

Testimony of
Assistant Secretary for Trade Promotion and
Director General of the U.S. and Foreign Commercial Service Suresh Kumar
before the House Small Business Committee on
Bureaucratic Obstacles for Small Exporters: Is our National Export Strategy Working?
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Chairman Graves, Ranking Member Velazquez, and distinguished Members of the Committee. Thank you for the opportunity to appear today to discuss how the Obama Administration has helped small exporters and the National Export Strategy.

The National Export Initiative (NEI) is at the forefront of the Obama Administration's short and long term efforts for winning the economic future. The President's goal of doubling U.S. exports by 2015 challenges us to enhance our competitiveness, create sustainable jobs and build a stronger America. What sets the NEI apart is that it is the first Presidential export promotion strategy, one that leverages all the resources of all the export promotion agencies of the Federal Government. The President created the Export Promotion Cabinet, which includes the Secretary of Commerce and the heads of all the other trade-related government agencies, and charged it with developing and implementing the NEI.

By collaborating with local and state government, trade associations, organizations such as the State International Development Organization (SIDO), local chambers of commerce and others throughout the private sector, the Federal Government is enhancing its reach into business communities to identify opportunities and to help U.S. companies export to new markets.

The 2011 National Export Strategy provides a framework for how to continue implementation of the NEI. As reported in the Strategy, priority number one of the NEI is to develop programs designed to enhance export assistance to small- and medium-sized enterprises (SMEs). The United States and Foreign Commercial Service (US&FCS) has a statutory mandate to assist SMEs to grow exports. It is essential both to national economic recovery and U.S. global competitiveness that U.S. small businesses participate more actively and effectively in export markets.

Our clients have told us that they want assistance in understanding the basics of exporting, gaining knowledge of our products and services, and securing access to finance. That is why the Obama Administration has encouraged and facilitated SME exports by raising public awareness of export opportunities and available assistance and by directing U.S. export promotion and financing agencies to revamp their services to address the changing needs of exporters. Starting this year, members of the Export Promotion Cabinet have travelled to local communities to engage small businesses make them aware of the benefits of exporting, and inform them of the various Federal Government programs to help them connect to overseas markets. Through the *New Markets New Jobs NEI Small Business National Tour*, the members of the Export Promotion Cabinet will educate 3,500 small- and medium-sized companies about export opportunities and directly connect them to federal and state export resources. The first five conferences, held in Minneapolis, Minnesota; Los Angeles, California; New Orleans, Louisiana; Wilmington, Delaware; and Charlotte, North Carolina, have reached over 1,000 companies.

The service that I am privileged to lead, the US&FCS, is a one-stop shop for SMEs that operates as a clearinghouse to link U.S. exporters to services throughout the Federal Government. We have a global network of trade specialists that allows us to provide a broad array of export services and programs to assist U.S. businesses. Approximately 1,450 trade specialists across our 108 domestic U.S. Export Assistance Centers and 126 offices in our embassies and consulates across 79 countries provide soup to nuts programs that include:

- market research;
- market entry plan development;
- information and help on securing access to finance and working capital;
- assistance on navigating foreign customs and regulations;
- classic matchmaking such as prescreening potential distributors and joint venture partners;
- advocacy to ensure our businesses have a level playing field in foreign public procurement projects; and
- commercial diplomacy that provides solutions to programs such as nontariff barriers.

Our trade specialists are the boots on the ground in local communities across the country that connect U.S. businesses to opportunities and the various programs that the International Trade Administration (ITA) and USFCS has to offer such as:

- trade missions to different markets;
- International Buyer Programs at various U.S. trade shows; and
- regional trade fairs.

The US&FCS also houses the Secretariat for the Trade Promotion Coordinating Committee (TPCC) that promotes joint collaboration among the 20 federal agencies involved in trade promotion, including the Small Business Administration (SBA), the Export-Import Bank (EXIM Bank), and the U.S. Trade and Development Agency (USTDA). We work closely with each agency to focus the Federal Government's resources so that America's SMEs are provided with the highest quality services. For example, the International Trade Administration and SBA worked closely to design a single, uniform method for identifying and referring new clients to the most appropriate local resource or TPCC export promotion service provider. This year, we developed an enhanced client intake registration form on www.export.gov, the Federal Government's export assistance Web portal, which allows the TPCC agencies to track how current exporters or potential exporters heard about the Web portal. More importantly, the registration form enables agencies to more accurately identify new-to-export and new-to-market companies and refer them to the most appropriate federal resources for personalized service. Once registered, companies also receive a free three-month subscription to the U.S. Census Bureau's *USA Trade Online* and are positioned to receive valuable customized marketing knowledge in the future.

