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***INTRODUCTION***

Madam Chairwoman, Ranking Member Chabot, and distinguished members of the Committee, thank you for the opportunity to appear today to discuss the International Trade Administration's (ITA) efforts to strengthen and support America's small businesses. I welcome the committee's ongoing focus on this topic, and its dedication to strengthening our nation's small businesses—the true backbone of our economy.

The mission of the International Trade Administration is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements that enhance the ability of U.S. firms and workers to compete and win in the global marketplace. This mission has never been more important than in today's dynamic and competitive global business environment.

We aggressively work to counter unfair market access barriers that impede U.S. exports. Moreover, when U.S. businesses seek to promote their goods and services in overseas markets, our programs smooth the way. In short, ITA helps America's firms and workers navigate through the often complicated and unpredictable waters of foreign trade -- so that U.S. firms' sales abroad help to bolster their growth here at home.

ITA is committed to strengthening the competitiveness of U.S. small businesses in the expanding global marketplace. This priority will continue to drive the work of each of the four operating units of ITA.

Import Administration (IA) - IA enforces the U.S. unfair trade laws (i.e., the anti-dumping and countervailing duty laws - AD/CVD) and develops and implements policies and programs aimed at countering foreign unfair trade practices.

Market Access and Compliance (MAC) - Ensuring that our trading partners fully comply with their trade agreements with us is a top priority for ITA's MAC unit. MAC is proactively monitoring compliance and helping U.S. firms gain market access as quickly as possible.

Manufacturing and Services (MAS) - MAS focuses on both the domestic and international aspects of U.S. competitiveness by working with our industries to evaluate the needs of both the manufacturing and service sectors, conducting economic and regulatory analysis to strengthen U.S. industry, obtaining input and advice from U.S. industries for trade policy, and participating in policy and trade negotiations.

U.S. and Foreign Commercial Service (USFCS) - As ITA's Assistant Secretary of Trade Promotion and Director General of the U.S. and Foreign Commercial Service, I have the

privilege of being part of an organization that is dedicated to helping U.S. companies, especially small and medium-sized enterprises (SMEs), compete and win in the global economy. We are a field-based network of trade professionals stationed in 108 U.S. cities and 81 countries overseas who work with U.S. companies on the ground to develop customized solutions, including counseling and advocacy, market research, trade events, and identifying international partners. We guide companies through every step of the export process, from shipping and logistics to foreign regulations.

### ***TRADE, SME EXPORTERS, AND THE U.S. ECONOMY***

Madam Chairwoman, our mission has never been more important. Today, trade is booming, and our economy is more closely tied to the growing global economy than ever before. Exports comprised 11.1 percent of our GDP in 2006 – the highest ever in dollar terms. Four years ago, it was 9.6 percent. Clearly, America's companies depend more and more on the fact that 95 percent of the world's consumers live outside the United States.

In 2006, for the first time in nearly a decade, exports grew at a faster rate than imports; exports grew by 12.7 percent while imports increased by 10.5 percent. These numbers also reflect significant export growth to almost all of America's key trading partners, with U.S. exports rising to 29 out of 30 of our largest trading partners, including export growth of more than 20 percent to countries as diverse as Germany, Brazil, China and Chile.

One of the most important export trends is the continued boom in trade with major emerging markets where rapid economic growth has brought three billion new customers in the pipeline. Ten years ago, U.S. exports to China were \$12.0 billion. Today, China is the fourth-largest export market for the United States, as well as the second-largest trading partner. Exports to China grew by 31.7 percent to \$55.2 billion in 2006 over 2005. U.S. exports to India increased by 26.3 percent to \$10.1 billion in 2006, while exports to Brazil increased 25.1 percent to \$19.2 billion.

To put this in some context, U.S. exports to China were greater than exports to Argentina, France, Italy, Russia, and Spain combined. Among the industries that made headway last year in those challenging markets were energy, electrical machinery, organic chemicals, aircraft and medical equipment.

Among the fastest-growing sectors in manufacturing exports were capital goods, such as airplanes, semiconductors, and industrial machines; industrial supplies, such as petroleum products, organic chemicals, and precious metals; and automotive vehicles, parts, and engines. In services, travel and passenger fares stood out, with a record \$107.4 billion in receipts last year.

