

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

**Memorandum**

To: Members, Committee on Small Business  
From: Sam Graves, Chairman  
Date: July 27, 2011  
Re: Full Committee Hearing: "Bureaucratic Obstacles for Small Exporters: Is our National Export Strategy Working?"

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On Wednesday, July 27, 2011 at 1:00 pm, the House Committee on Small Business will conduct a hearing titled, "*Bureaucratic Obstacles for Small Exporters: Is our National Export Strategy Working?*" Witnesses will include: Marie Johns, Deputy Administrator for the U.S. Small Business Administration (SBA); Christian Foster, Deputy Administrator, U.S. Department of Agriculture, Foreign Agriculture Service (FAS); Suresh Kumar, Assistant Secretary and Director General of the U.S. Commercial Service, U.S. Department of Commerce; Mark Rice, Founder and CEO of Maritime Applied Physics Corporation, Baltimore, Maryland; Mitchell Goetze, President and COO of Goetze Candy Inc., Baltimore, Maryland, on behalf of the National Confectioners Association (NCA); and Maurice Kogon, Director, California Institute for International Trade and Development, El Camino Community College, Hawthorne, California.

On June 28, 2011, Secretary of Commerce Gary Locke released the 2011 National Export Strategy (NES) outlining the federal government's strategy to improve the coordination and effectiveness of the federal trade agencies. There are more than 20 federal agencies that play a role in the export process, and many small businesses have a difficult time navigating the bureaucracy and regulations. This hearing will provide an opportunity to learn more about the obstacles that deter many small businesses from exporting and highlight ways to improve the process.

**I. Introduction**

Exporting is a critical component for the long-term growth and viability of small businesses and the U.S. economy overall. In 2010, total U.S. exports reached \$1.8 trillion, nearly 12 percent of

the U.S. GDP.<sup>1</sup> According to the U.S. International Trade Commission (ITC), those exports helped support nearly 10 million jobs, including about 4 million small business jobs. Exporting provides small businesses with the opportunity to reach new markets, increase revenue, grow their business, and ultimately create needed jobs. The benefits of exporting are clear, but many small businesses do not have the knowledge, resources or capital to navigate the trade process; and therefore simply do not export.

In 2008, 281,688 small businesses exported, or about one percent of small businesses.<sup>2</sup> The export process can be complicated and complex for small businesses, particularly start-up firms, and it takes a strong commitment of time and resources. Many non-exporting small firms simply do not know where to go for information; while experienced exporters continue to face a variety of regulations and obstacles that limit their productivity and ability to export.

As stated, there are over 20 federal agencies that play a role in assisting and/or regulating a part of the export process.<sup>3</sup> The list of services offered includes basic consultation, access to export capital, marketing and matchmaking, export compliance, and customs compliance. The Trade Promotion Coordinating Committee (TPCC) is an interagency group tasked with coordinating the export promotion and financing activities of the federal agencies, and develops the annual National Export Strategy report to Congress.<sup>4</sup>

There are three pending trade agreements with Panama, Colombia and Korea. Passage will create new market opportunities for small business exporters. However, without improved agency coordination and efficiency, most small businesses will not fully be able to take advantage of these new foreign markets. Reducing both domestic inefficiencies and foreign barriers will provide small businesses with the capability to compete in the global economy.<sup>5</sup>

## **II. Federal Agencies Involved with Small Business Export Promotion**

The basic steps in the export process may include: 1) developing an export and marketing strategy; 2) identifying foreign buyers; 3) understanding foreign regulations; 4) accessing export finance; 5) understanding export controls and compliance; 6) shipping and customs regulations; and 7) securing payment for the export. Small businesses have 20 federal agencies that can assist with

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<sup>1</sup> U.S. Department of Commerce, Census Bureau, Foreign Trade Data.

<sup>2</sup> U.S. Department of Commerce, Census Bureau, "A Profile of U.S. Exporting Companies, 2007-2008." April 13, 2011.

<sup>3</sup> U.S. Department of Commerce, International Trade Administration, Trade Promotion Coordinating Committee.

<sup>4</sup> The TPCC was created in 1993 through Executive Order 12,870, 58 Fed. Reg. 51,753 (Oct. 4, 1993) as required by the Export Enhancement Act of 1992, Pub. L. No. 102-429, §201, 106 Stat. 2186, 2199-200, codified at 15 U.S.C. § 4727. The TPCC reports the budget information for nine agencies, including: The U.S. Department of Agriculture, Department of Commerce, U.S. State Department, U.S. Small Business Administration, U.S. Trade and Development Agency, Export-Import Bank of the United States, Overseas Private Investment Corp, Treasury, and office of the U.S. Trade Representative.

