Testimony of Dyke Messinger,

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on “Across Town, Across Oceans: Expanding the Role of Small Business in Global Commerce”

before the Committee on Small Business

of the U.S. House of Representatives

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Thank you for the opportunity to testify today as the President of Power Curbers, Inc., a 62 year company that was founded in Salisbury, North Carolina. I am also appearing today on behalf of the National Association of Manufacturers (NAM), the nation’s largest industrial trade association in the United States with over 14,000 members.

Power Curbers was founded by two businessmen with a design for the world’s first automatic curb machine. This engineering breakthrough helped streamline the process of laying out highways, medians and other road infrastructure projects. While we still produce machines using the same curbing technology, we have grown into one of the leading paving machinery producers, for both agricultural and infrastructure projects.

Power Curbers’ success in the United States has been fueled in substantial part by our ability to sell overseas. Since the early 1960’s, Power Curbers has been exporting its equipment, which can now be found in more than 90 countries throughout the world. By exporting, we are simultaneously helping create safer, more efficient infrastructure overseas and supporting good-paying manufacturing jobs in North Carolina and Iowa.

International sales and exports comprise 40% percent of our total revenue and are critical to our continued innovation and growth. More broadly, exports support 154,000 jobs in North Carolina and 81,449 jobs in Iowa, more than 20 percent of each state’s manufacturing employment.

Trade and foreign markets are critical for small businesses like Power Curbers. Small- and medium-sized enterprises (SMEs) account for more than 96 percent of all exporters nationwide. U.S. SMEs also export indirectly by selling goods and services to large U.S. exporters. Based on their direct and indirect export activity combined, SMEs represent more than 40 percent of the value of U.S. exports. In manufacturing, SMEs employ 5.1 million of the 12 million manufacturing workforce.

To continue to thrive, manufacturers like Power Curbers need to see open markets and a more level playing field. I would like to focus on a few key trade issues on which Power Curbers and the NAM are focused to grow the competiveness and success of our manufacturers overseas.

The Status Quo

The U.S. has the most open market of any major economy, with the lowest tariffs of any country in the G20. Indeed, more than two-thirds of all manufactured imports entered the U.S. duty-free in 2013.

Yet, manufacturers in the U.S. face steeper trade barriers abroad than virtually any other major country, including Mexico, China and Europe, largely because those countries have entered into more market-access agreements than the United States. Put of 138 countries measured by the World Economic Forum, the United States faces higher tariffs than all but eight countries.

"Tariffs Faced" Ranking by Country, 2014
(Out of 138 Countries)

Country	"Tariffs Faced" Ranking *(From Least to Most Tariffs)*
Chile	1
Mexico	28
Brazil	51
South Korea	55
China	58
India	59
Canada	72
Germany and all EU countries	73
Russia	115
United States	**130**

Source: *World Economic Forum,* Global Enabling Trade Report *(2014).*

With some of the Trans-Pacific Partnership (TPP) countries, Power Curbers' exports face tariffs as high as 20 percent. Other U.S. manufacturers face tariffs as high as 83 percent on automotive products, 70 percent on machinery and capital equipment, and 30 percent or more on chemicals, health and medical equipment and infrastructure products. With the European Union, manufacturers face tariffs as high as 20 percent on electrical equipment, 15 percent on consumer goods, 14 percent on information technology products, and 10 percent on machinery, capital equipment and metal goods.

Beyond tariffs, manufacturers like Power Curbers face a wide range of other discriminatory barriers around the world – from local production requirements to discriminatory regulations and standards. In many countries, foreign competitors can copy or counterfeit our American innovation and technology without recourse.

