

**ACROSS TOWN, ACROSS OCEANS: EXPANDING  
THE ROLE OF SMALL BUSINESS IN GLOBAL  
COMMERCE**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON SMALL BUSINESS**  
**UNITED STATES**  
**HOUSE OF REPRESENTATIVES**  
**ONE HUNDRED FOURTEENTH CONGRESS**

FIRST SESSION

HEARING HELD  
MAY 20, 2015



Small Business Committee Document Number 114-012  
Available via the GPO Website: [www.fdsys.gov](http://www.fdsys.gov)

U.S. GOVERNMENT PUBLISHING OFFICE

94-652

WASHINGTON : 2015

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None.	
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None.	



## **ACROSS TOWN, ACROSS OCEANS: EXPANDING THE ROLE OF SMALL BUSINESS IN GLOBAL COMMERCE**

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**WEDNESDAY, MAY 20, 2015**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Luetkemeyer, Hanna, Rice, Radewagen, Knight, Curbelo, Hardy, Velázquez, Clarke, Hahn, Meng, Lawrence, Adams, Moulton, and Takai.

Chairman CHABOT. The Committee will come to order.

I want to thank everyone for joining us today for this timely and important discussion on trade. Very often, this Committee discusses ways to grow the economy, increase the number of jobs being created, and sell more goods stamped “Made in the USA.” All of these goals would help the American workforce, and all of these goals are attainable with trade. Simply put, trade means opportunity for small business. After all, 96 percent of the world’s consumers live outside the borders of the United States, yet of the 28 million small businesses in America, only 1 percent sell their goods internationally. If we tear down trade barriers, we can make it easier for small businesses to participate in the global marketplace and unleash our nation’s most powerful economic force.

One of the barriers facing small businesses looking to export is confusion about how to even do it and a maze of federal resources only sometimes add to the confusion. This Committee recognizes that challenge and is working on legislative solutions to better coordinate federal resources so they are more efficient, streamlined, and better able to help business navigate the export process.

Beyond that, we need better trade agreements. Currently, we only have one free trade agreement with 20 countries, so that is trade agreements with about 10 percent of the countries around this globe; yet, nearly half of the goods exported from the United States went to those countries that we had trade agreements with last year. Better trade agreements mean small businesses will be able to access new international customers and offer their products more easily and at a lower cost than ever before. It means that more products will be built and sold. When that happens, jobs are created, wages are lifted, and more opportunity is available to all.

That is really what is on the table with this debate—more opportunity for all Americans. We cannot get stronger trade agreements, like TPP and TTIP without trade promotion authority or TPA. Without TPA, American workers will be competing under the same unfair rules they do today. It will be the status quo. With TPA, we can create trade agreements that will level the playing field. We can remove barriers put up by foreign nations that make it more difficult for American businesses to sell their products. Put an American worker against anyone in the world and I will take that bet every day of the week and twice on Sunday, but we cannot get there without trade.

Trade is also an opportunity to spread American values of economic freedom and individual liberty, freedoms we understand as second nature. Without TPA, and subsequently TPP, other nations will dictate the rules of the new economy; nations that do not respect the rule of law or the rights of the individuals. Trade is not a choice or a luxury in our modern world; it is a necessity. It is a cornerstone of a strong 21st century economy.

Today we will hear from small businesses who are directly impacted by whether we move forward on TPA and important trade agreements or whether we bury our heads in the sand while China shapes the contours of the global marketplace.

I want to thank again our witnesses for being here, and I now yield to the ranking member for her opening remarks.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Year after year, we are told that small businesses are the catalyst for U.S. economic growth, and rightly so as they create nearly two-thirds of net new jobs and are responsible for countless innovations. A critical subset of this group is small exporters. In fact, 300,000 small businesses are sending their products across the world, and three in five nonexporting firms are now interested in following suit.

Firms that export grow faster, generate more jobs, and pay higher wages than other businesses. Clearly, in order for our economy to continue gaining steam, it will increasingly depend on global commerce to fuel expansion. Despite the advantages of trade, it remains exceedingly difficult for small businesses to enter foreign markets. By some estimates, just 5 percent of small firms in this country export their goods overseas. Even though small and medium-size businesses account for 97 percent of American exporting companies, their exports account for only one third of all U.S. goods shipped overseas.

And there are various challenges. It takes time to identify foreign markets, to target new customers, and to learn the ins and outs of the exporting process. In fact, nearly half of small exporters spent a minimum of a few months a year, as well as an average of 8.4 percent of their annual operating revenue preparing to export.

Small companies often have fewer resources to expand on developing a trade strategy or complying with complex regulations. As a result, they consistently enter fewer foreign markets than their larger counterparts, with nearly 60 percent only entering one, while more than half of large firm exports to five or four, or even more markets.

These difficulties are something we must be mindful of as we consider legislation to fast-track approval of the Transpacific Partnership. Given that details of this agreement are difficult to come by, it is challenging to say if the agreement will help or hinder small businesses. In theory, balanced free trade agreements have the potential to be a significant driver of growth. By eliminating tariffs and other barriers to trade, they can help small firms expand sales globally and create jobs at home.

In order for these benefits to be fully realized, however, we must hold our trading partners accountable for unfair trade practices and ensure that our small businesses receive the level playing field they were promised.

Truth be told, small businesses often face challenges when it comes to competing with foreign imports produced in countries with lower label standards and nonexistent environmental protections. Time and again we are told about promising markets, but little discussion is given to the low priced goods that will still enter our domestic marketplace.

Is this good for consumers? Maybe. Is it good for small businesses? Definitely not. This is something we must be mindful of as we consider legislation that will provide the president with trade promotion authority. This decision will occur against a complicated backdrop. International trade is more a conflict than ever before, dependent on dynamic global microeconomic trends, ever-changing trade policies, a variety of expert promotions and a mix of enforcement mechanisms. It is absolutely critical that small businesses are able to participate in this global marketplace, but achieving this goal should not require unfairly harming those entrepreneurs solely doing business here at home.

