

Testimony of James Sanford
Assistant U.S. Trade Representative
for Small Business, Market Access and Industrial Competitiveness

Before the Small Business Subcommittee on Agriculture, Energy, and Trade
January 28, 2014

Chairman Hanna, Ranking Member Murphy, and Members of the Subcommittee, thank you for convening this hearing, and for the opportunity to testify on the work of the Office of the U.S. Trade Representative (USTR) to expand exports for U.S. small businesses.

Under President Obama's leadership, USTR is working closely with our interagency partners to help American businesses of all sizes seize export opportunities and acquire the resources necessary to succeed in the global marketplace.

America's small businesses are key engines of our nation's economic growth, job creation, and innovation. Our small businesses already play 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 millions of American jobs and account for nearly 40 percent of the total value of U.S. exports of goods and services. Nearly 300,000 U.S. small businesses exported in 2011 – with exports of \$440 billion, an increase of 14 percent from 2010.

While these trends are encouraging, we can help our small businesses do more. There is still significant potential for export growth. Only a small fraction of U.S. small businesses are currently exporting. In fact, the United States lags behind many economies in this regard. And, most small exporters sell their goods to only one foreign country and to only one customer in that country.

To expand export opportunities for small businesses and make it easier for them to take advantage of these opportunities, USTR is pursuing a robust trade agenda that supports small businesses and

broader economic growth by tearing down barriers and creating new overseas opportunities for U.S. farmers, ranchers, manufacturers, and service providers of all sizes. We are working to level the playing field so that our workers and businesses can compete and win in a global economy. And, we are also vigorously enforcing our trade rights and insisting that countries fulfill their commitments.

First, the United States currently has in place free trade agreements (FTAs) with 20 other countries. These trade deals have broken down barriers and pried open markets for U.S. products from agriculture to manufacturing to services. This helps all our small businesses – including those that export directly, as well as those that add value throughout the supply chain – by eliminating tariffs, increasing transparency in customs procedures, creating more predictable regulatory and legal frameworks, and promoting stronger intellectual property rights protection and enforcement. In addition, we are using the bilateral committees established under these FTAs to engage on ways we can help small businesses to take advantage of the export opportunities they provide.

Second, USTR is pursuing new trade agreements that when combined with existing FTAs, will represent two-thirds of global trade. We are also working on key multilateral deals that will have important benefits for small services providers and clean technology companies.

- In the Asia-Pacific region, USTR is negotiating the Trans-Pacific Partnership (TPP) with eleven other countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). The TPP will have significant economic benefits for the United States. It will cut tariffs and break down non-tariff barriers – resulting in an increase in U.S. exports. In fact, according to a study funded by the Peterson Institute, the TPP would generate an additional \$123.5 billion in U.S. exports. These exports will support thousands of additional U.S. jobs. Just as importantly, the TPP will also open the region’s services market to highly-competitive American companies – supporting even more American jobs in sectors from express delivery and telecommunications to education and healthcare services. For small businesses, the TPP will provide new access to Asia-Pacific

markets, streamline customs procedures, increase transparency and due process in the regulatory environment in the region, prevent barriers to the free flow of information and requirements to localize servers and other internet infrastructure, and ensure intellectual property rights protection and enforcement. These outcomes will be of particular benefit to small businesses. We hear from small businesses that they often lack the in-house resources to understand and comply with foreign regulatory or documentation requirements or to establish facilities in other countries.

USTR is also working to help small businesses take advantage of the new opportunities that will be provided by the TPP, including by expanding web-based TPP information and resources for small businesses, and establishing a new mechanism to do this in the TPP.

- USTR is also negotiating the Transatlantic Trade and Investment Partnership (T-TIP) agreement with the EU. T-TIP will be high-standard, comprehensive trade and investment agreement aimed at strengthening a partnership that already supports \$1 trillion in annual two-way trade, \$4 trillion in investment, and 13 million jobs in both economies.

We are working closely with stakeholders to identify EU trade barriers that may disproportionately impact American small businesses, so that we can address them in the T-TIP negotiations. To aid in this effort, the U.S.-International Trade Commission will be issuing a report to USTR on these barriers next month, drawing on input received from a public hearing and small business roundtables held around the United States.

