

MICHELLE O'NEILL
ACTING UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE
TESTIMONY BEFORE THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, TRADE AND CONSUMER PROTECTION

“Stimulating the Economy through Trade: Examining the Role of Export Promotion”
March 17, 2009

INTRODUCTION

Chairman Rush, Ranking Member Radanovich, and members of the Committee, thank you for the opportunity to speak before you today about the role of export promotion in our efforts to strengthen and support America's economy. I welcome the subcommittee's interest in this topic and look forward to outlining the International Trade Administration's (ITA) efforts to promote U.S. exports.

The mission of ITA 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 is critical to enhancing America's global competitiveness and expanding commercial opportunities for American manufacturers, farmers, and service workers throughout the world.

When U.S. businesses seek to promote their goods and services in overseas markets, our programs lead 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 ensure their growth in the United States. In particular, ITA focuses on assisting small and medium-sized businesses succeed in the international economy. Small and medium-sized businesses are critical to America's long-term prosperity and global competitiveness, and ITA programs are designed to help these companies export to the 95 percent of the world's consumers that live beyond our borders. Ninety-seven percent of U.S. exporters are small and medium-sized businesses, and ITA is committed to strengthening their competitiveness by helping them expand to the global marketplace.

As Acting Under Secretary for International Trade, I oversee four operating units to execute ITA's mission:

U.S. and Foreign Commercial Service (US&FCS) – The U.S. & Foreign Commercial Service ensures that U.S. companies, particularly small and medium-sized businesses, benefit from global trade. The US&FCS operates a global network of trade professionals in U.S. Export Assistance Centers (USEACs) in 109 U.S. cities and in U.S. Embassies and Consulates in 77 countries. US&FCS staff works with U.S. companies, providing counseling and advocacy, market research, trade events, and identification of potential international buyers or partners. We

guide companies through every step of the export process, from learning how to export to shipping and logistics issues. In order to improve our export promotion programs, in 2004, the Department reorganized ITA to consolidate trade promotion programs under the leadership of the US&FCS. Recently, the US&FCS focused its programs on three priorities: increasing the number of U.S. companies that export, helping smaller companies expand to new export markets, and helping exporters overcome hurdles in foreign markets.

Manufacturing and Services (MAS) – Manufacturing and Services industry specialists and economists help strengthen U.S. competitiveness by assessing the needs of U.S. industries, conducting economic and regulatory analyses, and ensuring that industry issues are fully evaluated in developing trade policies. MAS coordinates industry advisory committees that serve as a communication channel for U.S. companies to express their views to U.S. negotiators on trade discussions and other policy issues. MAS administers the Export Trading Company Act, which provides limited antitrust immunity, primarily to small and medium-sized exporters, allowing them to collectively achieve economies of scale on foreign sales. MAS also manages the Market Development Cooperator Program (MDCP), which provides small matching grants to multiplier organizations, such as local development agencies, small business development centers, and trade associations, that can help strengthen the export competitiveness of U.S. industries.

Market Access and Compliance (MAC) – Market Access and Compliance advances U.S. commercial interests by eliminating foreign barriers to trade, investment, and business operations through enforcing trade agreements and addressing compliance violations promptly. This opens up markets abroad for U.S. companies to sell their products and services. Country and trade agreement specialists also assist in trade policy development and in the negotiation of bilateral and multilateral market-opening agreements.

Import Administration (IA) – Import Administration enforces U.S. anti-dumping and countervailing duty trade laws and works with U.S. businesses to help them understand these laws. IA tracks, detects and confronts unfair competition by monitoring economic data from U.S. global competitors and investigates evidence of unfair subsidization and other international trade distorting practices. IA also administers the Foreign Trade Zones Program, certain statutory import programs, and programs involving imports of textiles and apparel.

Role of Exports in the Economy

Mr. Chairman, more than ever before, our economy is dependent on the global economy. In 2008, exports accounted for 13 percent of Gross Domestic Product (GDP). To put this in historical context, exports were 9.5 percent of U.S. GDP five years earlier (2003), and 5.3 percent 40 years ago (1968). Last year, the United States exported an astounding \$1.84 trillion worth of goods and services.

Nowhere is the impact of exports more important than in creating jobs in the United States. The latest available employment numbers (2006) indicate that roughly 6 million U.S. jobs depend on

manufactured exports. Nearly one out of 20 private sector jobs depends on manufactured exports. More than half of the jobs created by manufacturing exports were in the non-manufacturing sectors, such as services, wholesale and retail trade, and transportation.

