



**United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Commerce, Trade and Consumer Protection**

**Hearing on “Stimulating the Economy through Trade:
Examining the Role of Export Promotion”**

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**Testimony by
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Thank you Chairman Rush, Ranking Member Radanovich, and other members of the Committee on Energy and Commerce Subcommittee on Commerce, Trade and Consumer Protection. My name is Liz Reilly, and I am the Director of the U.S. Chamber of Commerce's TradeRoots Program. The U.S. Chamber of Commerce is the world's largest business federation representing more than 3 million businesses and organizations of every size, sector, and region.

TradeRoots is the only sustained, national trade education program dedicated to raising grassroots support and public awareness about the importance of international trade to local communities. We work in partnerships with local chambers of commerce, state and local economic development groups, federal agencies, trade associations, and the business community. TradeRoots takes the Chamber's message of promoting free enterprise through exports to local communities across the country.

Last year the TradeRoots team hosted more than 100 trade education events and visited more than 300 Congressional districts. Some of those districts are represented by the members of this subcommittee. I greatly appreciate the invitation to speak to this committee on "Stimulating the Economy through Trade: Examining the Role of Export Promotion."

Trade Can Bring Growth and Prosperity

America cannot have a growing economy or lift the wages and incomes of our citizens unless we continue to reach beyond our borders and sell products, agricultural goods, and services to the 95% of the world's population that lives outside the United States.

Trade sustains millions of American jobs. Approximately 57 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury. This sum represents about 40% of the private sector workforce. One in five factory jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

Despite a sharp decline in international trade during the final four months of the year, the United States set a new record for exports in 2008. U.S. exports of goods and services reached \$1.84 trillion, comprising a record 13.1% of U.S. GDP in 2008, up from 9.5% of GDP five years earlier (2003) and 5.3% forty years ago (1968). For the first two-thirds of 2008, trade provided a significant economic

stimulus, partly countering the contraction seen in other sectors of the U.S. economy. The benefits reach every state in our nation.

The vast majority of Chamber members are small and medium-sized businesses. While most Americans tend to regard international trade as the domain of large multinationals, 97% of all exporters are in fact small and medium-sized companies. Nearly 240,000 small and medium-sized companies export, and their overseas sales represent nearly a third of U.S. merchandise exports. In other words, while large companies still account for a majority of American exports, smaller companies nonetheless play a critical supporting role in trade.

There are many seasoned exporters among America's small businesses, but there are many others that have never even considered exporting. However, I know first-hand that America's small business people are among the most creative, innovative, and hard working entrepreneurs in the world. We have told many of their success stories as part of our "Faces of Trade" series. These stories celebrate companies with fewer than 500 employees that are exporting "made-in-USA" products to destinations all over the world, and depend on new markets for profit and growth.

The Federal Government Should Do More to Promote Exports

If more U.S. small businesses were able to seize export opportunities, the gains could be immense. In a sign that they may just need a little help, a World Bank study (*Exports Promotion Agencies: What Works and What Doesn't*) found that each one dollar increase in export promotion expenditures brought a 40-fold increase in exports. The gains were especially large for countries that spend less than the average. As it happens, the United States spends just one-sixth of the international average helping its small businesses to export.

To address this need, the U.S. Chamber last year proposed a doubling in federal expenditures on export promotion, with a focus on small companies' exports. The federal government allocates about \$335 million annually to promote the exports of manufactured goods. (The federal government expends more than twice that sum promoting agricultural exports).

From Savannah to Seattle, many U.S. companies are not aware of the government services that are available to help them break into new markets. I have personally spoken to hundreds of small business people who have never heard of the U.S. Department of Commerce Export Assistance Centers (USEACs), who are

not aware that the Export-Import Bank exists, let alone gives out small business loans, and that the Small Business Administration does the same thing.

This isn't the fault of America's small business owners. Rather, it reflects the woefully inadequate resources dedicated by the federal government to export assistance and a failure to promote these services adequately.

Government Programs Are Inadequately Funded

However, the more experienced small business exporters are a different story. These are the companies that have taken advantage of their USEACs and perhaps taken advantage of Export-Import Bank or Small Business Administration Loans. Some companies, such as Askinosie Chocolate in Springfield, Missouri, have worked with their USEACs to access information about opportunities in countries to which they are interested in exporting, even when they cannot afford the fee for the U.S. Commercial Service's Gold Key Service. With over 15% of Askinosie's gross revenue coming from overseas markets, finding new ones is imperative to growth. Additional funding for the Department of Commerce should eliminate or lower these Gold Key Service costs for small businesses.

Some additional successful small business exporters are members of the Department of Commerce's District Export Councils (DECs). The DECs are organizations of leaders from the local business community, appointed by the Secretary of Commerce, whose knowledge of international business provides a source of professional advice for local firms. For more than 30 years, DECs have served the United States by helping companies in their local communities export, thus promoting our country's economic growth and creating new and higher-paying jobs for their communities.