I would like to thank our witnesses for their testimony and for being here today. I look forward to hearing your perspective on these very complex issues.

Thank you.

Chairman CHABOT. Thank you very much.

And I would ask that Committee members, if they have an opening statement prepared, to submit them for the record, and I will just take a moment to explain our timing rules here. You get five minutes to testify. A yellow light will come on to let you know you have one minute to wrap up and a red light will come on and we would ask that you complete your testimony within that time if at all possible. We will give you a little of flexibility but not too much.

And we will go ahead and introduce our witness panel here. Our first witness is Brian Bieron. He is the executive director for the Global Public Policy Lab at eBay, Inc. In this role, Mr. Bieron has covered public policy issues for eBay and PayPal in the European Union and Australia. Mr. Bieron has a bachelor of arts from St. Joseph University and a master's from George Washington University, and we welcome you here this morning.

Our second witness will be Dyke Messinger, who is the president and CEO of Power Curbers, Inc., in Salisbury, North Carolina, where he has been president and CEO since 1981. Mr. Messinger received his undergraduate degree from the University of North Carolina Chapel Hill and his master of business administration from Tulane, and we welcome you here as well.

Our third witness today is Michael E. Stanek, vice president and chief financial officer of Hunt Imaging LLC. Mr. Stanek serves on the Board of Trustees of the National Small Business Association and is testifying today on NSBA's behalf. He received his undergraduate degree from Cleveland State University, and we thank you for your testimony as well.

And I will now yield to Ms. Velázquez to introduce our next witness.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

It is my pleasure to introduce Tim Brightbill. Mr. Brightbill is a partner in the international trade practice of Wiley Rein, where he represents guidance on all aspects of international trade law and policy, including trade remedies and export controls. As a former vice chair and current member of the Industry Trade Advisory Committee on Services and Finance Industries, he advises the U.S. government on free trade agreements and matters concerning the WTO. He is also an adjunct professor for the International Trade Law and Regulation at Georgetown University Law School. From 1994 to 1995, he served as counsel to the House Committee on Small Business. Welcome back.

Thank you.

Chairman CHABOT. Thank you very much.

And we will now go to our panel. Mr. Bieron, you are recognized for five minutes.

**STATEMENTS OF BRIAN BIERON, EXECUTIVE DIRECTOR, EBAY GLOBAL PUBLIC POLICY LAB; DYKE MESSINGER, PRESIDENT, POWER CURBERS, INC.; MICHAEL STANEK, VICE PRESIDENT & CHIEF FINANCIAL OFFICER; TIMOTHY BRIGHTBILL, PARTNER, WILEY REIN, LLP**

**STATEMENT OF BRIAN BIERON**

Mr. BIERON. Mr. Chairman, Ranking Member Velázquez, and members of the Committee, thank you for inviting eBay to testify on how U.S. small businesses are using technology to reach international markets. Our company is a truly global platform with nearly 60 percent of our revenue generated outside the United States. We enable over 150 million users in over 200 countries.

For the first time in history, nearly every entrepreneur and small business can use technology to reap the benefits of trade on a global scale, an opportunity traditionally open only to the largest, multinational corporations. We are literally entering an age of micro multinationals. Some small businesses have always been engaged in trade, often as a supplier to a very giant company, but today technology is creating a new model of direct global commerce by small businesses. We call it the global empowerment network, and it is based on the powerful combination of the Internet global commerce platforms like eBay, technology-enabled payment services like PayPal, modern shipping services, and the knowledge of e-commerce exporting opportunities.

Let me provide some numbers from the eBay Public Policy Lab's 2015 U.S. Small Business Global Growth Report, a copy of which I would ask to submit to the Committee record. As I mentioned, U.S. small businesses have always been exporters, but according to

government data, it is just around 1 to 2 percent of them. By contrast, on eBay, 95 percent of them export. The traditional small business exporters reach an average of two export markets a year. On eBay, over 190,000 U.S. small business each exported to consumers on at least four continents last year alone. That is truly global sales.

These staggeringly different results boil down to some pretty simple data on exporters' survivability. The World Bank has studied small business exporters in five upper-income European countries and found that 85 percent of small businesses that start exporting quit the effort by the end of the third year. That is just a 15 percent success rate.

Exporting is hard. On eBay, the success rate for U.S. small businesses was 74 percent from 2010 to 2014. That is 85 percent failure versus 74 percent success. The Internet trade landscape is also more open to newcomers. It is more inclusive. For example, the largest 5 percent of U.S. exporters account for 82 percent of U.S. trade, but on eBay, the largest 5 percent of exporters account for just 55 percent.

I find this global trade data very exciting, but you all represent people, not numbers, and eBay is about empowering people. Let me tell you about two.

Brian Robinson owns the Music Farm in Canton, Ohio. He and his 11 employees export more than 40 percent of the Music Farm's inventory. Great Sky Gifts is owned by a woman named Colleen Rast. She employs four people in Kalispell, Montana. From there they have exported to 99 countries. You know better than anyone in Congress that small businesses face huge challenges. They take risks, they work incredibly hard, and they face intense competition. It is the same when they trade globally.

At eBay, we are working to help address some of those challenges and reduce barriers. Take language. Among other innovations, our investment in machine translation technology has lowered language as a barrier to U.S. exporters by 66 percent since 2004.

There are also things policymakers can do. eBay would propose three to you. First, raise the U.S. low value customs de minimis threshold, the level below which goods are exempted from import duties and paperwork and make raising other countries' de minimis thresholds a top trade negotiating priority. Raising the de minimis threshold is basically a one-step free trade policy for small businesses.