SME exporters have benefited significantly from this growth. The number of companies exporting has increased by 7 percent from 2002 through 2005 (latest data available). This growth occurred exclusively in the small business category as over 14,000 SMEs were added to the ranks of exporters during this period. The total number of SME exporters now stands at 232,000. Ninety-six percent of manufacturing exporters were SMEs while 99 percent of wholesalers were SMEs. Almost 60 percent of SME exporters only export to one market, but there were about 33,000 SMEs that exported to five or more countries in 2005.

## ***EXPORTING IS EASIER THAN EVER FOR U.S. SMEs***

A major reason there is such good news regarding SME exporters is that it has never been easier for them to compete successfully in the global marketplace. Many of the barriers that once impeded the flow of international business have been greatly reduced. Trade agreements, technology, and new business services are all working to make exporting more viable for small businesses.

Eight rounds of multilateral trade negotiations since 1947 have dramatically reduced tariff rates. Tariff barriers have also declined with the major emerging markets. China, for example, has reduced tariff rates from an average of 25 percent in 1997 (before China joined the World Trade Organization) to less than 10 percent by the end of 2005.

By continuing to focus on opening new markets, either through multilateral agreements such as the Doha Round, or through bilateral Free Trade Agreements (FTAs), our firms and workers are gaining ever-greater access to world markets.

The positive impact of our FTA agenda is clear. In 2006, our FTA partners made up 7.3 percent of the world's GDP (excluding the United States) but our exports to these countries comprise almost 43 percent of our total worldwide exports. Given the positive impact of the FTAs, extension of Trade Promotion Authority is all the more essential as we move forward.

FTAs are particularly important for SMEs. Lower foreign market tariffs reduce SMEs' to-market costs. And FTA transparency obligations are very important to SMEs, which may not have the resources to cut through customs and regulatory red tape. In 2005 (latest data available), U.S. merchandise exports from SME exporters to our FTA partners totaled \$82.1 billion. Over 90 percent of U.S. companies exporting to Canada, Mexico, and Australia are SMEs. At least 70 percent of all U.S. companies that export to Chile, Morocco, and the individual Central America–Dominican Republic FTA (CAFTA–DR) countries are SMEs. The SME share of U.S. exports exceeds 30 percent in eight of our 14 current FTA partners.

ITA will continue to work to ensure that U.S. businesses take full advantage of the FTAs, reaching out to U.S. exporters to ensure they have the information and tools to take advantage of commercial opportunities created by the FTAs. From enforcement to market access and trade promotion activities, all of ITA's units are engaged in this effort.

Technology and advanced global business services are bringing about the dramatic elimination of distance as an impediment to trade.

E-commerce is an increasingly powerful tool for marketing products and services around the world. In less than a decade, the number of Internet users worldwide has grown from 147 million in 1998 to more than one billion in 2006. While the United States leads the world in e-commerce, other major markets, both in developed and developing countries are growing more comfortable with placing orders and making payments online. The United States is home to the world's top e-commerce platforms, such as Amazon, eBay, and Google. For small companies particularly, e-commerce represents new access to growing business sectors and middle class consumers around the world.

Exporting has also been made easier through improvements in export business services, such as the full service logistics and shipping services of companies like FedEx, UPS, and DHL. These companies have hundreds of thousands of employees spread throughout the world, and continue to pioneer new management processes and technology applications to make exporting easier.

### ***CHALLENGES REMAIN***

Despite the good news, challenges remain for U.S. small businesses that are interested in entering into the global marketplace. While the share of our economy accounted for by exports has grown the last few years, it has remained roughly 10 percent over the past 25 years. Likewise, while the number of U.S. companies exporting has begun to rise in recent years, participation of U.S. companies in exporting has remained generally flat over the past decade. Thousands of U.S. companies have competitive products and services and the potential to export. Some may even be getting orders from overseas, but remain focused only on the domestic market. Thousands of U.S. companies also occasionally fill foreign orders, but have not developed a proactive business plan for targeting markets and going after foreign sales. We know that many companies are not fully aware of the opportunities that await them. Just as importantly, many hold outdated perceptions about the difficulties of exporting, and do not realize that exporting has become easier than ever through new market access, new technology, and the availability of new business services.

Our mission is to tackle this challenge by encouraging more U.S. small businesses to take advantage of improved ease of access to foreign markets and improved opportunities in a growing world economy. Our efforts, therefore, are aimed at deepening our exporter base and growing our exports, along with a continued focus on competitiveness, opening new markets, enforcing our trade laws, and ensuring compliance with our trade agreements.

