 2010, almost 13,000 of our small firms exported \$4 billion in

merchandise to Colombia. Under the Agreement, over 80 percent of U.S. exports of consumer and industrial products to Colombia are now eligible for duty-free treatment. The majority of our agricultural exports to Colombia are also now eligible for duty-free treatment, including soybeans, wheat and high-quality beef.

Moving Forward

In the fast-growing Asia-Pacific region, USTR is negotiating with eight trading partners (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam) to expand substantially U.S. exports through the Trans-Pacific Partnership (TPP). U.S. small businesses exported nearly \$220 billion to the Asia-Pacific region in 2010, and we would like to see them do even better in the future. We are focused in TPP on developing specific new provisions to help small businesses participate more actively in regional trade, including an SME work program that will help the United States and its TPP partners assess how well the Agreement is working for small companies.

Through the Asia Pacific Economic Cooperation (APEC) forum, which we hosted last year, the United States and other APEC economies are also addressing barriers facing small businesses trading in the region. APEC's work includes initiatives that make it easier to access basic customs documentation and information about regional preferential trade agreements, which enhances small business participation in global supply chains.

Turning to Europe, the United States and the EU have conducted two SME "best practices" exchanges on policies and programs to support small businesses, including their participation in transatlantic commerce. We are planning additional best practices exchanges with the EU this year, focused on identifying specific trade challenges facing small businesses and initiatives to expand their access to finance.

Another way we are helping small businesses is to open Russia's market. Last fall, Russia concluded 18 years of negotiations to join the World Trade Organization (WTO). Russia now

has until July 23, 2012 to ratify its accession protocol and notify the WTO that it has done so. Thirty days after that, Russia will become a WTO Member. Russia's membership will open the country's market of 145 million consumers further to U.S. exports and bind it to a clear set of international rules governing trade and transparency, including mandatory dispute settlement. However, for U.S. companies to enjoy the full benefits of Russia's WTO membership, Congress must act quickly to terminate application of the 1974 Jackson-Vanik amendment to Russia. If that happens, the growing Russian market will become more accessible, transparent and predictable for U.S. small businesses. If, however, Jackson-Vanik remains in place, then U.S. farmers, ranchers, manufacturers and workers will be put at a competitive disadvantage. We therefore hope this Committee will be a strong voice for terminating Jackson-Vanik and enabling our small businesses to enjoy the benefits we negotiated for them.

In the Western Hemisphere, USTR is collaborating with other agencies to connect more of our small businesses to regional partners and foster entrepreneurship. The Small Business Network of the Americas, announced by President Obama prior to the Summit of the Americas last month, will help SBA-supported U.S. Small Business Development Centers (SBDCs) and the small businesses they serve connect to counterparts in Central and Latin America, in order to build further trade links and networks.

In the Middle East and North Africa (MENA) region, we are partnering with several countries in transition, including Tunisia and Egypt, on efforts to support SME development. At the G-8/Deauville Partnership meeting at the Dead Sea, Jordan, last month, we agreed to work with MENA governments and other partners to address trade barriers that disproportionately affect SMEs and share SME best practices, in order to boost trade within the region and beyond.

As we continue to strengthen the international rules-based trading system and hold our trading partners accountable for their obligations, we are also thinking creatively about how to enhance our trade enforcement capabilities. The Interagency Trade Enforcement Center (ITEC), which was recently established by the President, will significantly enhance the Administration's capabilities to challenge aggressively unfair trade practices around the world. Small businesses

typically have less time and fewer resources than larger companies to prepare information to enable us to coordinate potential enforcement actions. The ITEC's more aggressive "whole-of-government" approach, and Congress' support for this initiative, will enhance the Administration's ability to investigate and pursue enforcement cases critical to U.S. companies, regardless of their size.

Of course, our trade policies and tools are only as effective as our ability to communicate how they can help small businesses. Ambassador Kirk and the entire USTR team continue to reach out to small business leaders across the country to highlight not only export opportunities we have created, but also to learn more about new trade challenges and how we might help. For example, we frequently hear that SMEs do not have the resources to hire staff with the specialized skills needed to identify export opportunities and understand foreign market regulations and requirements. As a result, USTR, Commerce and SBA collaborated last year to launch a free online tool to make it easier for SMEs to do market research and look up the tariffs for specific products under existing U.S. FTAs. The new FTA Tariff Tool (www.export.gov/FTA/FTATariffTool) permits online searches for tariff treatment for specific industrial products under each FTA, and also provides trade data and market research.

In conclusion, we are proud of our small businesses that offer high-quality, "Made in America" products and services to customers around the world. We are determined to see that they have the trade policy tools they need to compete, thrive, and succeed in the global economy. We look forward to working with you to accomplish that goal.

Thank you again for the opportunity to testify about USTR's efforts to help U.S. small businesses export, grow and prosper.