T-TIP provisions on small business will build on the existing U.S.-EU cooperation in this area. Since 2011, USTR has engaged in a series of U.S.-EU workshops organized to bring together small business stakeholders and government officials on both sides of the Atlantic to discuss common trade issues of specific interest to small businesses and identify areas for strengthening U.S.-EU cooperation. Through this effort, not only have we been able to better understand challenges small businesses face, we have also taken steps to enhance U.S.-EU cooperation on small business trade promotion activities.

- We are working in the WTO to expand U.S. export opportunities around the globe. The recently concluded WTO Trade Facilitation Agreement is the first major multilateral trade agreement in two decades. Once implemented, the agreement will reduce red tape and bureaucratic delay for goods shipped around the world. Small businesses will be among the biggest beneficiaries of this deal, since they encounter the greatest difficulties in navigating complex customs systems.
- USTR is leading efforts in Geneva to advance negotiations to substantially expand the scope of high-tech products subject to duty elimination under the Information Technology Agreement (ITA). And USTR is also leading negotiations in Geneva on a free trade agreement focused exclusively on services. The Trade in Services Agreement (TiSA) will encompass state-of-the-art trade rules aimed at promoting fair and open competition across a broad spectrum of service sectors. And we have just launched an initiative in Geneva seeking to liberalize trade in environmental goods. These plurilateral agreements, once completed, will help level the playing field and significantly expand export opportunities for American technology and services firms of all sizes.

Of course, to actively and effectively pursue these initiatives, the Administration will need Trade Promotion Authority (TPA). We welcome the introduction of the Bipartisan Congressional Trade Priorities Act of 2014 as an important step towards Congress updating its important role in trade negotiations. We look forward to working with Democrats and Republicans in Congress throughout the legislative process to pass Trade Promotion Authority legislation with as broad bipartisan support as possible.

The United States has the most open markets in the world, but our products and services still face barriers abroad. The high tariffs and barriers faced by our exporters are essentially high taxes that U.S. citizens pay to foreign governments. Such high taxes distort patterns of trade that benefit consumers and producers, which is why the United States does not charge them. We need every tool we have to knock down the barriers still maintained by other governments. If we

do not engage, we will continue to bear the tax imposed by the higher barriers maintained against us by other countries.

Third, USTR is pursuing important initiatives in regional fora to address challenges that face small business exporters. In the Asia-Pacific Economic Cooperation (APEC) forum, for example, the United States and other members are advancing initiatives to: assist U.S. companies, including small businesses, enter and participate in global supply chains; address local content requirements and other localization barriers to trade; and promote greater regulatory coherence to prevent regulatory divergences from turning into non-tariff barriers.

In the Western Hemisphere, USTR is collaborating with other agencies, including the Departments of Commerce and State and the Small Business Administration, to connect more U.S. small businesses to regional partners and to foster entrepreneurship. The Small Business Network of the Americas is helping SBA-supported U.S. Small Business Development Centers (SBDCs) and the companies they serve connect to counterparts in Central and Latin America in order to build further trade links and networks, including with major markets such as Canada, Mexico, and Brazil.

Fourth, USTR is also vigorously enforcing our trade agreements. The Interagency Trade Enforcement Center (ITEC) significantly enhances the Administration's capabilities to challenge aggressively unfair trade practices around the world. Small businesses typically have fewer resources than larger companies to prepare information to enable us to coordinate potential enforcement actions. ITEC enhances the Administration's ability to investigate and pursue enforcement cases critical to U.S. companies, regardless of their size.

Finally, we are working to communicate more effectively how our trade policy initiatives can benefit U.S. small businesses. Ambassador Froman and the USTR team continue outreach to small businesses across the country to highlight export opportunities we have created, and to learn more about new trade challenges and how we might help. In response, USTR is collaborating with other agencies to provide more on-line tools and information to make it easier

for small businesses to do market research and identify tariff rates for specific products under existing U.S. FTAs.

USTR is committed in partnership with other federal agencies to helping U.S. small businesses compete and succeed in the global economy. Thank you for this opportunity to testify about USTR's efforts to expand export opportunities for this critical segment of the U.S. economy.