

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

To: Members, Committee on Small Business
From: Committee Staff
Date: June 19, 2017
Re: Hearing: "Partners in Commerce: The Trade Promotion Coordinating Committee"

On Wednesday, June 21, 2017 at 11:00 a.m., the Small Business Committee will convene a hearing to examine the Trade Promotion Coordinating Committee (TPCC) and its efforts to partner with federal, state, and local trade promotion agencies to help America's small businesses increase exports and thrive in the global marketplace. Specifically, the Committee will hear from several TPCC representatives on their strategy to leverage existing federal, state, and local resources. The Committee will also hear what steps they will take to strengthen their partnerships and better coordinate with TPCC member agencies in order to more effectively provide small businesses with the necessary tools and support to increase exports and create new jobs in the United States.

I. Introduction

Exporting is a critical component for the long-term growth and viability of small businesses and the U.S. economy overall. In 2016, total U.S. exports reached \$2.2 trillion.¹ According to the U.S. International Trade Commission (ITC), those exports helped support nearly 11.5 million jobs. Exporting provides small businesses with the opportunity to reach new markets, increase revenue, grow their business, and ultimately create needed jobs. The benefits of exporting are clear, but many small businesses do not have the knowledge, resources, or capital to navigate the trade process; therefore, they simply do not export.

In 2014, 237,519 small businesses exported, or about one percent of small businesses.² The export process can be complicated and complex for small businesses, particularly start-up firms, and it takes a strong commitment of time and resources. Many non-exporting small firms simply do not know where to go for information, while experienced exporters continue to face a variety regulations and obstacles that limit their productivity and ability to export.

There are over 20 federal agencies that play a role in assisting and/or regulating a part of the export process.³ The list of services offered includes basic consultation, access to export capital, marketing and matchmaking, export compliance, and customs compliance. The TPCC is an interagency group tasked with coordinating the export promotion and financing activities of the federal agencies, and

¹ U.S. Department of Commerce, Census Bureau, Foreign Trade Data.

² http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_005369.pdf.

³ U.S. Department of Commerce, International Trade Administration, Trade Promotion Coordinating Committee.

develops the annual National Export Strategy report to Congress.⁴ Reducing both domestic inefficiencies and foreign barriers will provide small businesses with the capability to compete in the global economy.⁵

II. Federal Agencies Involved with Small Business Export Promotion

The basic steps in the export process may include: 1) developing an export and marketing strategy; 2) identifying foreign buyers; 3) understanding foreign regulations; 4) accessing export finance; 5) understanding export controls and compliance; 6) shipping and customs regulations; and 7) securing payment for the export. There are 20 federal agencies tasked with supporting small businesses in the export process. The TPCC coordinates these 20 agencies, but the key members of the TPCC tasked with assisting small businesses are:

- *Small Business Administration (Office of International Trade)*: The SBA is required to perform several functions to support small businesses navigating the obstacles to engaging in international trade. Although the SBA conducts outreach efforts, its primary activities include counseling and training, provided mainly through nonfederal partner entities called Small Business Development Centers (SBDCs).⁶ In addition to the counseling provided by SBDCs, the OIT provides advice to small businesses seeking financial assistance to “fill market gaps that arise because private sector is unable to provide adequate credit to support certain export transactions with greater real or perceived risk.”⁷ In May 2017, the Committee on Small Business held a hearing to examine the various functions of the SBA OIT.⁸ OIT explains to small businesses the availability of export finance products offered through other agencies or entities such as those offered by the United States Export-Import Bank (Ex-Im).⁹ Finally, the OIT is responsible for representing the SBA on the TPCC to aid in the implementation of the President’s National Export Initiative (NEI) – one of the former Administration’s top trade priorities.¹⁰

Additionally, the Small Business Jobs Act of 2010 authorized the State Trade and Export Promotion (STEP) grant program in an effort to both increase the number of small businesses that export and raise the value of existing small business exporters.¹¹ This program authorized a three-year pilot program to award grants to states to execute export programs that assist eligible small business concerns in a variety of export activities.¹² The 114th Congress then passed the

⁴ Executive Order 12,870, 58 Fed. Reg. 51,753 (Oct. 4, 1993) as required by the Export Enhancement Act of 1992, Pub. L. No. 102-429, §201, 106 Stat. 2186, 2199-200, codified at 15 U.S.C. § 4727. The TPCC reports budget information for nine agencies, including: the U.S. Department of Agriculture, Department of Commerce, U.S. State Department, U.S. Small Business Administration, U.S. Trade and Development Agency, Export-Import Bank of the United States, Overseas Private Investment Corp, Treasury, and Office of the U.S. Trade Representative.