### ***THE U.S. COMMERCIAL SERVICE: HELPING AMERICA'S EXPORTERS OVERCOME THOSE CHALLENGES***

Madam Chairwoman, I would like to take a moment to highlight how the programs of the U.S. Commercial Service within the International Trade Administration help America's SMEs seek and take advantage of global commercial opportunities.

Matchmaking and Counseling – Last year, the total number of export successes reported by our trade specialists and diplomats overseas reached nearly 12,000. The value of these successes, logged mostly on behalf of small companies, was \$32 billion. An export success occurs when a U.S. exporter makes a new sale in foreign markets as a direct result of Commercial Service assistance, usually in the form of matchmaking, counseling or market information. We track three classes of export successes: New-to-Export successes are companies entering a market for the first time; New-to-Market successes are current exporters entering an additional foreign market; Increase-to-Market successes are companies that gain new sales in a current market. An example of what the Commercial Service does every day on behalf of American exporters is captured by the exporting success of Leviathan, a Brooklyn based trading unit of the I & E Tire Corporation.

Our trade specialists in the U.S. Export Assistance Center (USEAC) in Harlem, and in Kenya and Djibouti were instrumental in obtaining a key report about an industrial park venture outside Djibouti City, which will include a transportation plant for 500 Mack trucks. Obtaining this report was critical to the company's success as it enabled the company to quickly put together a bid for supplying tires for a truck assembly plant that was going to be built there. As a result of the market research and client background information provided, Leviathan reported the sale of four large used trucks to Djibouti for a total of \$250,000. Leviathan continues to receive counseling from the Harlem USEAC as it seeks to identify trade opportunities worldwide.

Advocacy – The Advocacy Center has an SME advocate devoted to supporting SME requests to help level the playing field in international exports. In FY 2006, the Commercial Service successfully completed an unsurpassed total of \$36.5 billion in U.S. export content of Advocacy cases. This total includes small and medium-sized Advocacy clients which won contracts worth an estimated \$9.9 billion, with an estimated U.S. export content of \$8.3 billion. Also in FY 2006, SMEs initiated new advocacy cases for projects still pending worth an estimated \$5.8 billion and U.S. export content of \$2.7 billion.

For example, Landrum and Brown, Inc. (L&B), a small Ohio architectural firm, came to our Advocacy Center seeking U.S. government advice and assistance on a bid for the expansion of the Shanghai Pudong Airport. The Center helped L&B to secure a competitive financial package and to demonstrate the full support of the U.S. government for this small business that was new to the China market. Specifically, the Center coordinated letters from Secretary Evans, Secretary Mineta and Ohio Governor Taft to key Chinese decision makers. In winning the Shanghai contract, the Cincinnati company, with fewer than 100 employees, beat out large multinational players from around the globe.

Trade Missions -- In the first half of fiscal year 2007, the Commercial Service conducted 11 missions with more than 350 U.S. business participants. The majority of participants on these missions were SMEs. In this same timeframe, the Commercial Service also supported or hosted another 15 Certified Trade Missions (missions supported by the CS but led by state/local officials or trade associations) including events led by several cities and states, as well as trade groups including the National Association of Women Business Owners (NAWBO) and the Center for Latin American Issues (CLAI).

Last December, we took more than 250 executives from 200 U.S. companies to India on the largest trade mission ever organized by the U.S. Government. The mission began with a business summit in Mumbai, with spin-off missions to Bangalore, Chennai, Hyderabad, Kolkata, Mumbai and New Dehli. Already, we have seen tangible results such as the following example.

JQ American Corporation, a small American medical device company in Oakland, CA that participated in the India trade mission, won a \$22.3 million deal with the Indian non-profit Bhopal Medical College Trust to provide a wide range of medical equipment to a new medical college to begin construction this year. The Oakland USEAC and our team in India were instrumental in setting up the talks that resulted in the deal.

## ***GOING FORWARD: OUR PLAN TO REACH MORE POTENTIAL SME EXPORTERS***

Building on this foundation of solid programs and services, we have developed a plan through the Trade Promotion Coordinating Committee (TPCC) to reach out to more potential U.S. exporters and expand the exporter base. The TPCC is comprised of the Federal agencies that have trade promotion activities, is chaired by the Secretary of Commerce, and is charged with setting forward looking trade promotion priorities. An example of such a relationship is the Small Business Administration which has 16 senior international trade specialists located throughout the country working at various USEAC locations.