Second, modernize global postal systems across the world. Micro multinationals regularly utilize postal services because of their widespread networks. Those services are key to this global trade model.

Finally, the U.S. Government has many excellent programs, as you have mentioned, Mr. Chairman, designed to help businesses export, but many of those programs were not developed with small e-commerce businesses in mind. I would urge the Committee to review existing government export promotion programs to be more supportive of these e-commerce micro multinationals.

Small and mid-size businesses can contribute to their local economy and regularly service customers around the world.

Globalization itself can be a better system. It can be more open and inclusive. I encourage you all to help achieve that future, and I look forward to answering any questions.

Chairman CHABOT. Thank you very much.

Mr. Messinger, you are recognized for five minutes.

#### **STATEMENT OF DYKE MESSINGER**

Mr. MESSINGER. Thank you, Mr. Chairman, Congresswoman Velázquez, and my congressman, Congresswoman Adams. Good to see you.

Thank you for the opportunity to testify today as the president of Power Curbers, Inc., a 62-year-old company that was founded in Salisbury, North Carolina. I am also appearing today on behalf of the National Association of Manufacturers, the largest industrial trade association in the United States, with over 14,000 members.

Power Curbers was founded by two businessmen with a design for the world's first automatic curb machine. This engineering breakthrough helped streamline the process of laying out highways, medians, and other road infrastructure projects. While we still produce machines using the same curbing technology, we have grown into one of the leading paving machinery manufacturers for both agriculture and infrastructure projects.

Power Curbers' success in the United States has been fueled in substantial part by our ability to sell overseas. Since the early 1960s, we have been exporting our equipment and have exported now to over 90 countries throughout the world. By exporting, we are simultaneously helping create safer, more efficient infrastructure overseas and supporting good paying manufacturing jobs in North Carolina and Iowa.

International sales and exports comprise 40 percent of our total revenue and are critical to our continued innovation and growth. More broadly, exports support 154,000 jobs in North Carolina, and 81,000 jobs in Iowa, more than 20 percent of each state's manufacturing employment. For example, on our order board today, we have machines of approximate value of \$350,000 to \$400,000 destined for Chile, Panama, Saudi Arabia, Japan, the Philippines, India, Uzbekistan, and Canada. More importantly, during the financial crisis, it was our international business that kept us going. Our international business was 70–80 percent of machine sales those five years.

We do not just talk international business, we live it at Power Curbers. At our regular meetings with employees, we have a large world map of the world in our break room. Our employees know where every machine ships and we bring back pictures and job stories to share our success overseas. This ties them to the work done with our machinery that is far beyond our borders so they know their jobs are dependent on our international business success.

Additionally, we have significant competition in our industry, and that makes us all better companies. But our company and our American competitors face real tariff competition, which is highlighted in my official testimony. To continue to thrive, manufacturers like Power Curbers need to see open markets and a more level playing field.

I would like to focus on a few key trade issues on which Power Curbers and the NAM are focused to grow competitiveness and success of our manufacturers overseas. As was just stated, the U.S. has the most open market of any major economy with the lowest tariffs of any country in the G20. Indeed, more than two-thirds of all manufactured imports entered the U.S. duty-free in 2013, yet manufacturers in the U.S. face steeper trade barriers abroad than virtually any major country, including Mexico, China, and Europe, largely because those countries have entered into more market access agreements than the United States. Out of 138 countries measured by the World Economic Forum, the United States faces higher tariffs than all but eight countries. All but eight countries. That is ridiculous.

Why are European Union tariffs so much lower than ours? Because they have entered into free trade agreements all over the world. Congress can and must do more to expand U.S. manufactured goods exports and open new markets if we are going to grow manufacturing and the jobs it supports in the United States.

Passage of TPA, which lapsed in 2007, is critical to restore U.S. leadership on trade and help ensure the negotiation of strong market-opening agreements that foster new opportunities and a more level playing field for our nation's manufacturers. The United States is now sitting on the sidelines as other countries move forward and more aggressively open markets, promote exports for their business at the expense of ours.

By standing still, the U.S. is falling behind in the global economy. It is time to reverse that trend and move to enact and implement legislation and programs that will boost America's global competitiveness.

Thank you very much.

Chairman CHABOT. Thank you.

Mr. Stanek, you are recognized for five minutes.

#### **STATEMENT OF MICHAEL STANEK**

Mr. STANEK. Good morning, Chairman Chabot, Ranking Member Velázquez, and Committee members. Thank you for the opportunity to testify before you on this timely and important topic.

Hunt Imaging is a manufacturer of dry and liquid electrostatic toners and developers used primarily in high speed computer printers. I am proud to be representing not only Hunt Imaging but also the National Small Business Association and its international arm, the Small Business Exporters' Association.

Hunt was a spinoff from a Fortune 200 company 19 years ago and has operated as an independent company since. In addition to our headquarters in Berea, Ohio, we currently operate a branch in Belgium but are in the process of closing that facility due to a sustained downturn in European sales. As a company whose history emanates from a multinational organization, we were fortunate to have had a strong background in exporting, a background the vast majority of our small business brethren do not share.

Even with our prior experience, however, we have learned that the opportunities to expand our international presence have declined since we became a standalone entity. Finding effective distribution partners is an essential component of small business

entry into the export arena. In general, small businesses are challenged in having limited resources upon which to draw when entering international markets, and frankly, quite often have a fear factor in attempting to take that step.

Possibly the biggest challenge for a small business, and certainly ours, is finding international opportunities to pursue. When we were part of a large corporation, we had a worldwide network of colleagues who could not only pinpoint opportunities for us, but also pursue them on our behalf. As a small, private organization, we are challenged to uncover potential sales opportunities and have struggled with identifying domestic resources to assist in that process.