⁵ According to the World Bank the U.S. ranks 8th out of 190 nations in the ease of trading across borders. WORLD BANK, 2016 Doing Business Report, <http://www.doingbusiness.org/rankings>.

⁶ GOVERNMENT ACCOUNTABILITY OFFICE (GAO), EXPORT PROMOTION, SMALL BUSINESS ADMINISTRATION NEEDS TO IMPROVE COLLABORATION TO IMPLEMENT ITS EXPANDED ROLE 1 (2013) (GAO-13-217), [hereinafter “GAO SBA Collaboration Report”], available at <http://www.gao.gov/assets/660/651685.pdf>.

⁷ SBA, FY 2016 CONGRESSIONAL BUDGET JUSTIFICATION 74 (2015) [hereinafter “SBA FY 2016 BUDGET”], available at https://www.sba.gov/sites/default/files/files/1-FY_2016_CBJ_FY_2014_APR_508.pdf. OIT has no regulatory role with respect to international trade loans available from SBA private lending partners. Such lending is overseen by SBA’s Office of Capital Access.

⁸ Committee Memorandum, *Accomplishments and Challenges at SBA’s Office of International Trade* (2017), available at https://smallbusiness.house.gov/uploadedfiles/5-23-17_hearing_memo.pdf.

⁹ SBA Collaboration Report, *supra* note 6, at 7.

¹⁰ Exec. Order No. 13,534, 3 C.F.R. 198 (2010).

¹¹ 15 U.S.C. § 1207(b).

¹² OIG, EVALUATION REPORT, REVIEW OF SBA’S STATE TRADE AND EXPORT PROMOTION GRANT PROGRAM (2017) (17-11) [hereinafter “OIG Evaluation Report”], available at

Trade Facilitation and Trade Enforcement (TFTE) Act of 2015¹³, and the State Trade and Expansion Program replaced the pilot STEP grant program.¹⁴

- *U.S. Department of Commerce (DOC)*: The Department of Commerce has multiple agencies involved in the trade process. The two most relevant are the International Trade Administration (ITA), specifically the U.S. Commercial Service and the Bureau of Industry and Security (BIS).

The ITA's mission is to improve prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.¹⁵ ITA consists of three organizational units: Global Markets, Industry and Analysis, and Enforcement and Compliance. The Global Markets office is responsible for the trade and promotion operations of the ITA.¹⁶ The Industry and Analysis office enhances the export competitiveness of U.S. industry, and increases knowledge of and access to export opportunities, in support of American jobs and U.S. economic security.¹⁷ Enforcement and Compliance's mission is to safeguard and enhance the competitive strength of U.S. industries against unfair trade through enforcement of U.S. antidumping duty (AD) and countervailing duty (CVD) laws and the monitoring of, and efforts to ensure foreign government compliances with trade and investment agreements.¹⁸ The U.S. Foreign Commercial Service (USFCS) is the primary agency responsible for providing U.S. companies with comprehensive export assistance services, including counseling, marketing, and interagency coordination.¹⁹

The Bureau of Industry and Security (BIS) is one of the three federal agencies, along with the Departments of State and Treasury, involved in monitoring and administering export controls of certain products and services. The Bureau's mission is to "advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership."²⁰ Specifically, the U.S. government requires an exporter to turn to the Department of Commerce's Export Administration Regulations (EAR), 15 C.F.R. Parts 730-74.²¹ The EAR has a control list – the Commerce Control List (CCL), *id.* at Part 774 (which is 40 pages in length).

- *U.S. Trade Development Agency (USTDA)*: The mission of the USTDA is to help companies create U.S. jobs through the export of U.S. goods and services for priority development projects

https://www.sba.gov/sites/default/files/oig/SBA_OIG_Report_17-11.pdf?utm_medium=email&utm_source=govdelivery.

Export promotion activities are: participation in a foreign trade mission; a foreign market sales trip; a subscription to services provided by the United States Department of Commerce; the payment of website translation fees; the design of international marketing media; a trade show exhibition; participation in training workshops; or any other export initiative determined appropriate by the Associate Administrator for SBA OIT.

