Export Assistance Programs for Small- and Medium-Sized Enterprises
Offered by the
International Trade Administration
U.S. Department of Commerce

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SMEs in Economy

Small and medium-sized enterprises (SMEs) play a vital role the world economy today. They are engines of growth and innovation, foster competition and promote the spirit of entrepreneurship.

Our 25 million-plus small companies are the backbone of the American economy. They create three of every four new jobs and generate over half of the nation's gross domestic product.

SMEs in Trade

Trade has benefited American workers, in both the manufacturing and the services sectors during the last decade. The U.S. economy created more than 20 million new jobs since the early 1990s. Since 1995, total U.S. private sector productivity increased 3 percent a year and real wages are up. Exports supported some 12 million U.S. jobs this past year. On average, each U.S. production worker manufactures exports that generate revenues [$55,000] sufficient to send two children to private universities. Workers in jobs supported by these exports receive wages 13-18 percent higher than the national average.

Trade liberalization helps SMEs achieve greater market access in international markets. In 1999, nearly two-thirds (64%) of U.S. SME exporters sold only to one market, with Mexico and Canada accounting for over a third (35%) of total SME export value. New free trade agreements will streamline and facilitate the export process, enabling SMEs who already export to enter new foreign markets.

From 1992 to 1999, there was a 107 percent increase in the number of SME exporters, from about 108,000 to over 224,000 firms. By 1999, SMEs accounted for nearly 97 percent of all U.S. exporting firms. Exports by SMEs accounted for $168.5 billion in 1999, or 29 percent of the total dollar value of these exports. By 1999, over two-thirds (69 percent) of all companies that exported in 1999 were small firms with fewer than 20 employees.

In all major product categories, SME exporters outnumber large firms. For example, SMEs comprised 94 percent of all exporters of Machinery Manufactures in 1999. Other export sectors dominated by SMEs are Environmental Technologies (99.2 percent), Computer and Electronic Products (93 percent), and Transportation Equipment (92 percent). Wholesalers

and non-manufacturing firms made up 66 percent of all SME exporters and generated 61 percent of total SME exports.

Small manufacturers benefit from a greater supply of inputs at lower prices, enabling them to remain competitive.

Lowering foreign trade barriers also helps small business exporters more than large companies in a fundamental way. While large companies usually have the resources to access foreign markets in two ways - either by exporting or by setting up foreign subsidiaries- most SMEs have only one option, and that is to export. In practical terms, that means that the more we lower foreign trade barriers, the more SMEs benefit compared to their larger competitors.

Another important point that often gets overlooked is the important role that non-exporters, including many SMEs, play as suppliers to U.S. exporting companies. Nearly three-fourths of all jobs supported by manufactured exports are generated indirectly, as export activity triggers ripple effects in supporting sectors throughout our economy. These jobs, which most people do not associate with exports, are found in firms that furnish exporters with parts, raw materials, and services. Service companies that support exporters include those in wholesaling, transportation, banking, computer services, accounting, and insurance.

ITA's Trade Assistance Programs

It is the role of International Trade Administration (ITA) to create an environment in which the small businesses and entrepreneurs can flourish through trade. At ITA, we strive to create economic opportunity for U.S. workers and firms by promoting international trade, opening foreign markets, ensuring compliance with our trade laws and agreements, and supporting U.S. commercial interests at home and abroad.

ITA estimates that almost 80 percent of its resources go toward helping smaller companies compete and win in the global economy. ITA offers a wide range of products and services to both novice and experienced exporters to help them compete and win in the global economy. Its array of services are easily accessible and are available at no or low cost to help firms enhance their export potential. ITA's programs and services, ranging from information to hands-on assistance, help both the novice exporter and the experienced exporter through every stage of the export process.

Over the past few years, ITA has been applying technology to make it easier for exporters to access our information and services. In addition to a perusing the comprehensive website, www.export.gov, exporters can register to receive emails on changes in foreign standards and import duties. We also have virtual programs to conduct matching with foreign buyers, market briefings, and trade missions which allow SME exporters to take advantage of our services without leaving their offices.

General Export Counseling and Assistance

Trade Information Center: As the first stop, we encourage SMEs to contact our Trade Information Center (TIC) for counseling via phone on its 1-800-USA-TRADE hotline. The TIC is the clearinghouse of export information for 19 federal agencies. The TIC's call center and website provide comprehensive trade information useful to both the novice and experienced exporter. Exporters can call the TIC to get answers to a variety of export questions, ranging from "how to get started," to tariff and tax rates, to documentation and licensing (such as the NAFTA Certificate of Origin) and technical requirements. The TIC also provides counseling on basic exporting and country and regional specific exporting as well as serves as the central reference point for information on all U.S. Government export assistance programs.