One suggestion to help small businesses in participating in the 95 percent of the worldwide purchasing market that exists outside the U.S. is to offer a one stop shop. Ideally, within the Department of Commerce, and more specifically within the International Trade Administration, they would have a centralized staff dedicated to assisting small businesses in all aspects of exporting. A beginning to end focus for each company could tremendously ease the complications that seem to be inherent in this process.

Free trade agreements are likewise extremely important as they lower foreign barriers and produce a more level playing field. Lowering the hassle factor of exporting greatly increases the attractiveness to small companies. Given the importance of small business to both the European and Asia-Pacific economies, it is vital that the TTIP and TPP negotiations address the specific needs of small business and all aspects of their agreements, and we support the passage of TPA to allow this to happen.

If we desire American small business to export more, it is also important to reduce variable costs like tariffs. Many companies impose tariffs on U.S. exports that are substantially more than our own, and a web of nontariff barriers overseas often shuts out U.S. goods and services. These nontariff barriers can include items such as foreign patent and trademark costs, paperwork requirements, and performance bonds and licenses.

Interpreting and comprehending regulations has also proven to be a challenge that exhausts a small firm's resources and drains our wallets when we have to turn to outside professionals. NSBA supports the creation of a centralized website that is monitored and collects up-to-date information on regulations and policies for the most commonly traded goods and services.

Having a strong commitment to intellectual property rights is vital to protect our innovative products and service. The creation of simplified methods for filing and renewing trademarks and copyrights will provide more timely enforcement of these rights, which are the result of the innovations of our small businesses.

On a broader scale, we also need to get more community banks into export finance and educate them on available government lending programs so they can better advise their small business customers who are considering exporting. The U.S. financial sector seems to be less engaged in World Trade than are the financial sectors in Europe.

While there is no doubt that some of America's biggest companies can continue to increase their exports, the largest untapped re-

source for American exports is small and medium-sized companies. Just over 1 percent of these businesses currently export, and many believe it is too burdensome or risky or just do not know where to start. Federal agencies can play an important role in helping to reduce exporting barriers for small businesses and help these entrepreneurs tap into new markets and grow.

Thank you for hearing my testimony, and I look forward to responding to any questions you may have.

Chairman CHABOT. Thank you very much.

Mr. Brightbill, you are recognized for five minutes.

#### **STATEMENT OF TIMOTHY BRIGHTBILL**

Mr. BRIGHTBILL. Chairman Chabot, Ranking Member Velázquez, and members of the Committee, thank you for the opportunity to testify before you today on the important issue of expanding the role of small business and global commerce, and it is good to be back at the House Small Business Committee today.

I have practiced international trade law for 20 years, and I have always focused on helping American companies, industries, and workers. I work with members of a wide variety of industries, from solar panels, to steel, to hand tools, to school notebooks. I also work with many U.S. companies who provide services here and abroad. My job is to help these companies grow, prevent unfair trade practices from harming them, and to help eliminate trade barriers overseas.

As this Committee knows, small businesses face enormous challenges in the area of international trade. According to the president's 2015 trade agenda, and as Chairman Chabot said earlier, there are 28 million businesses in the United States, but only 1 percent of them export their merchandise to other countries. And of those small businesses that do export, most export to only one country—Canada or Mexico. This demonstrates how small businesses often struggle to overcome steep tariffs, trade barriers, paperwork, fees, and other significant obstacles.

Now, the U.S. Government has taken steps towards removing these barriers but there is much more to be done. I would like to list just a few areas of priority for Congress and the administration that are particularly relevant to small businesses.

First, on the Transpacific Partnership. The U.S. Government does have a potentially important opportunity to create jobs, expand trade, and manufacturing, and improve the global rules of international trade with the TPP free trade negotiations. If approved, TPP would be the largest U.S. free trade agreement involving 12 countries and more than 40 percent of global trade. And that agreement should help U.S. small businesses export, not just by eliminating jobs but by streamlining customs procedures, eliminating trade barriers, and developing more transparent regulatory procedures.

There are other benefits, such as the eliminating of barriers to e-commerce and express delivery services, and also new disciplines on state-owned enterprises. When U.S. small businesses export, they should not have to compete with foreign governments. And while China is a notable example of the problem, SOEs play sub-

stantial roles in the economies of TPP countries like Malaysia and Vietnam, as well as Russia, Brazil, India, and many others.

At the same time, TPP poses potential threats to small businesses. First, the opening of the U.S. market to additional foreign competition could harm some smaller businesses and could head to some jobs being lost to lower wage positions in other TPP countries.

Second, small business goals and objectives are less likely to be fully represented in these negotiations, and in fact, while the TPP contains a chapter on small and medium enterprises, the details of the agreement are not well known.

Before it considers TPP, Congress must first take up trade promotion authority. The Senate is considering TPA legislation and amendments this week, and the House will do so shortly. And as this debate has progressed, the number one theme that we have heard over and over again is one of enforcement. Congress should not approve new trade agreements until it has better ways of enforcing our existing agreements, and there is an opportunity here.

I think the best way to build support for TPA, among Republicans and Democrats, is to improve trade enforcement for all types of businesses, including small businesses. First, Congress should approve much-needed trade enforcement measures as part of TPA. U.S. industry has proposed a set of five trade law changes that it views as essential for domestic companies and their workers. These provisions were included in the Customs and Trade Bill that passed the Senate Finance Committee on a bipartisan basis. They should be included in TPA as well.

Second, Congress should improve the ENFORCE Act legislation to guard against foreign companies who engage in trade fraud and evasion. Senator Wyden has championed this legislation for years, and again, it was included in the Customs and Trade Bill that passed the Senate Finance Committee on a bipartisan basis.

Third, Congress should address the important issue of currency manipulation, and in particular, it should approve legislation directing the Commerce Department to investigate currency manipulation as an illegal subsidy.