<sup>5</sup> According to the World Bank the U.S. ranks 20<sup>th</sup> out of 183 nations in the ease of trading across borders. World Bank, 2011 Doing Business Report, <http://www.doingbusiness.org/rankings>. The U.S. remained at 20 in 2010, but the report showed an increase in the costs of importing and exporting due to fuel and container costs.

some or all of the steps. Often the assistance overlaps or is devoted to particular commodities. Navigating the assistance may be as difficult as navigating the export market itself.

Of the TPCC's 20 members, nine agencies are directly involved in export promotion.<sup>6</sup> These include the SBA, U.S. Department of Agriculture (USDA), U.S. Department of Commerce (DOC), Export-Import Bank (EXIM) of the United States, Overseas Private Investment Corporation (OPIC), U.S. Trade Development Agency (TDA), U.S. Department of State, Office of the U.S. Trade Representative (USTR), and the U.S. Department of Treasury.<sup>7</sup> Here is a brief summary of the agencies' role in promoting exports.

- *Small Business Administration (Office of International Trade)*: The mission of SBA is to enhance the ability of small businesses to compete in the global marketplace; facilitate access to capital to support export trade; ensure the interest of small businesses are considered in trade negotiations; and support and contribute to the U.S. government and economic agenda.<sup>8</sup> They provide export working capital funds through the 7(a) International Trade Loan Guaranty Program, Export Working Capital, and Export Express Loan Guaranty Program.<sup>9</sup> In addition, it administers the State Trade and Export Promotion (STEP) pilot initiative, which provides competitive grants (\$30 million per year for FY2011, 2012 and 2013) to states to support export promotion activities.<sup>10</sup>

The SBA has over 2,000 employees that provide assistance to small businesses through its district offices, of which each state has at least one.<sup>11</sup> In addition, small businesses can obtain assistance, including export help from the SBA's entrepreneurial development partners such as the Small Business Development Centers.<sup>12</sup>

- *U.S. Department of Agriculture (Foreign Agriculture Service)*: The mission of the Foreign Agriculture Service (FAS) is to carry out the agricultural trade policy and international cooperation policy of the U.S. by acquiring information pertaining to agriculture trade; carrying out market promotion and development activities; providing technical assistance and training; and carrying out other programs authorized by statute to promote trade in agricultural commodities. The FAS has a global network of 98 offices in 75 countries, covering 156 countries, in addition to their Washington, DC staff.<sup>13</sup>

The U.S. FAS administers five market promotion and development program, the largest two being the Market Access Program (MAP) and the Foreign Market Development Program

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<sup>6</sup> FAQ: TPCC, [http://export.gov/faq/eg\\_main\\_017489.asp](http://export.gov/faq/eg_main_017489.asp).

<sup>7</sup> *Id.*

<sup>8</sup> SBA, FY 2012 CONGRESSIONAL BUDGET JUSTIFICATION AND FY 2010 ANNUAL PERFORMANCE REPORT, P. 63 (2010).

<sup>9</sup> *Id.*

<sup>10</sup> Small Business Job Act of 2010, Pub. L. No. 111-240, §1207, 124 Stat. 2504, 2532-35.

<sup>11</sup> U.S. Small Business Administration, About SBA, <http://www.sba.gov/about-sba>.

<sup>12</sup> *Id.*

<sup>13</sup> <http://www.fas.usda.gov/aboutfas.asp>.

(FMDP).<sup>14</sup> MAP helps U.S. producers, trade organizations, and private companies finance their trade promotion activities in an effort to increase U.S. exports. FMDP is a trade promotion cooperative program between USDA and U.S. agriculture producers aimed at pooling their technical and financial resources to effectively promote and market their products overseas.<sup>15</sup>

In addition, FAS oversees the Quality Samples Program (QSP)<sup>16</sup>, the Emerging Markets Program (EMP),<sup>17</sup> and the Technical Assistance for Specialty Crops Program (TASC).<sup>18</sup> The FAS, in conjunction with the Farm Service Agency (FSA), also administers the Commodity Credit Corporation (CCC) Export Guarantee Programs, which provide payment guarantees for the commercial financing of U.S. agriculture exports.<sup>19</sup>

- U.S. Department of Commerce (DOC): The Department of Commerce has multiple agencies involved in the trade process. The two most relevant are the International Trade Administration (ITA), specifically the U.S. Commercial Service, and the Bureau of Industry and Security (BIS).