In FY 2001, the TIC handled more than 1.2 million inquiries. Of these, TIC trade specialists responded personally to nearly 80,000 inquiries, 83 percent of which were from SMEs. To meet the huge public demand for information, the TIC now has over 30 web-enabled databases.

As an example, in February 2002, a medical equipment company contacted the TIC to find the tariff rates and taxes as well as the proper documentation required for shipping medical equipment to Mexico. This company employs between ten to twenty employees who help remanufacture medical diagnostic imaging equipment, such as MRI's, CT's and X-rays. This company generates between $500,000 to $1,000,000 in international and domestic annual sales. As a result of contacting the TIC, this company completed a sale to Mexico worth US$30,000 and was able to ship its equipment through customs without any delay or difficulties.

SME Programs

ITA has dedicated a large portion of our resources to developing and implementing programs to reach and assist the SME exporter. Some of our programs include:

- Informational Services
  - **1-800-USA-TRAD(E)**, free information and advice on international trade from the **Trade Information Center** (TIC);
  - **Counseling** at domestic trade shows and in the Trade Information Center;
  - **Seminars and Workshops** on specific industries, markets, regions and on the variety of USG tools such as creative export financing;
  - **Export Finance Matchmaker**, an interactive database that matches exporters with potential sources of financing;
  - **Statistics on SME Exporters**, the official U.S. Government source for this
  - Information;
  - **Websites** on TD's programs which may be accessed through ***export.gov***; and
  - **301 Alert** service e-mails early warnings to SMEs that register with us to help them react to potential increases in U.S. import duties in response to unfair trade practices.

- Advocacy and Market Access
  - **Small Business Program** advocates for small business concerns in international trade fora, such as the OECD;
  - **Advocacy Support** to help level the international trade playing field;
  - **Trade Advisory Committees,** particularly the **Small and Minority Business Advisory Committee (ISAC 14),** provide SMEs with an opportunity to participate in trade policy development to have a voice in trade policy discussions and negotiations;
  - **Trade Compliance Center** (TCC) provides SMEs with the TCC's Online Trade Complaint Hotline to report suspected violations of a trade agreement or to report market access problems and a database of trade agreements on its website; and
  - ITA has worked closely with the **Census Bureau** to develop new statistical information on the characteristics of U.S. exporting companies, particularly SME exporters.

- Trade Promotion
  - **International Trade Missions** to introduce SMEs to potential foreign buyers, to locate agents and distributors, to identify joint venture partners, and for meeting with key governmental decision makers;
  - **American Product Literature Centers** provide a low cost opportunity for SMEs to display their product catalogs to potential distributors at international trade shows;
  - **Business Information Offices** at international trade shows to gather trade leads for U.S. SME exporters;
  - **Market Development Cooperator Program**, a matching awards program that builds public-private partnerships to encourage SME exports;
  - **Export Trade Certificate of Review**, a safe harbor for SMEs to collaborate and gain the same advantages available to large-sized firms without fear of U.S. antitrust laws; and
  - **BuyUSA.com,** a way for SMEs to attract new export business.

U.S. & Foreign Commercial Service

Our Commercial Service officers provide hands-on, extended counseling to help established firms realize their export potential. ITA's U.S. Commercial Service is a worldwide network of 1800 employees that helps small- and medium-sized U.S. firms realize their export potential. Commercial Service officers are posted in over 150 locations abroad and at over 105 U.S Export Assistance Centers (USEACs) throughout the nation.

They can provide customized market research and identify desirable international markets; identify potential buyers, international business partners, agents and distributors; and arrange overseas meetings with in-country officials.

At the USEACs nationwide, our Commercial Service officers help SMEs determine the most desirable international markets for a company's product or service, identify potential buyers or

international business partners, arrange overseas meetings with in-country officials, and obtain customized market research.

The U.S. Export Assistance Centers often combine the resources of the U.S. Department of Commerce, Small Business Administration, and Export-Import Bank of the United States, Foreign Agricultural Service, and state and local export assistance providers. The USEACs also partner with state and local export promotion agencies and serve as a "one-stop-shop" for export assistance.