I am happy to address specific aspects of TPP, or the Trade and Services Agreement, or the Trans-Atlantic Trade and Investment Partnership, and there has been a very good ITC study done on that recently. But regardless of the agreement, the same challenges remain. Encouraging exports by U.S. small businesses is imperative to allowing American industry to expand and American workers to prosper.

Thank you for addressing these issues today. I am happy to answer any questions.

Chairman CHABOT. Thank you very much.

And I want to especially thank all four of the panel members for keeping within our time limits almost to the word, so well done. And the testimony was good, too.

And I will begin with recognizing myself for five minutes, and Mr. Bieron, I will begin with you, if I could.

We are certainly aware that the statistics are there is only about 1 to 2 percent of small businesses that actually trade internationally, yet eBay has been able to have, because of your platform, a

95 percent of those, and you mentioned four continents. Those are incredibly, I think, positive numbers. I would just like to hear if you wanted to expand upon that a bit, what successes they have had, why you think there is such a discrepancy between the overall small business community and those who operate through eBay.

Mr. BIERON. Thank you, Mr. Chairman.

Sure. One of our studies did, did, in fact, try to look at what are the kinds of barriers that are so much lower when a business is operating online than not. And to give some perspective, I think what we are talking about at eBay is the fact that you now have a completely different business model for very small businesses to try to go and engage in global markets. And it is literally a paradigm shift. And my colleagues at the table here, I mean, outstanding and inspiring export stories, but from businesses that I think are exporting in the way businesses have exported for years, at eBay, the idea that these microbusinesses are targeting specific countries, are investing, for example, in the kinds of expertise it takes to engage in Germany, or sell to France, or sell to Brazil, it is not like that on the Internet with really small businesses; instead, the platform itself that allows a small business to have their product be seen. So it is essentially global advertising. Or it replaces the need to have trust in an individual business with trust in the platform. Or, for example, on eBay, the feedback system that allows a consumer anywhere in the world to have trust in individual small business, maybe a five-person business, as I said, in Montana or in Ohio. These are transformative changes, and what it means is that it is almost harder, I would say, not to export than it is to export. We do have some small businesses that are operating in the U.S. and all around the world who literally choose not to export because they believe, for example, that maybe the complexities are too much. They do not want to deal with currency. They do not want to deal with some things. But instead, most choose to sell to whom they can sell, and that ends up being global trade.

And so that does not mean that it is simple. Like I said, language is a huge challenge, and literally moving stuff across borders still is hard. So whether it is the shipping itself—I mentioned postal systems—or the complexity of customs duties, you know, when you are a five-person business and you are having to deal with customs and duties for 50 countries, that is harder than it ought to be.

Chairman CHABOT. Thank you very much. I appreciate it.

And Mr. Messinger, I will turn to you next if I can.

You had mentioned, among other things, that you are in favor of TPA, and Mr. Brightbill mentioned some of the concerns about jobs and things like that and also mentioned that the Senate, we think, is going to be taking it up this week, I believe, and the House, probably sometime in the near future. And I happen to be a supporter and hope it passes. But I know some of my colleagues who are opposed to it are concerned about jobs being lost and companies taking their business overseas and setting shop up over there instead of in the U.S. And my belief is basically we create far more jobs than we lose. That is one of the reasons I am in favor of it. But could you comment on TPA and what it would mean to your

business in particular and what you think it would do relative to the hiring of more employees, or do you think you would end up letting employees go? What do you anticipate in your business?

Mr. MESSINGER. Well, as it was said, TPP, which is kind of the hottest topic under TPA, is the most far-reaching agreement that we have ever encountered, and because Asia is such a rapidly-growing part of the world, it is going to mean huge advantages to us because we have Chinese competitors. They are exporting today to those countries, and it is going to mean through that reduction in tariff, it is going to mean—we are very aggressive in the international market—job growth for us. But more importantly, if you look at the statistics for manufacturing jobs in this country, they have grown every year outside of the financial crisis, of course, but every year consistently since NAFTA. So manufacturing jobs are going to continue to grow, and I would predict rapidly with the approval of TPP.

Chairman CHABOT. Okay. Thank you.

My time is expired. The ranking member is recognized for five minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Mr. Brightbill, do you believe that the TPP will realistically expand the number of foreign markets that American small businesses enter? Or will the nontariff and logistical barriers remain too much for them to overcome? We know that, for the most part, our small businesses trade with Mexico and Canada. But will we achieve more than that? And if not, why?

Mr. BRIGHTBILL. Ms. Velázquez, it is very difficult to know. We know what some of the positives potentially are out there. Certainly having common tariffs or reduced tariffs could be a positive thing. You would have less of a spaghetti bowl of trade agreements that companies have to deal with. If you have harmonized standards, harmonized reduction of technical barriers to trade, harmonized assessment of products, that could be a positive. If you have harmonized customs procedures, again, as has been pointed out, getting goods through customs, the delays in the paperwork and the fees are often extraordinary. My concern is you have to have a way to enforce all of those things that are written on paper, and it is not clear to me that all the enforcement tools are there or readily accessible to small business.

Ms. VELAZQUEZ. So let us talk about the Korea-U.S. Free Trade Agreement. It was sold to us as being able to support 70,000 jobs and increase U.S. exports by \$11 billion. However, since that agreement took effect in 2012, exports to Korea have increased by less than \$1 billion. Meanwhile, Korean imports to the U.S. have surged more than \$12 billion, resulting in a net loss of 75,000 jobs—U.S. jobs. So why is that?

Mr. BRIGHTBILL. Again, I think—

Ms. VELAZQUEZ. Is it lack of enforcement?

Mr. BRIGHTBILL. I think lack of enforcement, and there are powerful incentives in these other countries, even after a free trade agreement is reached, to keep their trade barriers up and to keep their markets closed. We hear this around the country so that is the challenge that we face in negotiating a good agreement and one that gives us ways to enforce it after the ink is dry.