The ITA's mission is to improve prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.<sup>20</sup> ITA is divided into four organizational units: Manufacturing and Services (MAS), Market Access and Compliance (MAC), Import Administration (IA) and the U.S. Foreign Commercial Service (USFCS). The MAS office is responsible for providing industry analysis and promoting the competitiveness and expansion of the U.S. manufacturing sector.<sup>21</sup> The MAC office is responsible for monitoring foreign country compliance and identifying/removing export barriers.<sup>22</sup> IA is responsible for enforcing unfair trade laws, such as anti-dumping and countervailing duty laws, and developing trade

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<sup>14</sup> FAS, <http://www.fas.usda.gov/mos/programs/map.asp>.

<sup>15</sup> *Id.*

<sup>16</sup> QSP helps U.S. agriculture trade associations provide samples of their products to potential international buyers.

<http://www.fas.usda.gov/mos/programs/QSP.asp>.

<sup>17</sup> EMP is a market access program that provides technical assistance to promote U.S. exports.

<http://www.fas.usda.gov/mos/em-markets/em-markets.asp>.

<sup>18</sup> TASC is a market access program designed to assist U.S. organizations with sanitary and phytosanitary related technical barriers that limit exports of specialty crops. Specialty crops are defined as all cultivated plants and the products thereof produced in the U.S., excluding wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar and tobacco.

<http://www.fas.usda.gov/info/factsheets/tasc.asp>.

<sup>19</sup> CCC Export Credit Guarantee Programs currently offer two credit guarantee programs: short-term (GSM-102) and a Facility Guarantee Program. <http://www.fas.usda.gov/commercial.asp>.

<sup>20</sup> INTERNATIONAL TRADE ADMINISTRATION, STRATEGIC PLAN (2007), [http://trade.gov/PDFs/ITA\\_stratplan2007.pdf](http://trade.gov/PDFs/ITA_stratplan2007.pdf). The International Trade Administration has over 1,800 employees, including trade specialists in 100 U.S. cities and in more than 75 countries around the world.

<sup>21</sup> <http://trade.gov/mas/>.

<sup>22</sup> <http://trade.gov/mac/>.

remedies.<sup>23</sup> The U.S. Foreign Commercial Service (USFCS) is the primary agency responsible for providing U.S. companies with comprehensive export assistance services, including counseling, marketing, and interagency coordination.

The Bureau of Industry and Security (BIS) is one of the three federal agencies, along with the Departments of State and Treasury, involved in monitoring and administering export controls of certain products and services. The Bureau's mission is to "advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership."<sup>24</sup> The U.S. government requires certain products and services (i.e., computer chips, high tech software, defense equipment, and more) acquire a federal export licenses before engaging trade with certain countries.

- *The Export-Import Bank (EXIM)*: The Export-Import Bank is the official export credit agency of the U.S. Its mission is to assist in financing U.S. exports of goods and services with the goal of supporting U.S. jobs.<sup>25</sup> The Bank provides direct loans, working capital guarantees, insurance, letter of credit, and other special financing programs. The bank has a lending capacity of \$100 billion, including a mandate that up to 20 percent of capacity funds are available for small business exporters.<sup>26</sup>
- *The Overseas Private Investment Corporation (OPIC)*: OPIC's mission "is to solve critical world challenges by catalyzing markets in developing nations. OPIC accomplishes its mission by delivering finance innovations that help ambitious U.S. businesses successfully enter, grow and compete in emerging markets."<sup>27</sup> OPIC promotes economic growth in developing and emerging economies by providing investment insurance, project financing and other services to U.S. firms investing in those countries.

OPIC operates in 156 developing countries and emerging markets, and employees over 200 full time employees.<sup>28</sup>

- *U.S. Trade Development Agency (USTDA)*: The mission of the USTDA is to help companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA connects U.S. businesses to export

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<sup>23</sup> <http://trade.gov/ia/>.

<sup>24</sup> <http://www.bis.doc.gov/about/index.htm>.

<sup>25</sup> <http://www.exim.gov/about/mission.cfm>.

<sup>26</sup> 12 U.S.C. §635(b)(1)(E)(v).