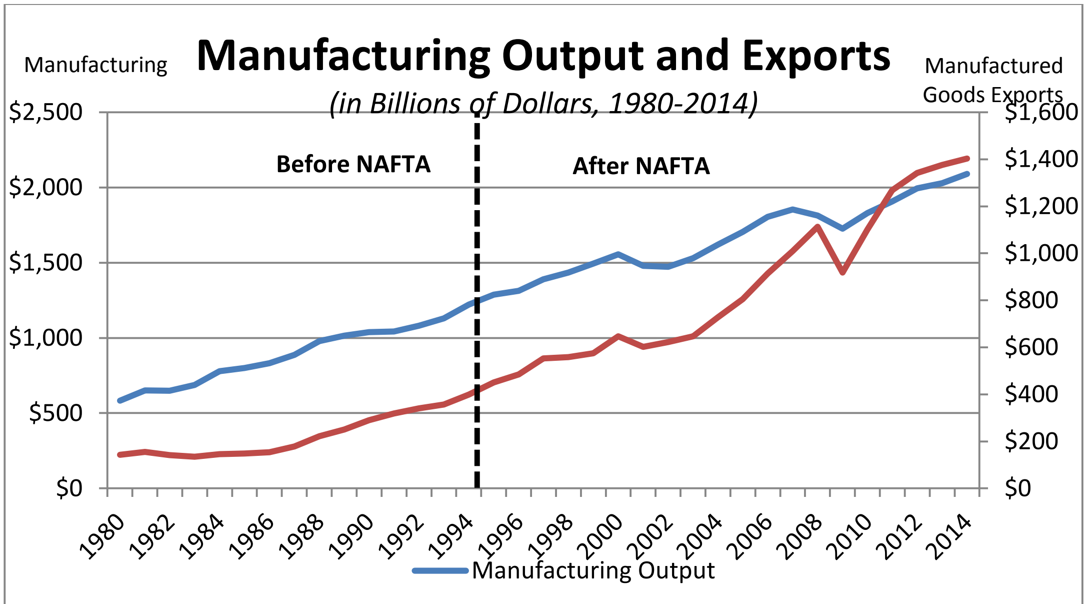
And while the U.S. has been able to expand its manufactured goods exports to a record $1.4 trillion in in 2014, U.S. manufacturers and exporters are facing an increasingly challenging global economy where growth has slowed. America lags behind many of its largest trading partners when it comes to exporting – in fact, U.S. exports comprised only 9.5 percent of global trade in manufactured goods in 2013.

Congress can and must do more to expand U.S. manufactured goods exports and open new markets if we are going to grow manufacturing and the jobs it supports in the United States.

Opening Markets with Trade Promotion Authority (TPA)

Trade Promotion Authority (TPA) is a key negotiating tool to help the United States negotiate the types of strong market-opening agreements that level the playing field. The Bipartisan Congressional Trade Priorities and Accountability Act (H.R. 1890/S.995) that was introduced in April sets forth strong negotiating priorities for trade agreements, such as the TPP and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union, which track closely to the manufacturing trade priorities that the National Association of Manufacturers developed in 2013. The TPA legislation also includes significant and important updates to consultation, process and transparency provisions to ensure that Administration is held accountable.

Thirteen of the 14 U.S. free trade agreements and all of our broad market-opening trade agreements currently in force were concluded with TPA-type Congressional oversight. These agreements have spurred the quadrupling of U.S. manufactured goods exports over the past 14 years, which has also helped promote a quadrupling of U.S. manufacturing output to a record high of $2.09 trillion in 2014.



Sources: Bureau of Economic Analysis, U.S. Commerce Department, United Nations Database (for output

With TPA, newer trade agreements are leveling the playing field and eliminating foreign barriers more completely helping American industry succeed. The United States currently has 14 free trade agreements (FTAs) with a total of 20 partner countries.[1] Taken together, America's 20 trade agreement partners buy more than half of all our manufactured goods exports, but account for less than ten percent of the global economy and only six percent of the world's population.

New trade agreements have helped expand U.S. exports. For example:

- U.S. manufactured goods exports to Canada and Mexico have more than doubled since the North American Free Trade Agreement (NAFTA) entered into force in 1994, from $200 billion in 1993 to $486 billion in 2014.

- U.S. manufactured goods exports to Chile have grown six-fold since the U.S.–Chile Free Trade Agreement entered into force in 2004, from $2.5 billion in 2003 to $15 billion in 2014.

- U.S. manufactured goods exports to Australia increased nearly 90 percent since the U.S.–Australia Free Trade Agreement entered into force in 2005, from $13 billion in 2004 to $24.6 billion in 2014.