Ms. VELÁZQUEZ. So my question is, do you expect that we are similarly being sold a false bill of goods regarding the TPP?

Mr. BRIGHTBILL. That is a good question. I do not know the answer to that. I think it is a large agreement. It involves many countries. In some, I think there is potential for improvement. In others, I think it will be very difficult to get rid of those barriers even over time.

Ms. VELÁZQUEZ. I agree with you. The lack of enforcement obviously is going to produce the results that we have seen with the U.S.-Korean agreement.

I have another question, and this has been central to the whole debate, and that is, how does currency manipulation affect small businesses?

Mr. BRIGHTBILL. Yes. Well, currency manipulation is a form of a subsidy. The Peterson Institute of International Economics, very well respected by Congress, and the administration called currency manipulation “the biggest subsidy of them all.” And the estimates over time as to, for example, how much China’s currency is undervalued, have ranged anywhere from 10 percent to 40 percent or more. So what we are seeking and what industry has sought in the legislation that is moving forward on the Senate side, is to say that the Commerce Department should look at currency manipulation as a subsidy, and if it finds it to be a subsidy, you impose a duty, like any other subsidy—a grant or a loan or a loan guarantee—to offset that unfair trade practice.

Ms. VELÁZQUEZ. Mr. Brightbill, for the record, should Congress require that free trade agreements, including the TPP, incorporate enforceable rules regarding currency manipulation?

Mr. BRIGHTBILL. Yes, I think they should.

Ms. VELÁZQUEZ. Thank you.

Mr. Bieron, as an intermediary operating in the U.S., eBay is not held liable for the unlawful actions of its users. Is this the case in foreign countries?

Mr. BIERON. Internet liability law is different in different countries. We believe that it is clear, and I would like to be clear, that when eBay has knowledge of improper actions by our users anywhere, then there is liability. It is a case of the importance of when our users, unknowingly to us, are engaging in some kind of malfeasance—but it is different in different countries. We believe that actually U.S. law and Internet intermediary liability is the most pro-growth and is something that we think can be promoted through trade agreements.

Chairman CHABOT. The gentelady’s time is expired but if she would like to follow up—

Ms. VELÁZQUEZ. How has that affected eBay’s decision to enter countries that do not have such protections?

Mr. BIERON. There is no question that we are able to operate more effectively in countries that have adequate Internet intermediary liability laws. It is just that they can be slightly different in different markets. We believe that promoting the standards and the balance that is in the DMCA and section 230 of the Communication Decency Act, the two cornerstone U.S. policies, these are important for our negotiators to achieve.

Ms. VELÁZQUEZ. Yes or no answer—do you feel that this issue should be dealt with in this pending free trade agreement?

Mr. BIERON. Yes. We think it is an important priority.

Chairman CHABOT. The gentlelady's time has expired.

The gentleman from Missouri, the vice chairman of this Committee, Mr. Luetkemeyer is recognized for five minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. And thank the members or the witnesses for being here today.

I would like to follow up a little bit more on the currency manipulation question. The other three members or the witnesses of the panel, they did not get to answer the question, so Mr. Stanek, would you support something, a provision in the TPP on currency manipulation, or do you believe it is not something that needs to be addressed in the agreement?

Mr. STANEK. Thank you, sir. It is not an issue that we have come up against directly, so I do not necessarily have a direct opinion on that.

Mr. LUETKEMEYER. Mr. Messinger?

Mr. MESSINGER. I would agree with that. I am not current on currency manipulation issues. It would be difficult for me.

Mr. LUETKEMEYER. Mr. Bieron?

Mr. BIERON. Small business trade over our platform is impacted by currency. Whether or not there should be a specific provision in the TPA on manipulation, I am really not comfortable making advice on that.

Mr. LUETKEMEYER. It is interesting because I was talking to the president of one of the larger banks in the country, in fact, one that clears a lot of international transactions, and I asked him this question because I was leaning towards making sure there was something in the TPA and TPP to protect against currency manipulation. He said, "You know what? It goes on all the time. We do it ourselves." So how are you going to keep currency manipulation from the Chinese and whoever against our own currency manipulation? I think it is a valid point and it points out the fact that this goes back and forth. I am not sure how you enforce that. Again, it gets back to Mr. Brightbill's point. So I appreciate the comments.

With regards to intellectual property, to me, this is a really important thing, especially for all the small businesses because that is where a lot of innovation is driven from, the small business people. They come up with the ideas and they are the entrepreneurs that come up and have an idea and they develop a business around it and off they go. Do you see protections being developed in the TPA that would be something you support or is it not an extensive enough bill or authority at this point? What is your thoughts so far?

Mr. Bieron? And just go down the line.

Mr. BIERON. We believe that intellectual property enforcement is very important. We think that the balance that exists in U.S. intellectual property law is very important to promote innovation. And lastly, we believe that we are more likely to get sound intellectual property law with our trade partners through trade agreements than not through trade agreements.

Mr. LUETKEMEYER. Mr. Messinger?

Mr. MESSINGER. I would completely agree with that. We are not going to have an opportunity to get to those subjects until we have a trade agreement with these folks.

Mr. LUETKEMEYER. But you believe it needs to be a part of the agreement?

Mr. MESSINGER. Absolutely.

Mr. LUETKEMEYER. Mr. Stanek?

Mr. STANEK. Yes, sir. We believe very strongly that the intellectual property rights need to be protected in the trade agreements. Our small business members have enough challenges sometimes protecting their intellectual property domestically. They do not need to have the same types of issues on an international basis.

Mr. LUETKEMEYER. Mr. Brightbill?

Mr. BRIGHTBILL. Congressman, thanks for the question. We agree, and my clients agree, that intellectual property protection is a serious problem around the world and needs to be addressed. I do think my understanding is it is an area of emphasis in the TPP agreement, which is important.