¹³ Pub. L. No. 114-125 § 503.

¹⁴ *Id.*

¹⁵ INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT ORGANIZATION ORDERS (2016), <http://trade.gov/orders.asp>. The International Trade Administration has over 2,400 employees, including trade specialists in 108 offices across 48 U.S. states and in more than 75 countries around the world.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ <https://www.bis.doc.gov/index.php/about-bis>.

²¹ The EAR consumes 540 pages of dense dual column prose in the Code of Federal Regulations, including a two-page decision tree for supposed ease of use by potential exporters. Additionally, the Department of State regulates goods or services that "provide a critical military or intelligence advantage such that it warrants control under this subchapter [International Traffic in Arms Regulations or ITAR]."

in emerging economies. USTDA connects U.S. businesses to export opportunities by funding project feasibility studies, pilot projects, and reverse trade missions while creating economic growth in partner countries.²²

- *Office of the U.S. Trade Representative (USTR)*: The Office of the U.S. Trade Representative (USTR) is the President’s primary trade advisor, negotiator and spokesperson on trade issues. It is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and overseeing trade negotiations with other nations.²³

In addition to the primary TPCC agencies, several other federal agencies play a role in international trade. The chart below broadly illustrates the variety of federal agencies involved.²⁴

Exhibit 8 – U.S. Government Agencies Involved in International Trade by Function

Agency	Policy		Trade Leads & Market Research	Feasibility Studies	Finance, Insurance Grants & Adjustment Assistance		Advocacy	Inspection & Certification	Export Licenses & Controls	Import Admin. & Control
	Development, Negotiations & Cooperation	Export Counseling & Assistance								
1. Agriculture	•	•	•			•	•	•		•
2. CBP	•							•		•
3. CEA	•									
4. Commerce	•	•	•			•	•		•	•
5. Defense	•								•	
6. Energy	•	•							•	
7. EPA	•							•		
8. Ex-Im Bank						•				
9. FDA	•							•		•
10. Interior (FWS)	•							•		•
11. Labor	•		•			•				
12. NEC	•									
13. NSC	•									
14. OMB	•									
15. OPIC						•				
16. SBA		•				•				
17. State	•	•	•				•		•	
18. TDA				•						
19. DOT	•									
20. Treasury	•								•	
21. USAID	•									
22. USITC	•									•
23. USTR	•						•			

Source: Department of Commerce Office of Inspector General analysis based on agency information.

CBP - Customs and Border Protection
CEA - Council of Economic Advisors
EPA - Environmental Protection Agency
FDA - Food and Drug Administration
NEC - National Economic Council

NSC - National Security Council
OMB - Office of Management and Budget
OPIC - Overseas Private Investment Corp.
SBA - Small Business Administration
TDA - U.S. Trade and Development Agency

DOT - Dept. of Transportation
USAID - U.S. Agency for Int'l Development
USITC - U.S. Int'l Trade Commission
USTR - Office of the U.S. Trade Representative
FWS - Fish and Wildlife Service

III. 2016 National Export Strategy (NES)

The Export Enhancement Act of 1992 requires the TPCC to develop an annual National Export Strategy that establishes a set of federal priorities supporting U.S. exports. The NES outlines a plan to align federal programs, reports on effectiveness of promotion activities, and proposes an annual unified federal trade promotion budget, among others.²⁵

On March 11, 2010, President Obama issued an Executive Order (13534) launching the National Export Initiative (NEI) to improve the private sector’s ability to export and establishing the goal of

²² <https://www.ustda.gov/about/mission>.

²³ Office of the U.S. Trade Representative, Mission of the USTR, <https://ustr.gov/about-us>.

²⁴ U.S. Department of Agriculture, Office of Inspector General, COMPILATION OF PRIOR INSPECTOR GENERAL REPORTS ON INTERNATIONAL TRADE AND COMPETITIVENESS 41 (2011) available at <https://www.ignet.gov/sites/default/files/files/cjgieintrade0511.pdf>.

