



Trade Facts

Office of the United States Trade Representative
Washington, DC 20508

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Small Business Trade Policy Agenda

Opening The Global Marketplace For Small Business

Addressing Small Businesses Trade Policy Concerns

Small businesses are the backbone of the US economy. They are the engine of growth and primary source of employment for Americans. They are also the largest group of US exporters and a major user of imported inputs.

Small businesses succeed because they take risks and adapt. The entrepreneurs who flourish domestically must have the legal framework in place internationally, so that they have the same opportunity to succeed abroad.

The US Trade Representative is dedicated to assisting US small businesses. Below is a list of the major impediments US small businesses presently face in the international trading system and the actions USTR is taking to address those issues.

Trade Policy Issues

1) **Tariffs-** High tariffs serve as added taxes on US exports and imports, driving up the cost of the product and narrowing its potential market. US small businesses, typically, sell niche products that are more susceptible to higher tariffs and oppressive tariff regimes. They also bear the costs of high import tariffs for their inputs.

USTR has proposed a "Tariff Free World" in the WTO. This is an ambitious proposal to eliminate in two steps all duties on industrial and consumer goods by 2015. The United States is also aggressively pursuing the elimination of tariffs on all industrial and consumer goods through the FTAA and in bilateral trade agreements

2) **Customs Facilitation-** For small businesses, paperwork and inconsistency in customs policy and regulation can serve as prohibitive barriers to trade. Although large corporations can compensate for non-standardized customs fees and duties, or lengthy delays (or inconsistent delays) in inspection regimes, small businesses cannot. Small business transactions due to their nature cannot compensate for unforeseen costs or delays, both of which increase the cost of the transaction, cut into profitability and eventually cause the transaction to be unprofitable.

The Bush Administration has been pressing the case in the World Trade Organization (WTO) that it is important to strengthen the trade rules governing customs procedures to ensure the free flow of goods and services. The US continues to take a leadership role, working with other key members of the WTO to ensure that the work on trade facilitation will support the linkages between a rules-based trade transaction environment and a stable economic structure. The US is continuing efforts to advance ongoing complementary initiatives involving existing agreements, such as the WTO Agreement on Customs Valuation. The US is also working with key WTO members to ensure that technical assistance in this area is being provided to the appropriate members to bring about concrete measurable results that will translate into increased trade and investment for all members.

3) **Standards-** Unjustified or unreasonable licensing requirements, inspections or bans can add costly processes and time prohibitive steps to the small business transaction, eventually denying the US small business from competing in foreign markets. As small business transactions are generally not as voluminous as large business transactions, the fixed cost in licensing, inspections, etc. are more costly on a per unit basis to the small business.

The Bush Administration has been aggressively pursuing the elimination of non-tariff barriers to trade. In the WTO, Free Trade Area of the Americas (FTAA), and in its bilateral agreements, the United States is working to identify such barriers to trade including differences in standards and licensing and inspection regimes that hinder small business exporters access to our trading partner's markets.

4) **Intellectual Property Rights-** Information for foreign patenting is not easily accessible or readily digestible to US small businesses. Disparity in the US patenting system and patents abroad create a large capital expenditure for small firms, who are left with little money to seek enforcement upon infringement. Additionally, the volume of small business sales may not compensate for the cost of the patent. Therefore, in patenting, the cost per unit is significantly higher to the small business, when compared with larger businesses.

USTR is working to ensure that the value and integrity of a patent is maintained when a product is exported to a foreign market. The US is working with our trading partners to insure that patents and trademarks are respected and enforced in their countries. USTR negotiators are keenly aware that the cost of the patent is only worthwhile if it provides adequate protection. All of these pursuits are designed to drive down the cost of enforcement and protection.

5) **E-Commerce and Services** At present over 30% of US GDP is directly related to service industries. Additionally, e-commerce is a fast growing method for trade across international borders. For US small businesses, e-commerce and the Internet reduce transaction costs significantly, while increasing the pool of potential customers. USTR understands the importance of free-trade principles and rules to the development of global e-commerce. Much as it has done domestically, the US is actively engaged in

developing trade agreements that support the growth of e-commerce and enforceability of electronic transactions. Through the WTO, FTAA and the various bilateral trade agreements, the US is tabling new and dynamic rules in the e-commerce and services sectors to liberalize trade in these growing arenas.