Mr. LUETKEMEYER. How do you enforce that?

Mr. BRIGHTBILL. Sorry?

Mr. LUETKEMEYER. How do you enforce patent infringement, intellectual rights?

Mr. BRIGHTBILL. Well, patent infringement, there are various options. You can bring cases in district court. You can also bring a case at the International Trade Commission here in the United States, a section 337 action where if a foreign country is violating a patent or intellectual property, they can impose a barrier at the border to stop those counterfeit goods from coming in.

Mr. LUETKEMEYER. Kind of interesting whenever the Chinese are over here swapping, trying to steal all of our intellectual secrets from a lot of our big manufacturers and we are worried about this. It is kind of ironic.

Mr. BRIGHTBILL. Well, and Congressman, you are right. On trade secrets, there is more that could be done in our trade agreements there as well.

Mr. LUETKEMEYER. Huge, huge problem. And I think the chairman needs to be congratulated on this because we have had a hearing on this before, so I thank him for this emphasis.

Mr. Bieron, you talked about raising a threshold for minimum taxes on exports. Can you elaborate just a little bit? I have got about 30 seconds left and I have got one more question to ask before we get done.

Mr. BIERON. I believe right now the de minimis, for example, in the U.S., is \$200. The customs reauthorization proposes taking that to 800. Sellers on eBay, when they export and their product gets returned to them, they oftentimes find themselves paying import duties on their own return. Moving that up to 800 would reduce that burden for them.

Mr. LUETKEMEYER. Okay. Very good.

Very quickly, Ex-Im is a really big talking point around here. I think it is an important part of any export discussion. Do you support reauthorization or not, Mr. Bieron?

Mr. BIERON. Ex-Im Bank is not something that our sellers, I think, are involved with.

Mr. LUETKEMEYER. Okay. Mr. Messinger?

Mr. MESSINGER. Absolutely. It is critical to small manufacturers.

Mr. LUETKEMEYER. Mr. Stanek?

Mr. STANEK. We support not only reauthorization but an increase to a 25 percent threshold.

These are my personal views only. I do support Ex-Im reauthorization, but there are some troubling things that have happened at Ex-Im and those need to be looked at as well. China has recently formed an Asia Development Bank, so I think we do need a counterweight. China should not be the world's financier.

Mr. LUETKEMEYER. Thank you. And I thank the chairman. I think this is the second hearing we have had a group of small business people who have indicated unanimously either support for or a neutral position on Ex-Im. I think it is important to note that, Mr. Chairman, that Ex-Im is a really, really big part of supporting small business in this country, and with that, I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

The gentlelady from New York, Ms. Adams, who is the ranking member of the Investigations, Oversight, and Regulations Subcommittee is recognized for five minutes.

Ms. ADAMS. Thank you, Mr. Chair, North Carolina. Thank you, Mr. Chair.

Chairman CHABOT. I apologize. North Carolina.

Ms. ADAMS. That is all right. That is all right.

Chairman CHABOT. I was wondering why you were smiling.

Ms. ADAMS. I grew up in that area a little bit.

Chairman CHABOT. Sorry about that.

Ms. ADAMS. But yes, I claim North Carolina as home.

Let me thank the ranking member as well, Member Velázquez, and gentlemen, for your testimony.

Mr. Messinger, thank you for being here. And thank you for representing some of the finest companies that we have in North Carolina, particularly in the 12th District, which I represent. And I am proud to highlight North Carolina's best.

But as we look to improve federal international trade programs to meet the needs of small business exports, can you offer any advice as to what sort of financial and counseling resources would better enable small business to begin exporting and help existing small business exporters grow internationally?

Mr. MESSINGER. Thank you.

As you know, the Department of Commerce has an outstanding export promotion office. In our early years we used them extensively. In addition, states have really good export offices, North Carolina in particular. I think there are adequate tools available if manufacturers will seek them out to help them promote exports. And I would further say that Ex-Im Bank is a tool that from time to time we have found critical in competing with our German competitor. And so I think reauthorization of Ex-Im would go a long way towards helping us compete.

Ms. ADAMS. All right. Thank you.

An ongoing discussion we have here on the Hill is whether or not to reauthorize the Export-Import Bank. And while many other

countries have similar government export financing institutions, many of my colleagues cannot agree on whether to reauthorize Export-Import, or under what condition to reauthorize it. So can you speak to the significance of having small businesses effectively compete within the international markets and the importance of federal guarantees in supporting our small businesses internationally?

Mr. MESSINGER. Yeah. Further to Ex-Im, and I do not know the agency and its balance sheet financial statement, but as I understand it, they return a substantial amount of money to the U.S. Government through their loan guarantees. Ex-Im supports far, far more small businesses than they do larger manufacturers. I know that the total volume of Ex-Im guarantees cover larger manufacturers, but without Ex-Im reauthorization, a lot of smaller people like ourselves get cut off from opportunities overseas.

Ms. ADAMS. Okay. My last question is for Mr. Messinger, for you as well as Mr. Stanek.

As Congress analyzes the arguments for and against TPP, and in the very near future the Trans-Atlantic Trade and Investment Partnership, better known as TTIP, it might be useful to go beyond the broad point of the potential to increase market access for the U.S. exports and ask the question, “market access for who?” What are the potential share of trade benefits or challenges that could accrue to small and medium-sized business, and also, what about minority-owned businesses as well?

Mr. MESSINGER. Well, I think the opportunities for all businesses exist with these agreements. I happen to believe that with free trade, open trade, relations improve between countries. I think we have seen that time and again. So I am fully supportive of that.

Ms. ADAMS. Mr. Stanek?