A significant number of major U.S. manufacturing industries are heavily dependent on foreign sales. For example, in 2006, seven major manufacturing sectors, led by computers and electronic products (39.5 percent) and primary metals (34.7 percent), counted more than one in four jobs as export-supported. Likewise, employment supported by manufactured exports played a significant role in the job numbers of many states. Twenty-one states counted over 100,000 jobs supported by manufactured exports in 2006, with two states each registering more than a half-million – California at 692,000 jobs, and Texas at 580,000.

Services exports – including education, business services, information services, entertainment, international tourism to the United States, and construction and engineering – have also contributed to job creation. For example, recent estimates indicate that international travelers to the United States support roughly 1.1 million domestic jobs.

Department of Commerce’s Role in Trade Promotion

The Federal Government’s trade promotion programs are designed to address challenges that U.S. companies face. These challenges include the lack of information on how to export and take advantage of exporting, the inability to get export financing, and overcoming numerous barriers and complexities to foreign market entry.

The Trade Promotion Coordinating Committee (TPCC) is led by the Department of Commerce and is composed of 20 federal government agencies, including the Export-Import (Ex-Im) Bank of the United States, the Small Business Administration, the Overseas Private Investment Corporation, the U.S. Trade and Development Agency, the U.S. Department of Agriculture, the U.S. Department of State, the U.S. Department of the Treasury, and the Office of Management and Budget. The TPCC is charged with coordinating the Administration’s trade promotion efforts and provides a platform for the Secretary of Commerce to engage the heads of the other TPCC agencies to set priorities for a government-wide agenda on trade promotion. The TPCC Secretariat is housed in US&FCS.

Information and Market Entry Assistance

Mr. Chairman, I would like to take a moment to highlight how the programs of ITA’s US&FCS help U.S. companies identify and take advantage of commercial opportunities abroad. In 2008, U.S. firms assisted by US&FCS reported 12,659 export successes; 426 of these successes were from companies that had never exported before, and 3,627 were from firms that had exported to a new market. Eight-two percent of these successes were reported by small and medium-sized businesses. In total, these successes supported over \$67 billion in exports.

Recognizing that 97 percent of U.S. exporters are small- to medium-sized businesses, ITA continually seeks ways to encourage more of these companies to take advantage of improved access to foreign markets and global opportunities.

U.S. companies can access US&FCS' global network in a variety of ways. Our 300 trade specialists located in USEACs throughout the country reach out to local companies to help them realize their export potential through in-depth, value-added counseling. Companies can contact our experts overseas for country-specific information and assistance in resolving commercial issues. Companies also may call our Trade Information Center (1-800-USA-TRADE), which is staffed by a team of trade experts that serve as a single point of contact to all U.S. Government export assistance programs. In addition, ITA manages Export.gov, the Federal website dedicated to providing comprehensive information to U.S. firms as they enter or expand into global markets. We are able to reach even more companies interested in exporting through the Strategic Partners Program which leverages the customer base of private sector organizations-(such as express delivery companies), state governments, and trade associations, to make sure their clients are aware of the range of Federal export assistance programs.

If a U.S. company finds an interested foreign partner, our team of trade experts will work with the U.S. exporter to identify financing options. The Federal Government has a number of different tools to help U.S. companies complete a sale. The most common are: working capital guarantees that provide transaction-specific loans to U.S. exporters and are made by commercial lenders and backed by the U.S. Small Business Administration or the Export-Import Bank; credit insurance, which covers the risk of buyer nonpayment for commercial risks (e.g., bankruptcy) and certain political risks; and buyer financing, which provides term financing to creditworthy international buyers for purchases of U.S. goods and services. Some of our Strategic Partners, including TD Bank and M&T Bank, have hosted seminars for their clients on trade finance and federal financing programs. In addition, some Partners, including M&T Bank and Comerica, have reprinted and are distributing our Export Finance Guide, which provides a comprehensive resource on export financing options, to their clients.

Matchmaking and Counseling – When our trade specialists across the country counsel companies about exporting, they often recommend that companies find an overseas agent or distributor. Our overseas staff located in U.S. Embassies and Consulates throughout the world can save the company valuable time and money by doing the legwork in advance in a specific market to help the company find potential agents, distributors or other strategic partners.

We will contact a large group of pre-screened overseas business partners and then identify the contacts that are capable of becoming a viable representative for the U.S. company in that market. All of this work is done prior to the company making the trip overseas to meet face-to-face with these potential partners, saving the company time and resources.

For example, Gold Eagle Company, a Libertyville, Illinois –based manufacturer and distributor of aftermarket fluids and additives for the motor vehicle industry that employs 150 workers, is a client of our Chicago Export Assistance Center. Last year, our commercial specialist in the

Dominican Republic notified our trade specialists in Chicago of a trade opportunity for the automotive sector. The trade specialist in the Chicago office passed the lead on to Gold Eagle, who expressed an interest and followed-up with the firm. Our commercial specialist in the Dominican Republic then set up a meeting for Gold Eagle sales staff with the Dominican company, resulting in a sale valued at nearly \$50,000.