<sup>27</sup> <http://www.opic.gov/about/mission>.

<sup>28</sup> OPIC, CONGRESSIONAL BUDGET REQUEST (2012).

[http://www.opic.gov/sites/default/files/docs/fy2010\\_congressional\\_budget\\_justification.pdf](http://www.opic.gov/sites/default/files/docs/fy2010_congressional_budget_justification.pdf).

opportunities by funding project feasibility studies, pilot projects, and reverse trade missions while creating economic growth in partner countries.<sup>29</sup>

- *U.S. Department of State:* Like the U.S. Department of Commerce, the State Department has multiple agencies involved in international trade. The three most relevant are the Bureau of Economic, Energy, and Business Affairs (EEB) and Directorate of Defense Trade Controls (DDTC). The Bureau of Economic, Energy, and Business Affairs' Trade Policy and Programs (TPP) office and the Commercial and Business Affairs (CBA) office both work with U.S. businesses to open new markets, promote U.S. exports, and resolve trade disputes.<sup>30</sup>

The TPP office is composed of four offices, including: the Office of Agriculture, Biotechnology, and Textile Trade Affairs; the Office of Bilateral Trade Affairs; the Office of Intellectual Property Enforcement; and the Office of Multilateral Trade Affairs.<sup>31</sup> The CBA office focuses on several agency initiatives, including: Commercial Diplomacy,<sup>32</sup> the Global Entrepreneurship Program; and the Global Women's Business Initiative.<sup>33</sup>

Similar to the Department of Commerce's Bureau of Industry and Security (BIS), the U.S. State Department requires certain products and services that fall under the munitions list, as based on the International Traffic in Arms Regulations (ITAR), to acquire a federal export license.<sup>34</sup> License jurisdiction is administered under the Directorate of Defense Trade Controls, as required by the Arms Export Control Act.<sup>35</sup>

- *Office of the U.S. Trade Representative (USTR):* The Office of the U.S. Trade Representative (USTR) is the President's primary trade advisor, negotiator and spokesperson on trade issues; who is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and also overseeing trade negotiations with other nations.<sup>36</sup>
- *U.S. Department of Treasury:* The Office of Foreign Asset Controls (OFAC) within the U.S. Department of Treasury administers and enforces economic trade sanctions with foreign nations and persons. They restrict trade against any foreign country, regimes,

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<sup>29</sup> <http://www.ustda.gov/about/index.asp>.

<sup>30</sup> U.S. Department of State, Bureau of Economic, Energy, and Business (EEB). <http://www.state.gov/e/eeb/>.

<sup>31</sup> *Id.*

<sup>32</sup> The Commercial Diplomacy office advocates on behalf of U.S. private business, including small, and provides marketing and export opportunities for U.S. firms.

<sup>33</sup> U.S. Department of State, EEB, <http://www.state.gov/e/eeb/>.

<sup>34</sup> <http://www.pmdtcc.state.gov/>.

<sup>35</sup> 22 U.S.C. §§ 2778-80.

<sup>36</sup> Office of the U.S. Trade Representative, Mission of the USTR, <http://www.ustr.gov/about-us/mission>.

terrorists, or anybody engaged in activities that would threaten the national security, foreign policy or economy of the U.S.<sup>37</sup>

In addition to the nine primary TPCC agencies, there are several other federal agencies that play a role in international trade. The chart below broadly illustrates the variety of federal agencies involved.

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<sup>37</sup> <http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>.

**Exhibit 8 – U.S. Government Agencies Involved in International Trade by Function**

Agency	Policy Development, Negotiations & Cooperation	Export Counseling & Assistance	Trade Leads & Market Research	Feasibility Studies	Finance, Insurance Grants & Adjustment Assistance	Advocacy	Inspection & Certification	Export Licenses & Controls	Import Admin. & Control
1. Agriculture	•	•	•		•	•	•		•
2. CBP	•						•		•
3. CEA	•								
4. Commerce	•	•	•		•	•		•	•
5. Defense	•							•	
6. Energy	•	•						•	
7. EPA	•						•		
8. Ex-Im Bank					•				
9. FDA	•						•		•
10. Interior (FWS)	•						•		•
11. Labor	•		•		•				
12. NEC	•								
13. NSC	•								
14. OMB	•								
15. OPIC					•				
16. SBA		•			•				
17. State	•	•	•			•		•	
18. TDA				•					
19. DOT	•								
20. Treasury	•							•	
21. USAID	•								
22. USITC	•								•
23. USTR	•					•			

Source: Department of Commerce Office of Inspector General analysis based on agency information.