Closely affiliated with the U.S. Commercial Service's U.S. Export Assistance Centers, the 56 DECs combine the energies of more than 1,500 exporters and private and public export service providers throughout the United States. DEC members volunteer their time to sponsor and participate in numerous trade promotion activities and to supply specialized expertise to small and medium-sized businesses that are interested in exporting. We would recommend selecting an ex-officio DEC member to participate on the President's Export Council in order to represent small businesses in devising export assistance programs.

Other companies, however, like Quality Float Works in Schaumburg, Illinois, have had experiences with U.S. Commercial Service offices overseas that

are illustrative. Quality Float Works President Sandy Westlund-Deenihan reports she normally has great experiences with overseas offices of the U.S. Commercial Service, but she recently found the offices in India so severely understaffed that they were unable to assist her in setting up business meetings.

Another successful manufacturing exporter, York Wire and Cable in York, Pennsylvania, recently shared with us the positive impact of Market Access Grants (MAGs) in Pennsylvania. These grants are designed to help small and mid-sized Pennsylvania companies increase export sales. Export-ready companies in good standing are eligible for up to \$5,000 to explore new markets through trade shows, trade missions, and internationalizing web sites. We believe a similar grant system should be created at the federal level for companies around the country.

Market Development Cooperator Program (MDCP) Grants are another efficient use of funds as a tool for export promotion, but in recent years they have all but dried up. TradeRoots was actually founded based on an MDCP Grant to help small businesses learn about exporting in select states around the country. As a result of this grant, TradeRoots reached more than 3,800 small and medium-sized businesses and helped generate more than \$9.2 million in U.S. exports. We support continuing and expanding MDCP Grant Funding.

Pending Free Trade Agreements Would Boost Exports

Another efficient way to promote U.S. exports would be for Congress to pass the pending trade agreements with Colombia, Panama, and South Korea. A recent analysis by the U.S. Chamber determined that these accords would provide an immediate boost for American workers, farmers, and companies worth an estimated \$42 billion over five years.

Most importantly, these are “fair trade” agreements that promise a level playing field for American workers and farmers. Many Americans don’t know that the U.S. market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits.

Importantly, according to the most recent U.S. Census data, more than 25,000 small and medium-sized companies are already exporting to Colombia, Panama and South Korea. We believe this number could rise sharply with implementation of these trade agreements.

These agreements will open the door to new opportunities for smaller U.S. firms in ways that go far beyond just cutting tariffs:

- **Non-Tariff Barriers:** NTBs are especially harmful to smaller companies because they add to the fixed costs of doing business. A \$10,000 permit is a nuisance for a big firm; it can be a show-stopper for a smaller one.
- **Intellectual Property:** Trade agreements protect the innovation and creative content captured in so many U.S. exports; in fact, these agreements will oblige Colombia, Panama, and South Korea to give protections for intellectual property similar to those in U.S. law.
- **Services:** These agreements will also open up service sector sales by American companies, expanding the opportunities for a part of our economy that's humming with efficient and innovative smaller companies.
- **Government Procurement:** These agreements will give American small business expanded access to international government procurement contracts. Those contracts for roads, schools, clinics, and the like are often too small for major American companies to perform profitably. But they are just the kinds of contracts that our smaller construction companies, distance learning companies, and medical equipment companies (to mention just a few) can fulfill beautifully.

Delaying approval of these agreements only means American workers and farmers will continue to face steep tariffs in these important markets—taxes, in fact, paid into those countries' treasuries. We are pleased that the Obama Administration has indicated a desire to move forward on these pending agreements. They are a critical tool for boosting exports by America's small businesses.

Trade Capacity Building Is a Priority

A final priority should be to ensure adequate funding for programs dubbed "trade capacity building" or "aid for trade." Trade capacity building is development assistance that builds the necessary capacity—from improvements in infrastructure and customs administration to enforcement of labor and environmental laws—that allows developing countries to take advantage of open markets.

The United States is the largest single-country donor of this kind of assistance, with more than \$1.3 billion in trade capacity building funds appropriated annually. These funds are coordinated with other donors through the World Trade Organization (WTO), the network of U.S. trade agreements, and U.S. trade preference programs. The U.S. Agency for International Development and the U.S. Trade and Development Agency play important roles here.

Trade capacity building is a priority for the U.S. business community, which believes success in this area is more likely when a true public-private partnership is in place. In Guatemala, for example, express delivery companies worked through CLADDEC Guatemala, their local association, to help Guatemala's customs authorities retool their express clearance procedures.

The upshot was that clearance times were reduced from days to hours, with significant benefits for Guatemala's international competitiveness. The U.S. and Canadian governments and the World Bank and the World Customs Organization provided technical assistance, but funding and a great deal of know-how came directly from the private sector and Guatemala's tax agency. Clearly, the best model for trade capacity building brings together government, business, and often academia to implement best practices.

Conclusion

Investing in the export potential of America's small and medium-sized businesses could bring dramatic gains and stimulate the economy. Showing how smaller companies can gain from trade would also help build political support for international trade. By adding to the ranks of small businesses that see direct benefit in exporting, Americans will be able to see more clearly the possibilities offered by worldwide trade.

Once again, I greatly appreciate the opportunity to testify today. The U.S. Chamber of Commerce stands ready to work with you on these and other challenges in the year ahead. Thank you very much.