### **Focusing on Strategic Partnerships:**

Commercial Service is deepening and broadening its partnerships with state and local governments, trade associations and business groups, major U.S. corporations and banks, and all other potential stakeholders. We know that many current exporters value the Federal Government's unique services, such as its global network of trade experts, market research, risk management and financing solutions, and problem-solving services. Some stakeholders such as cities and states, trade associations, corporations and banks possess customer contacts, marketing skills, financial services, logistical might, and technological sophistication that can help the Federal government reach the thousands of U.S. companies unaware of the assistance available and the export opportunities in their reach.

The Corporate Partners Program: Our efforts undertaken over the past few years to partner with key private sector firms is proving to be very successful. Through force multipliers, such as Federal Express, UPS, eBay, Google, PNC Bank, and M&T Bank, we are reaching out to more small and medium-sized exporters. This effort is absolutely key to our future success. Through these marketing partnership contracts, we are reaching thousands of companies that are either new or potential exporters. These partnerships allow the Commercial Service to reach far beyond its previous limits to more SMEs throughout the country. For example, in early March, Google reviewed Export.Gov and gave us suggestions on how to make the site easier for companies to find when doing Google searches. Since instituting these changes, visits to Export.Gov from Google search engines increased three and a half times from 6,975 to 24,914.

State & Local Partners and Trade Associations: We recently kicked off an outreach strategy that we have dubbed the "50/50/50" plan. To date, the Commercial Service has contacted all 50 governors, 50 mayors, and over 50 trade associations, encouraging them to work with us to lead trade missions. State governments often have an unrivaled understanding of local market dynamics, and are often the trusted first point of contact for businesses seeking assistance. We want to work more closely with the states on client tracking, and are encouraging governors and mayors to lead more trade missions. Likewise, trade associations have unique expertise on the export potential and the issues surrounding their industry sectors. Again, we are encouraging trade associations to conduct more trade events and to ensure greater access for their members to export assistance.

In addition we invited all Members of Congress and staff to join us on May 1, 2007, for a Congressional Trade Mission/Export Seminar Forum to provide information on how Members can engage constituent companies in learning about exporting opportunities. As a result, we are working with a number of Members who want to host "Exporting 101 Seminars" for constituent

businesses in their districts or states and/or lead a trade mission comprised of companies from their district or state.

The Administration's National Export Strategy establishes partnerships as a top priority, encouraging all trade promotion and finance agencies within the Federal government to develop broader and deeper partnerships with all stakeholders in society that have the same interest in seeing their clients or constituents succeed in foreign markets.

### **Using the Internet**

More and more small businesses are using the Internet to find opportunities and conduct business. This is an especially important tool for SME's as it reduces their barriers to entry by decreasing the amount of time and resources they have to spend to identify and interact with customers. For example, eBay reports that they have over 233 million registered users in 36 markets that buy and sell on-line and that 15 percent of the company's trade volume is export/import related.

Our strategy is to be the central resource for exporting but not to duplicate what the private sector is doing successfully. Some of our corporate partners – eBay, Google, Federal Express, UPS, PNC -- recognize the value of our trade promotion services and have chosen to link to Export.gov to help educate their customers on the basics of exporting and expand their export opportunities. We are working with our corporate partners to build more on-line tools to help exporters. For example, FedEx now has an on-line NAFTA certificate of origin tool.

Export.gov is our principal web site designed to help small business get through the exporting maze. In 2005, Export.Gov had more than three million visitors. In 2006, that increased to 4.5 million, and so far this year we are over one million more visitors than at the same time last year. In addition, already this year more companies have visited the trade leads page than in all of last year.

We continue to improve our web presence to make it easier for SMEs and our partners to get what they need from us. We have built-out our China Business Information Center and Middle East and North Africa Business Information Center to be central resources for information about these two critical markets. We are also using the Internet to make it easier for U.S. SMEs to get the information they need to protect their intellectual property rights through StopFakes.Gov.

### ***CONCLUSION***

In closing, international trade and competitiveness issues are more important than ever for small businesses and to the future of the United States. Those of us in the International Trade Administration are fully committed to ensuring U.S. economic expansion, job growth, and unsurpassed support for our nation's small businesses.

Madam Chairwoman, I will be happy to answer any questions you and other Members may have.