In FY 2000, these centers provided assistance to 17,855 U.S. companies in 44,156 counseling sessions, and worked with a total client base of 88,100 companies, nearly 100 percent of which were SMEs. This assistance resulted in 4,627 verifiable export sales worth $5.1 billion.

Small business exporters traveling overseas also have access to services provided by Commercial Service Officers in U.S. Embassies and Consulates in more than 160 offices around the world. Commercial Service Officers provide information and assistance to U.S. firms. In FY 2000, overseas posts recorded 4,628 verifiable sales totaling $16.2 billion resulting from Commercial Service Officer assistance provided to U.S. companies. Verifiable sales from SME clients totaled 3,237 (or 70 percent), with a resultant average sale per company of $1.2 M. Overseas officers also undertook 189,865 counseling sessions with U.S. companies and potential buyers.

Rural Export Initiative and Global Diversity Initiative

The Commercial Service developed the Rural Export Initiative and the Global Diversity and Women's Initiative to help rural companies and minority-owned companies seek business opportunities in international markets.

To support rural enterprises the Commercial Service developed the Rural Export Team throughout our domestic offices. These team members customize and develop export programs to assist rural businesses.

For example, one program might be an export-training seminar that will walk rural companies through the export process, or another program might be designed to recruit rural companies to attend a trade show such as Repcom in Mexico. These proposed projects are approved and monitor by our staff in Washington to ensure effective outreach is be targeted to non-traditional clients at the highest level.

The Global Diversity and Women's Initiative is designed to greatly increase the probability of minority and women-owned companies achieving export success. All Office Directors and Managers have incorporated Global Diversity goals into line management performance plans, meaning all of our domestic offices (U.S. Export Assistance Centers) are required to submit projected numbers of new minority and women-owned companies they will work with in fiscal year 03.

Additionally, 120 minority and women-owned companies were selected from ten states and paired with U.S. Export Assistance Centers to receive aggressive one-on-one counseling. The companies were selected based on their export-ready potential.

The Commercial Service led a Women's Development Trade Mission to Botswana and South Africa this past February which helped women business-owners identify opportunities in Africa, and a second Women and Minority business trade mission went to Italy and Spain in July.

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Policy

ITA also dedicates a significant amount of staff to work on the front lines of the trade negotiations daily.

It is often mistakenly assumed that trade policy only benefits large multinational companies when, in fact, small businesses hold an increasingly large stake in markets where we have trade liberalizing agreements.

Since the passage of Trade Promotion Authority, two Free Trade Agreements (FTAs) – with Chile and Singapore have been completed. The U.S. in the early stages of three other FTAs - with Australia, Morocco, and Central America, and we are creating the South Africa Customs Union.

Despite the impressive progress that has been made to open new markets and reduce foreign barriers to trade, there is still much work to be done. In order to maintain competitiveness and innovation, U.S. businesses need greater access to foreign markets.

The role of the private sector is increasingly important as we move forward on the Doha Round of trade negotiations and FTAs. U.S. companies are faced with many obstacles in trying to export their goods and services into foreign markets, and we need industry's help in identifying obstacles and barriers to trade, which hinders our ability to compete globally.

One way industry has a direct input as these agreements develop is through the trade advisory committees mandated by Congress.

The advisors focus on objectives and bargaining positions for trade negotiations and provide technical advice on specific sectors of U.S. industry (e.g. aerospace, energy, capital goods) or custom matters, product standards, intellectual property rights, and electronic commerce. They provide us with critical real-world information that helps us shape policy in a practical way.

Conclusion

One of ITA's top goals is to promote job creation, economic growth, sustainable development and improved living standards for all Americans. Helping SMEs export is at the core of this effort. To compete and succeed in a global arena, all communities and businesses must be aware of the opportunities that are available to them.

SME exporters are becoming increasingly important to U.S. economy as evidenced by their tremendous growth over the past several years. Trade is essential to their future and to all they employ.

ITA makes the needs of small business a priority as it develops trade programs and policies and as it drafts trade negotiating objectives. While small businesses benefit significantly from the lowering of tariff barriers and other restraints, they also have the strongest interest in the elimination of the red tape that often hinders our exports. That's why small manufacturers are interested in achieving additional progress on the harmonization of standards and burdensome customs procedures. The U.S. and most other WTO members seek negotiations in trade facilitation - which helps to resolve customs procedures and related transparency issues - to benefit small business.