CBP - Customs and Border Protection  
 CEA - Council of Economic Advisors  
 EPA - Environmental Protection Agency  
 FDA - Food and Drug Administration  
 NEC - National Economic Council

NSC - National Security Council  
 OMB - Office of Management and Budget  
 OPIC - Overseas Private Investment Corp.  
 SBA - Small Business Administration  
 TDA - U.S. Trade and Development Agency

DOT - Dept. of Transportation  
 USAID - U.S. Agency for Intl Development  
 USITC - U.S. Intl Trade Commission  
 USTR - Office of the U.S. Trade Representative  
 FWS - Fish and Wildlife Service

### III. Key Barriers for Small Business Exporters

Like large American companies, small businesses face a variety of trade barriers that limit their ability to compete, including higher tariffs, technical standards, foreign regulations, and U.S. domestic regulations. However, most small firms do not have the resources and capital to navigate the complex trade barriers, discouraging them from exporting. Of the 288,747 identified exporters,

<sup>38</sup> U.S. DEPARTMENT OF AGRICULTURE, COMPILATION OF PRIOR INSPECTOR GENERAL REPORTS ON INTERNATIONAL TRADE AND COMPETITIVENESS, p. 41 (2011).



38 percent have less than 20 employees; and 50 percent have less than 49 employees.<sup>39</sup> With limited time and resources, small businesses rely heavily on negotiated free trade agreements to ensure lower tariffs, remove complex trade barriers and help streamline the trade process. However they still face a number of domestic barriers that limit their ability to export even in the wake of enactment of the free trade agreements.

A recent study by the U.S. International Trade Commission (USITC) reported that both tariff and non-tariff barriers disproportionately affect a small businesses' ability to export, as these impediments do not discriminate based on the size of the firm.<sup>40</sup> The most commonly reported barriers to trade stated by small businesses were: disparate education resources and lack of access to information; regulatory burdens and problems navigating federal agencies; access to export finance; and knowledge around foreign market, customs and regulations.<sup>41</sup>

***Education and Access to Information:*** Complexity and confusion around the trade process is a key initial barrier that deters many small businesses from taking the initial step. Along with the 20 federal TPCC agencies, there are a variety of state and local organizations engaged in education and trade promotion activities. Many small businesses stated the information on government programs can be either hard to find or overabundant, making it difficult to sort through the various government programs to find a solution to their concern.<sup>42</sup>

***Regulatory Burdens:*** U.S. exporters, both large and small, face a number of federal regulations and procedural requirements that require extensive time and resources. This cost burden directly affects small businesses and places them at a competitive disadvantage with large businesses. The most burdensome regulations include the U.S. export control process, USDA fees and process, Food and Drug Administration (FDA) requirements, U.S. customs protocol, import tariff barriers, and higher shipping costs.<sup>43</sup> Understanding and complying with export controls regulations remains one of the most complex and time consuming obstacles for small businesses. For example, a small business manufacturer stated they spent over \$20,000 to learn about the ITAR process and apply for its first license; and it involved a six-month lag time to export the product.<sup>44</sup>

***Lack of Access to Capital:*** The SBA, EXIM, and OPIC all provide various types of export financing, including working capital, loan guarantees and insurance coverage. Access to export finance is vital for small businesses, as many do not have the deep pockets to finance foreign sales opportunities. However, many small businesses have stated their difficulty in obtaining financing

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<sup>39</sup> U.S. DEPARTMENT OF COMMERCE, CENSUS BUREAU, PROFILE OF U.S. EXPORTING COMPANIES (2011).

<sup>40</sup> U.S. INTERNATIONAL TRADE COMMISSION, SMALL AND MEDIUM SIZED ENTERPRISES: CHARACTERISTICS AND PERFORMANCE (2010). <http://www.usitc.gov/publications/332/pub4189.pdf>.