²⁵ TPCC, NATIONAL EXPORT STRATEGY 2016, HELPING U.S. BUSINESSES INCREASE GLOBAL SALES TO SUPPORT LOCAL JOBS 1 (2016) [hereinafter “National Export Strategy 2016”], available at <http://www.trade.gov/publications/pdfs/nes2016.pdf>.

doubling U.S. exports by 2014.²⁶ As a continuation of President Obama's NEI, the former Administration announced the NEI/NEXT, a "data-based customer service-driven initiative to ensure that more American businesses capitalize[s] on markets opening around the world,"²⁷ which aims to build on the achievements of the NEI.²⁸ The 2016 NES primarily focuses on the status and recommendations of the President's National Export Initiative NEI/NEXT. The NEI outlined five key objectives to increase small business exports, including: 1) connecting more businesses to global customers, 2) making international shipments easier and less expensive, 3) expanding access to export finance, 4) promoting exports and investment as the next economic development priority for states, and 5) preparing the next global opportunity for American businesses by opening more markets and enforcing existing trade agreements.²⁹

The 2016 NES also highlighted key progress on the creation of a common set of metrics used to measure progress by the federal trade agencies.³⁰ In the NES, the TPCC recommends several measures to strengthen advocacy and export promotion by broadening small business exporting, expanding business facilitation programs, providing on-the-ground commercial diplomacy support, increasing the effectiveness of project advocacy, and providing greater access to export financing.³¹

The TPCC also recommends the reduction of trade barriers and better enforcement of trade rules. The TPCC found that that ITA's and Customs and Border Patrol's (CBP) enforcement of United States anti-dumping and countervailing duty laws help level the playing field for exporters by providing industries with reliable mechanisms to remedy market distortions caused by unfair trade practices."³²

IV. Federal and State Export Promotion Coordination Plan

The TFTE requires the TPCC to work with representatives of state trade promotion agencies to develop a comprehensive strategy to coordinate the resources and policies of state trade promotion agencies into the overall federal export promotion program.³³ Federal trade promotion agencies regularly collaborate with state and local trade promotion offices and, to solidify their role in the long-term planning efforts of the federal trade promotion programs, the TFTE requires a representative of the state trade promotion agencies to sit as a member of the TPCC.³⁴

The TPCC states that "most state and local programs operate within a regional trade promotion framework and complement federal trade promotion activities"³⁵ and offered recommendations for improving resources for small business exporters. The TPCC encourages the federal agencies engaged in trade promotion to capitalize on local agencies' expertise and business networks by building a global brand, educating local business leaders on the benefits of exporting, and empowering District Export Councils to increase their digital engagement activities and community outreach efforts to raise awareness

²⁶ E.O. 13,534, 75 Fed. Reg. 12,433 (Mar. 16, 2010).

²⁷ <https://www.commerce.gov/news/press-releases/2014/05/us-secretary-commerce-penny-pritzker-announces-next-phase-national>.

²⁸ *Id.*

²⁹ National Export Strategy 2016, *supra* note 25 at 1.

³⁰ *Id.* at 63.

³¹ *Id.* at 63-67.

³² *Id.* at 68.

³³ Pub. L. No. 114-125 § 505.

³⁴ *Id.*

³⁵ TPCC, FEDERAL AND STATE EXPORT PROMOTION COORDINATION PLAN 6 (2016).

of export opportunities.³⁶ The TPCC's strategy also advocates for input from state and local governments in the trade policy-making process.³⁷

Although state and federal trade coordination efforts have improved, the TPCC's strategy recommends a number of next steps to better coordinate export promotion activities at all levels of government, including:

- Develop individualized client referral systems for each state and locality to integrate referral metrics into performance measures;
- Improve local websites on export.gov and include additional links to state and local resources;
- Use STEP award planning to improve coordination in the development of state export priorities;
- Notify state and local trade promotion agencies of federal trade missions and certified trade events, and encourage states and localities to apply for Commerce certification of their trade missions;
- Expand utilization of federal export financing programs;
- Strengthen local exporting ecosystems by education local and state leaders on exporting;
- Encourage federal, state and local use of the same alternative service providers when service wait times exceed the standard wait time in high-demand markets; and
- Encourage states to target export assistance to alleviate direct costs, such as product certification or website translation.³⁸

V. Conclusion

Navigating the export process can be complex and confusing for small businesses, and many simply do not have the time and resources. This hearing will provide an opportunity for Members of the Committee to examine the TPCC's strategy to improve coordination with state and local governments. Members will also hear about steps the TPCC is taking to reduce inefficiencies and duplication at the federal level to more effectively provide small businesses with the necessary tools and support to increase exports and create new jobs in the United States.

³⁶ *Id.* at 6-7.

³⁷ *Id.* at 8.

³⁸ *Id.* at 21.