Through the NEI, President Obama called on us to leverage the combined export promotion resources of the Federal Government to the maximum benefit of U.S. businesses. And this is what we are doing by bringing even greater focus that allows us to use our limited resources more effectively. We are focusing on four ways to help increase U.S. exports:

1. Get more companies than the current 280,000 exporters to export through the New to Export initiative. In collaboration with ITA, SBA focuses on this area.
2. Get the 58% of U.S. exporters who currently export to one country only, to expand into more markets. This New to Market approach is the principal focus of the US&FCS.
3. Get current exporters to increase exports to current markets. The Increase to Markets initiative is the focus of EXIM Bank and USTDA, with assistance from US&FCS.
4. Protect U.S. businesses in all markets. This is the responsibility of all agencies that work on trade. For example, the Department of Commerce's www.stopfakes.gov is the online resource for U.S. firms, particularly SMEs, to access tools and services to help protect intellectual property rights. In addition, ITA's Import Administration works to level the playing field for companies harmed by unfair trading practices of foreign entities.

The NEI is off to a good start and is delivering the results that we set out to achieve. Exports comprised 12.5% of U.S. GDP in 2010, up from the 11.2% recorded in 2009. Exports contributed nearly half of the 2.9

percentage point growth in real GDP in 2010. The \$1.84 trillion in exports of U.S. goods and services represents the second-highest annual total on record. For example, Chairman Graves, in your state of Missouri, exports of merchandise grew 36% in 2010, much faster than the national growth rate of 21%. Thus far for 2011, we remain on pace to achieve the President's goal. In May 2011, U.S. exports of goods and services totaled \$174.9 billion, with record exports of services at \$49.7 billion. The monthly export value for U.S. capital goods (\$41.4 billion) was also the highest on record in May 2011. Overall for the first five months of 2011, exports of goods and services are up 16.4 percent, which is higher than the 14.8% Compound Annual Growth Rate (CAGR) needed to double exports by 2015.

Last year, US&FCS helped 18,000 companies to export, of which 16,000 were SMEs. As a result nearly 5,600 companies exported for the first time or increased their exports overseas, 85 percent of which were SMEs. In total, we helped U.S. companies post over 12,000 export successes in 2010. And these are not the only metrics that we're proud to report. For the first-time, the TPCC has developed metrics for measuring the Federal Government's impact as a whole, rather than highlighting individual agencies' successes. The metrics are broadly organized in three areas: *Trade Advocacy and Export Promotion*, *Trade Financing*, and *Reducing Barriers to Trade and Enforcement*.

It is one thing to look in the rear view mirror and another to look prospectively on how to drive the future. To "win the future" this Administration continues to focus on innovation and to strengthen programs that work, and push for initiatives that help U.S. businesses. This is why the pending trade agreements with Korea, Colombia and Panama are a priority for the Obama Administration. With the Korea trade agreement alone, the U.S. International Trade Commission estimates that U.S. exports might increase by more than \$10 billion and could support more than 70,000 American jobs. The agreement would eliminate tariffs on over 95 percent of industrial and consumer goods within five years.

The US-Colombia Trade Promotion Agreement would increase U.S. GDP by an estimated nearly \$2.5 billion including through expanding U.S. merchandise exports by \$1.1 billion, and would eliminate tariffs for over 87 percent of U.S. exports of consumer and industrial products within five years. And with the Panama Trade Promotion Agreement, 87 percent of U.S. goods would enter Panama duty-free immediately; remaining tariffs would be eliminated within 10 years. To compare, in 2010, 98 percent of Panama's exports to the United States received duty-free treatment, yet fewer than 40 percent of U.S. exports entered Panama duty-free.

SMEs will benefit from passage of the pending FTAs, including from reductions in tariff rates and non-tariff barriers, as well as improvements in business transparency. Improved services facilitating access to information about FTA trading partners will deepen SME-to-SME engagement in these markets. ITA developed over the past year a new online capability to help U.S. small businesses, stakeholders, and the public take better advantage of new export opportunities with the 17 existing and three pending U.S. FTA partners. In April 2011, we launched the "FTA Tariff Tool" on *export.gov* as a powerful new means for SMEs to take greater advantage of FTA markets. This free FTA Tariff Tool empowers the user to perform, instantly and at a glance, industrial product searches for tariff treatment under U.S. FTAs.

Knowing that although trade better positions American products in the competitive global marketplace, it also means adjustments for the American worker, the Administration is committed to a strong and robust renewal of Trade Adjustment Assistance (TAA) that supports Americans who need training and other services when their jobs are affected by trade. TAA is a key component of our comprehensive legislative agenda for trade policy. Preparing American workers for the transition into a new era of global trade policy is essential to maintaining America's economic preeminence.

Engagement with our trading partners overseas to ensure a level playing field is critical to the success of the NEI. The Obama Administration is committed to free and fair trade, and the enforcement of our trade laws and agreements is imperative to the success of our companies. ITA has continued its vigilance in its review of trade compliance cases (219) and resolving market access barriers (82) in 2010. Moving forward, the Administration

has identified several areas of focus which are among the most critical to the success of the National Export Initiative including: (1) increasing coordination with state export promotion programs and nonprofit associations; (2) identifying and encouraging exports by U.S. companies selling technologies in high-growth sectors; (3) ensuring better data and measurements of the U.S. services economy; and (4) approval and implementation of the pending trade agreements, along with a robust renewal of Trade Adjustment Assistance.

In conclusion, let me emphasize that American businesses, particularly small- and medium-sized enterprises, have the full support of the U.S. government in connecting potential exporters to global partners and markets.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.