<sup>41</sup> U.S. INTERNATIONAL TRADE COMMISSION, SMALL AND MEDIUM SIZED ENTERPRISES: U.S. AND EU EXPORT ACTIVITIES, AND BARRIERS AND OPPORTUNITIES EXPERIENCED BY U.S. FIRMS (2010). <http://www.usitc.gov/publications/332/pub4169.pdf>

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> ITC, CHARACTERISTICS AND PERFORMANCE (2010). <http://www.usitc.gov/publications/332/pub4189.pdf>.

due to the size of their business, size of their sales, processing time of the federal agencies, or access to a local participating bank.<sup>45</sup> Moreover, companies have also cited problems regarding the lack of communication between the private small business and the multiple federal agencies involved.<sup>46</sup>

***Foreign Market, Languages and Regulations:*** One the most often cited barriers to trade involves the small firm's uncertainty about the foreign market, their language and culture, and complying with their regulations.<sup>47</sup> Of the 281,668 small businesses exporters, 58 percent export to only one market, and 83 percent export to between one to four countries.<sup>48</sup> There is a fear of uncertainty when entering a new market, and with limited time and resources, small businesses tend to go with what is safe and proven. For example, many small businesses stated the costs of understanding foreign compliance is too costly to absorb, and they are unable to hire personnel dedicated to navigating the regulations.<sup>49</sup>

Without improved agency coordination and efficiency, most small businesses will not be able to fully take advantage of these new export opportunities. Reducing both domestic inefficiencies and foreign barriers will provide small businesses with the capability to compete in the global economy.

#### **IV. 2011 National Export Strategy (NES)**

The Export Enhancement Act of 1992 requires the TPCC to develop an annual National Export Strategy that establishes a set of federal priorities supporting U.S. exports. The NES outlines a plan to align federal programs, reports on effectiveness of promotion activities, and proposes an annual unified federal trade promotion budget, among others.<sup>50</sup>

On March 11, 2010 President Obama issued an Executive Order (13534) launching the National Export Initiative (NEI) to improve the private sector's ability to export and establishing the goal of doubling U.S. exports by 2014. The 2011 NES primarily focuses on the status and recommendations of the President's National Export Initiative (NEI) announced in March 2010, which created the President's Export Council and set the goal of doubling U.S. exports in the next five years.<sup>51</sup> The NEI outlined eight priority areas, starting with increased attention on small and medium-sized businesses; and then focusing on federal export assistance; trade missions; commercial advocacy; increasing export credits; macroeconomic rebalancing; reducing barriers to

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<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> PROFILE OF U.S. EXPORTING COMPANIES (2011).

<sup>49</sup> ITC, U.S. AND EU EXPORT ACTIVITIES (July 2010).

<sup>50</sup> E.O. 13,535, 75 Fed. Reg. 12,433 (Mar. 16, 2010).

<sup>51</sup> <http://edocket.access.gpo.gov/2010/pdf/2010-5837.pdf>.

trade; and export promotion of services.<sup>52</sup> In addition, the 2011 NES states the TPCC will increase the focus on several NEI recommendations, including:

- Increase coordination with state export promotion programs and non-profit associations;
- Identify and encourage exports by U.S. companies selling technologies in high-growth sectors;
- Increase the budget for trade promotion infrastructure;
- Ensure better data and measurement of U.S. services sector exporting; and
- Remove barriers to trade, including through pending trade agreements with Panama, Colombia and Korea.<sup>53</sup>

The 2011 NES also highlighted key progress on the creation of a common set of metrics used to measure progress by the federal trade agencies.<sup>54</sup> After a five year term, the TPCC has recommended two measures that will track the performance of federal agencies export promotion activities: the dollar value of exports and the number of exporting companies supported.<sup>55</sup> Establishing transparent and sound metrics are vital in understanding the efficiency of certain programs and in identifying new ways to help small businesses export. Below is a chart of the reported export success metrics for 2010.

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<sup>52</sup> *Id.*

<sup>53</sup> U.S. Department of Commerce, Trade Promotion Coordinating Committee (TPCC), National Export Initiative. June 2011. <http://trade.gov/nei/>.

<sup>54</sup> Trade Promotion Coordinating Committee, 2011 National Export Strategy, June 2011, <http://trade.gov/publications/pdfs/nes2011FINAL.pdf>.

