

THE PRESIDENT'S EXPORT COUNCIL  
WASHINGTON, D.C. 20230

April 8, 2008

The President of the United States  
The White House  
Washington, D.C.

Dear Mr. President:

The President's Export Council (PEC) applauds the efforts you have undertaken over the past seven years to enhance U.S. competitiveness, open foreign markets to U.S. exports and investment, and dismantle regulatory barriers that disadvantage U.S. businesses in markets around the world. Like you, we fully embrace the belief that free and fair markets enhance global economic growth and stability. However, much work remains to be done to fully achieve that vision. Foreign tariff and non-tariff barriers and protectionist trade and investment policies continue to hamstring U.S. businesses trying to compete overseas.

Some foreign nations create an unlevel playing field by providing significant government support to their domestic industries. The tools foreign governments use are many and varied. In some cases the line between state-owned and private enterprises is often blurred, allowing the foreign governments to add their resources and political and commercial leverage to bolster its national champions.

The U.S. has almost always followed a different path. Without government support and direction, private enterprise has flourished and produced the strongest economy in the world. The advantages of the U.S. system are perhaps made most apparent by the diversity and dynamism of U.S. small- and medium-sized enterprises (SMEs). According to the U.S. Small Business Administration, small firms (under 500 employees) account for about half of all private sector employment, hire 40 percent of high tech workers, create more than half of non-farm private gross domestic product, produce 13 times more patents per employee than large patenting firms. In addition, SMEs have generated 60 to 80 percent of net new jobs annually over the last decade and accounted for 28.6 percent of U.S. exports in fiscal year 2004.

At the same time, however, U.S. businesses – and in particular SMEs – are faced with regulatory or other structural barriers at home and abroad that the U.S. government is best positioned to tackle. Foreign regulation may create an unlevel playing field or reflect entrenched and parochial bureaucratic interests that needlessly tangle global supply chains. In many cases, only the U.S. government has the leverage needed to persuade foreign governments to remove these barriers. Structural problems also exist within the United States that make it difficult for U.S. SMEs to tap the financing needed to promote exports or which fail to provide proper incentives to preserve the U.S. manufacturing base. In addition, while the U.S. government has tremendous tools available to help SMEs export their products, many SMEs are unaware of the vast resources that are at their disposal.

To address these issues, the PEC makes the following recommendations:

1. *Continue to pursue comprehensive trade agreements:* The recent passage of the Peru Trade Promotion Agreement by the U.S. House of Representatives takes us one step closer to leveling the playing field for American small businesses that wish to expand into Peru, a potentially significant market for them. Implementing the Peru FTA, along with the pending free trade agreements with Colombia, Korea, and Panama, would further open foreign markets to U.S. manufactured and agricultural products, liberalize foreign services markets, protect intellectual property and address other non-tariff barriers. The successful conclusion of the Doha round, the renewal of Trade Promotion Authority, and the continued pursuit of an aggressive free trade agreement agenda is important to maintaining U.S. economic success in global markets. In addition, the U.S. should also pursue the expansion of existing comprehensive trade agreements by encouraging countries to join the WTO government procurement accord with applicability thresholds low enough to allow SME's to compete.

2. *Encourage Big Businesses to use SMEs in their global supply chains:* SMEs typically provide capabilities that their larger customers do not have or cannot cost-effectively create. Because of their size and flexibility, SMEs can more easily switch production to other goods or services in response to global demand and take advantage of changing market conditions. Whereas, larger vendors may be limited to increasing or decreasing the product supply depending on market need. Providing incentives to large corporations to encourage the use of SMEs within their supply chain via grants, tax incentives, etc., could be a way to improve the use of SMEs.

3. *Improve Communication about U.S. Government programs to promote exports:* The U.S. and Foreign Commercial Service, U.S. Small Business Administration, U.S. Department of Agriculture, and the Export Import Bank each have programs and resources to assist SMEs in their efforts to take advantage of export markets. Unfortunately, many SMEs are unaware of these tools and in some cases, unable to take advantage of these highly valuable resources. We urge the U.S. Congress to provide the necessary resources for these agencies to communicate and market their abilities to the SME population.

4. *Promote global recognition and use of standards and strong international rules:* One significant means of expanding the access of SMEs to global supply chains is to encourage the mutual recognition of standards in world markets for manufactured goods and services. With globally accepted standards in foreign markets, a U.S. SME becomes, in effect, "export ready," saving it from the expense of satisfying more than one technical standard. Small business, more than any other segment, depends centrally on the negotiation and enforcement of strong, transparent international rules to compete effectively in foreign markets. U.S. small business will benefit not just by securing lower tariff and nondiscriminatory standards across services and manufacturing, but also by working towards customs procedures that are predictable, fair, and not unduly burdensome, and improving intellectual property enforcement.

As we continue to navigate the waters of this new era of intensified globalization, America's vibrant small business sector will remain a critical comparative advantage. Many of America's small businesses will thrive as they take advantage of exciting opportunities in foreign markets, while many others will face challenges as they confront new competitors from the growing, global community. The execution of a strong national competitiveness strategy built on the pillars of technology, innovation, communication and trade rules will be critically important for the future of the small business sector.

The PEC commends your leadership in advancing free and fair market principles around the world. We appreciate the opportunity to raise the matters discussed above and to continue working with your Administration to strengthen U.S. competitiveness and accelerate U.S. economic growth.

Sincerely,

A handwritten signature in black ink that reads "Bill Mansour". The signature is written in a cursive style with a long horizontal flourish extending to the right.