

Introduction

In 2007, U.S. companies exported \$1,148 billion in goods and \$497 billion in services for a total of \$1,646 billion. These exports supported more than 16 million higher paying U.S. jobs, strengthened companies and farms, and improved our tax base, while also sending export revenue to local communities through restaurants, retail stores, etc.

In 1950, trade accounted for less than 5.5 percent of U.S. economic growth. Today, it has become an integral part of everyday life, accounting for more than one-third of economic growth in 2007 (25 percent in 2000). In fact, ag production from one in three acres of U.S. agricultural production is now exported.

According to the U.S. Small Business Administration (SBA), small firms represent 99.7 percent of all employers, generate 60 to 80 percent of net new jobs annually and account for 97 percent of all U.S. exporters. As a result, their success in international markets is extremely important to the welfare of the United States.

Exporters Benefit in Many Ways

According to Howard Lewis III and J. David Richardson's report *Why Global Commitment Really Matters!*, companies that export grow faster and fail less often than companies that don't. And their workers and communities are better off. According to the report, published by the Institute for International Economics, a Washington, D.C. think tank, U.S. exporting firms experience 2 to 4 percentage points faster annual growth in employment than their non-exporting counterparts.

But there's more to the story. Exporting firms also offer better opportunities for advancement, expand their annual total sales about 0.6 to 1.3 percent faster, and are nearly 8.5 percent less likely to go out of business. These gains are not dependent on any specific time period or export volume. Furthermore, sales abroad spread risk should the domestic market enter a period of slow growth or recession.

According to *Why Global Commitment Really Matters!*, workers employed in exporting firms have better paying jobs. For example, blue-collar worker earnings in exporting firms are 13 percent higher than those in nonexporting plants. Wages are 23 percent higher when comparing large plants, and 9 percent higher when comparing small plants. White-collar employees also earn more—18 percent more than their non-exporting counterparts. Furthermore, the benefits for all workers at exporting plants are 37 percent higher, and include improved medical insurance and paid leave. *Why Exports Matter: More!*, an earlier report by J. David Richardson and Karin Rindal published by the Institute for International Economics and The Manufacturers Institute, states that less skilled workers also earn more at exporting plants.

Service Exports Are Booming

Export opportunities for manufacturers of goods are just part of the story. Today, U.S. providers of

service exports are benefiting tremendously. And this has significantly contributed to the well being of the U.S. economy. Why? Since 1971, the U.S. service sector has generated trade surplus that has consistently reduced the U.S. trade deficit. For example, in 2007, U.S. exports of services reached \$497 billion. This decreased the trade deficit by more than \$87 billion, even more so in previous years when the global economy was growing at a faster rate.

Since 1980, U.S. service exports have grown more than 289 percent faster than exports of goods. But more importantly, tremendous benefits are currently derived from the service sector in terms of economic growth, personal income, employment and exports. According to the Progressive Policy Institute (PPI), a Washington, D.C. think tank, if current service export rates of growth continue, America's services exports will exceed goods exports by 2037.

America is by far the largest global commercial service exporter. The United Kingdom, France, Germany and Japan follow in that order. In terms of commercial service imports, the United States is followed by Germany, Japan, the United Kingdom and France. India is the developing-world leader in services exports, through heavy sales of software, back-office services and Hollywood movies.

Service Exports Have Become More Sophisticated

When some people envision the service sector, they think of employees flipping hamburgers. In reality, the U.S. service sector has become extremely advanced and internationally competitive. In turn, the sector's wages have risen considerably. This fact is not widely acknowledged.

For example, in December 2002, January 2003 and February 2003, average hourly earnings for service production workers reached \$15.49, \$15.51 and \$15.65, respectively, according to the Bureau of Labor Statistics. During these months, average hourly earnings for U.S. manufacturing production workers were \$15.48, \$15.53 and \$15.56. This indicates that hourly wages in the service sector have finally caught up to the manufacturing sector.

The export of services has become a major generator of economic growth for many industries. For example, in 2007, American universities exported \$18 billion worth of education services to 730,000 foreign students. American software companies, meanwhile, earned \$6 billion from overseas sales. Hollywood actors and film studios earned \$11 billion in overseas film and videotape rentals, rock performers brought in half a billion from copyright royalties, while overseas concerts and sports exhibitions raised \$183 million, according to PPI.

Service Exports in Demand

As global demand for U.S. service exports increases, service providers are encouraged to expand internationally. In addition to the most common service exports—such as travel, transportation, financial, entertainment, health care and telecommunications—a whole new group of service industries are demanded worldwide. These include business, professional, technical, accounting, advertising, engineering, franchising, consulting, public relations, testing and training services.

From 1990 through 2002, overseas sales of services tripled, with sales of database and other high-tech

information services, along with legal and financial services, growing even more rapidly. In coming years, new technologies will help export growth in these industries accelerate—as the Internet, new satellite and land-based telecom networks, and electronic commerce combine to make cross-border services flow easier.

Expanding Globally Is Essential

For many small companies, exporting is essential to achieve success in the 21st century. But it is vital to do your homework. Success is best achieved if you calculate all the costs of doing business and understand the ramifications of each decision. If not, your efforts may turn into losses.

International trade enables producers of goods and services to move beyond the U.S. market of over 300 million people and sell to the world market of 7.1 billion. If you have already begun exporting your goods or services, we encourage you to expand into new markets. If you are new to the international arena, we hope you take advantage of this publication, seek the services of the SBA, and utilize the tremendous resources available to you from the United States Government.