<sup>55</sup> *Id.*

*2010 Metrics on Export Promotion and Financing Agencies<sup>56</sup>*

Measure	Value (2010)	Agency
Number of Companies New to Export	406	DOC
	627	USDA
	<b>1,033</b>	<b>Total</b>
Number of U.S. Companies Exporting to a New Market	4,630	DOC
	979	USDA
	<b>5,609</b>	<b>Total</b>
Number of Public-Private Partners and Business Counselors Trained on Exporting	200 business counselors	SBA
	2,693 multipliers <sup>57</sup>	EXIM Bank
	120 TPCC agency staff members	DOC
	<b>3,013</b>	<b>Total</b>
Dollar Value of Exports Supported by Counseling	<b>\$1, 148 million</b>	<b>DOC</b>
Number of Small Firm Exporters Assisted Federal Export Finance Programs	3,067	EXIM
	1,082 (1,216 loans)	SBA
	<b>4,149</b>	<b>Total</b>
Dollar Value of Small Firm Exports Supported	\$10.3 billion	EXIM
	\$1.0 billion	SBA
	<b>\$11.3 billion</b>	<b>Total</b>

<sup>56</sup> Trade Promotion Coordinating Committee, 2011 National Export Strategy, June 2011.

<sup>57</sup> EXIM bank multipliers include non-exporting agencies that can assist in getting exporters to use EXIM products, such as SBDC, District Export Councils, Manufacturing Extension Partnership, municipalities, universities and other TPCC agencies.

## V. The National Export Initiative (NEI) and the Impact to Small Businesses

Priority number one of the NEI is centered on getting more small businesses to actively and effectively participate in the export markets. According to the NEI, the TPCC agencies are realigning their marketing and outreach to small firms, and following a four stage export continuum: identify potential companies; prepare them to export; connect them to opportunities; and continued export support.<sup>58</sup>

The majority of the 17 proposed recommendations<sup>59</sup> are focused on outreach events and identifying new potential exporters to educate them on the resources available within the federal government. The list of recommendations included:

1. Conduct a national outreach campaign;
2. Coordinate, expand and leverage federal outreach resources to identify potential exporters;
3. Increase collaboration with private sector;
4. Analyze existing research to better understand the types of small businesses that become successful exporters;
5. Enhance training resources on [www.export.gov](http://www.export.gov);
6. Implement a program to “Train the Trainers;”
7. Promote export opportunities among competitive industry clusters;
8. Prepare Commerce’s Trade Information Center (TIC) to effectively direct prospective exporters to appropriate local resources;
9. Pilot an Export Intermediary Matchmaker Program;
10. Develop export assistance packages;
11. Implement bilateral and multilateral small business initiatives;
12. Produce trade financing marketing materials;
13. Provide trade finance counseling;
14. Train lenders in U.S. Government export finance programs;
15. Open EX-IM Bank and SBA Export Working Capital loan programs to more non-bank lenders;
16. Explore the feasibility of creating one set of performance measure that would apply to all U.S. Government export financing agencies; and
17. Make technology upgrades.

Making small businesses the top priority is essential to increasing the amount of current and future exporters. Small businesses have limited time and resources to navigate to the export process, and understanding their needs is a key to improving the efficiency of the federal agencies.

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<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

## VI. Executive and Administration Actions on Export Control Reform

Understanding and complying with the export control license system is a major obstacle for small businesses. They must navigate multiple federal agencies to understand the compliance requirements and to finally obtain an export license. There is a clear understanding that the system needs to be updated to increase efficiency.

Last year, President Obama announced the Export Control Reform Initiative that conducted a comprehensive interagency review of the current U.S. export control system.<sup>60</sup> The assessment determined the current system is outdated and overly complicated with too many redundancies.<sup>61</sup> As a result, the Administration recommended a fundamental reform of the export control system and streamlining the process by: creating a single control list, a single primary enforcement coordination agency, a single information technology system, and a single licensing agency.<sup>62</sup> Many of these recommendations will require congressional action.

There are two primary bills introduced in the House of Representatives related to amending and renewing the export control system; the Export Administration Renewal Act of 2011 (H.R. 2122), and the Technology Security and Anti-boycott Act (H.R. 2004). Both bills have been referred to the House Foreign Affairs Committee, and there has been no announced timetable for action.

## VII. Conclusion

Navigating the export process can be complex and confusing for small businesses, and many simply do not have the time and resources. This hearing will provide an opportunity for members of the Committee to examine the federal government's strategy to improve agency coordination, reduce inefficiencies and duplication, and therefore make it easier for small businesses to export. Members will also hear directly from small businesses on the domestic barriers and obstacles that limit their ability to export and compete in the global market.

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<sup>60</sup> <http://www.whitehouse.gov/the-press-office/fact-sheet-presidents-export-control-reform-initiative>.

<sup>61</sup> *Id.*

<sup>62</sup> President's Export Control Reform Initiative. <http://export.gov/ecr/index.asp>.