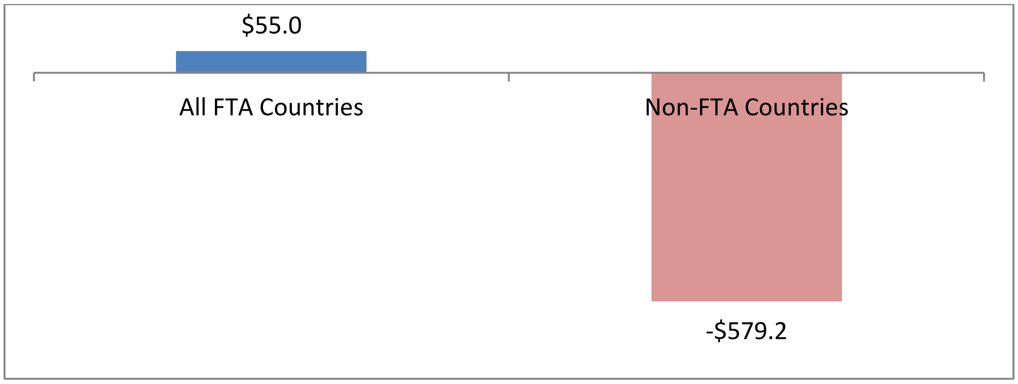
- U.S. manufactured exports to Peru increased 58 percent since the U.S.-Peru Trade Promotion Agreement entered into force in 2009, from $5.6 billion in 2008 to nearly $9 billion in 2014.

As the data demonstrate below, the United States maintained a $55 billion manufacturing trade surplus with its FTA partners in 2014, compared with a $579.2 billion deficit with non-FTA countries.

[1] The United States has two multi-country FTAs: the North American Free Trade Agreement (NAFTA) with Canada and Mexico, and the Central American-Dominican Republic-U.S. Free Trade Agreement with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. The United States also has 12 FTAs with: Australia, Bahrain, Chile, Colombia, Israel, Jordan, Morocco, Oman, Panama, Peru, Singapore and South Korea.

U.S. Manufacturing Trade Balance, 2014

(FTA vs. Non-FTA, in Billions of Dollars)



Source: *U.S. Commerce Department.*

By eliminating barriers overseas and ensuring the fair treatment of our manufacturers and their products, FTAs have propelled substantial quantities of manufacturing exports because manufacturers in the United States succeed in open markets. Given the fact that the global trade in manufactured goods is nearly three times the size of the U.S. market for such goods and its extraordinary growth over the past decades, efforts to level the playing field and eliminate barriers overseas will only become more important as the mature U.S. market provides insufficient opportunities for sustaining and growing manufacturing employment.

Passage of TPA, which lapsed in 2007, is critical to restore U.S. leadership on trade and help ensure the negotiation of strong market-opening agreements that foster new opportunities and a more level playing field for our nation's manufacturers.

Export Promotion

According to the recent United States of Trade report, around 300,000 small and medium-sized enterprises across the country export goods to foreign destinations – or about 97.7 percent of all goods exporters. These SME exporters support millions of American jobs through direct exports and participation in supply chains. Still, less than 1 percent of America's 30 million companies export – a percentage that is significantly lower than all other developed countries. Of U.S. companies that do export, 58 percent export to only one country. Many businesses could benefit from broadening the scope of their exports to new markets. The NAM supports efforts by this Committee to develop stronger tools to aid our SME exporters.

The Export-Import Bank and Export Credit Financing

One vital tool that thousands of manufacturers use to compete successfully in global markets is the Ex-Im Bank. With a mission to support U.S. jobs through exports, the Ex-Im Bank is an important tool to help grow U.S. exports and jobs. In FY2014, Ex-Im Bank enabled more than $27 billion in exports – leveraging about $20.5 billion in authorizations. Nearly 90 percent of those transactions directly supported small-businesses, with an estimated $5 billion in support for small business exporters. While Ex-Im does not need to finance the great majority of U.S. exports, it is considered vital in certain areas of significant growth – particularly for small- and medium-sized business exporters, long-term financing for large projects, sales to emerging markets and sales to foreign state-owned entities.

Small and medium-sized businesses sometimes find that Ex-Im Bank plays a crucial role in enabling them get their foot in the door overseas. Whether these companies need export credit insurance to unlock working capital or utilize a loan guarantee to extend competitive financing terms to their customers, Ex-Im Bank ensures access to capital faster and at a lower cost in order to help small and medium-sized businesses fulfill new orders and grow their business. Of the Bank's 3,300 small business transactions in FY 2014, 545 companies were first-time Ex-Im users.

Conclusion

The United States is now sitting on the sidelines as other countries move forward more aggressively to open markets and promote exports for their businesses at the expense of ours. By standing still, the United States is falling behind in the global economy. It is time to reverse that trend and move to enact and implement legislation and programs that will boost America's global competitiveness and create a more level and fair playing field for companies like Power Curbers and other SMEs across America.