Commercial Diplomacy and Advocacy – U.S. companies often need assistance to address a specific trade-related issue. The U.S. Government can weigh-in on behalf of a U.S. company with the foreign government to help the company resolve the issue. These problems range from regulatory trade barriers to unfair trade practices. Our job, through commercial diplomacy, is to help level the playing field by working with the foreign government to find a solution so that the U.S. company has the best possible chance to sell its products and services in that market. This type of service is particularly important in emerging markets.

For example, in April 2006, the Institute of Scrap Recycling Industries (ISRI) contacted ITA regarding the Indian government's onerous registration requirements concerned that these requirements would have effectively denied U.S. exporters access to the Indian market for approximately \$350 million worth of unshredded scrap metal exports. We raised the issue with the Indian government in our bilateral dialogues. By working together with the Indian government, the Indian Director General of Foreign Trade eliminated the registration requirement in November 2007.

Our commercial diplomacy work is sometimes very transaction-specific. For example, in the fall of 2008, a Missouri-based manufacturer, Liquid Soap Products, contacted the Trade Information Center asking for assistance in obtaining the release of a shipment of soaps and cleaning products from Portuguese Customs in Lisbon. Customs refused to clear the shipment until the Portuguese health regulatory agency certified the products' safety. The trade specialist put the company in touch with our commercial officer in Lisbon, who then contacted the regulatory agency. In January 2009, Portuguese Customs released the cargo and the sale went through. Liquid Soap's importer attributes the willingness of the Portuguese Customs to work with them to US&FCS assistance.

U.S. companies will also look to us to help them win bids on foreign tenders. The Advocacy Center will coordinate U.S. Government advocacy on behalf of a U.S. company bidding for procurement. In 2008, U.S. Government Advocacy supported American companies successfully in 34 international procurements with U.S. export content of \$21.8 billion. The Advocacy Center is actively tracking over 400 cases.

For example, in October, California-based McWong Environmental and Energy Group won a contract from Shanghai Huayi Corporation (SHC), one of the largest state-owned companies in Shanghai. SHC is constructing a new chemical production plant, which will be one of China's largest when completed. Our Commercial Service office in Shanghai promoted McWong's bid to various Chinese government officials. In September 2008, during his visit to Shanghai, the Commercial Service's Director General advocated on McWong's behalf to the Chairman of

SHC. California Governor Schwarzenegger also sent a letter in support of the company's proposal. McWong won the contract to build, operate, and own the water and wastewater systems that support the plant. The company values the deal at \$28 million. McWong beat out the world's largest water company, which was receiving aggressive French government support for this project.

Trade Missions – Trade missions are an effective way for companies to gain access to foreign company leaders and government officials who would not normally meet with individual business visitors.

In 2008, US&FCS supported trade missions to 27 overseas markets with a total of 420 U.S. companies participating, resulting in nearly \$350 million in export successes to date. For example, GEST LLC, a small Michigan-based solar energy firm, participated in our March 2008 Trade Mission to Sub-Saharan Africa. Our commercial specialist in Nigeria arranged numerous meetings with local businesses. As a result of these meetings, the company reports a pending commitment from an electrical contracting company in Nigeria (Kolison Nig. Ltd.) to contract with GEST to design and manufacture several solar-powered street lighting systems for use in Nigerian cities, a deal worth approximately \$500,000.

We have a number of trade missions planned between now and the end of the fiscal year. These include a solar energy mission to India the week of March 22 that we coordinated with the Department of Energy. A dozen U.S. solar companies are participating in this mission. They will meet with Indian government officials in charge of solar industries and as well as partners in that market.

We are also planning a trade mission to Poland that is tied to a two-day conference; 70 U.S. firms are participating in the trade mission. Our commercial officers in Europe will attend this conference and meet with the U.S. companies to talk about the opportunities in their respective countries. The companies will also meet with local Polish firms interested in buying or distributing their products.

We are working with our private sector partners in the National Association of Manufacturers and other associations to raise awareness of our June 2009 Peru and Chile trade mission.

CONCLUSION

The downturn in the world economy has adversely affected all of our industry sectors and exports. Many of our major trading partners have experienced even more severe economic contractions, resulting in recent declines in foreign demand for our goods. In these troubled economic times, ITA's export promotion work is more important than ever for small and medium-sized businesses and to the long-term competitiveness of the United States. The International Trade Administration and all the TPCC agencies, remain committed to creating jobs by supporting exports by small and medium-sized businesses.