Mr. STANEK. Ms. Congresswoman, I believe that the greatest benefit that we receive from the trade agreements is the simplification of the process. Right now it is very complicated for a small business to attempt—particularly one who has not been in the export business previously—to engage in that with the various rules and regulations that exist around the world. And being able to simplify that whole process will open up the doors for exportation for so many more companies.

Ms. ADAMS. Thank you, sir.

Mr. Chairman, I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

Since the chairman screwed up and identified the lady from North Carolina as being from New York, I probably should say that the next questioner is from New York and not New York, but I will not do that.

The gentleman from New York, Mr. Hanna, who is the chairman of the Subcommittee on Contracting and Workforce is recognized for five minutes, and I apologize to the gentlelady.

Mr. HANNA. Thank you, Mr. Chairman.

I want to make a comment about the Import-Export Bank—I do support it. I know, for example, Boeing is talking about exporting some of their jobs for manufacturing, I believe, and what is true, and you said this yourself, Mr. Messinger, is that there are hun-

dreds and hundreds of small companies that depend on these larger companies to pull all this together and export their products.

Mr. Brightbill, the assumption of enforcement is flying around the room here today, that it is actually doable. For example, currency manipulation in China, the numbers, as you said, go from 10 percent to 20 percent to 30. Nobody really knows, and it is a fungible number anyway because it is something that can change in a heartbeat.

Two things. What do you think the actual number, say, is from China in your opinion? And are the things that we assume are enforceable—we listen to Elizabeth Warren and it is fair that in my office we get a lot of very negative calls over this because people are afraid. They look at what Ms. Velázquez says and they agree with her. So, but it is also clear we cannot wall ourselves off to a world of opportunity. So if the key to all this is telling people you are going to enforce things and make something change that you do not like, is it doable? And what have we seen that would lead us to believe that? We have not seen much. So how do you enforce—I mean, it is just a word if there are no teeth. So go ahead.

Mr. BRIGHTBILL. Congressman, I think those are very good points.

On currency manipulation, I do still believe that China is undervaluing its currency to favor its exports, and the history of that over the last five to 10 years is overwhelming. I mean, there are estimates that millions of American jobs have been lost and that has increased the U.S. trade deficit by \$200 billion to \$500 billion per year. So you ask how to enforce it, what lawmakers have proposed is that you treat currency manipulation as account available subsidy. You let the Commerce Department look at it like any other subsidy. So if there is a financial contribution, if there is a benefit to Chinese companies as a result, and if it is specific, or an export subsidy, then you impose a duty at the end. And I think that the IMF and the Commerce Department and other agencies are capable of figuring out the extent of currency manipulation.

Mr. HANNA. Somehow is the core of this argument though that you cannot deal with any of this unless you have agreements, I mean, in the absence of agreements, we have what we have. So in the presence of agreements we have more opportunity. And let us face it. Our tariffs are low. The goal is to lower everyone else's so that we can have more free movement. But if currency manipulation continues at some level then without enforcement.

And the other thing that bothers me about this is the path to enforcement is impossible almost. I mean, you take a small company, and Mr. Messinger, I have actually used your equipment, thousands of pieces. You make good stuff. How do you respond to that? I mean, what do you—

Mr. MESSINGER. Well, first of all, some of the enforcement change would be changes to U.S. law. They would not necessarily be in the trade agreements. We are just taking advantage of this opportunity while we are passing TPA or TPP, make these small changes to U.S. law and regulations at the same time. So I think that is possible.

Another issue that we talked about is state-owned enterprises and how you address that. My understanding is that the TPP does,

for the first time, address the problem of state-owned enterprises competing with U.S. companies around the world, and it would allow U.S. companies and the U.S. Government to get information. So if they see unfair competition in China or a third country, or even here in the United States, they can get information on that and they can raise it in dispute settlement in the trade agreement itself. So you have to make the dispute settlement process work in that trade agreement to be able to enforce it.

Mr. HANNA. So you see that as a positive thing obviously because we do not have a good system now.

Mr. MESSINGER. We do not have any system for addressing state-owned enterprises.

Mr. HANNA. Right. I mean, and Boeing has Airbus subsidized company; right?

Mr. MESSINGER. Exactly. Now, that we have tried to address at the World Trade Organization with mixed results.

Mr. HANNA. Thank you for your time.

Thank you, Chairman.

Chairman CHABOT. Thank you.

The gentleman yields back.

And the chair would like to note the presence of some guests here this morning from American Samoa, some high school students, and I would like to defer to the gentlelady from Samoa, Ms. Radewagen, if she would like to say something.

Ms. RADEWAGEN. Thank you, Mr. Chairman.

Yes, I would like to welcome some of our future leaders of American Samoa. These students are here participating in the Close Up program.

I have a couple questions for you, Mr. Messinger.

Chairman CHABOT. If you do not mind, I have to go over to this side.

Ms. RADEWAGEN. Okay.

Chairman CHABOT. I will be back.

Ms. RADEWAGEN. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you very much. And we welcome our guests here this morning for being here. Thank you very much.

And the gentlelady from California, Ms. Hahn, is recognized for five minutes.

Ms. HAHN. Thank you, Mr. Chairman. A point of personal privilege, I would also like to welcome a guest. Trevana is here. A lot of us are wearing these blue ribbons. It is National Foster Care Week, and there are a lot of youth who have been in the foster care system who are shadowing a member of Congress today. So she is my shadow all day today.

So thanks for holding this hearing. I think it is really appropriate as we are talking about TPA and TPP to listen to how it affects our small businesses. And Mr. Messinger, I was noting that in one of the papers up here, I think it was The Hill, talked about the American Association of Manufacturers is against TPP because they feel like it has lost manufacturing or it will lose manufacturing jobs. So I was just going to ask you what you think should specifically be in this deal that would protect small businesses, particularly those who are in the manufacturing area. What would you

like to see specifically in these deals for manufacturers that would make it a good deal?

Mr. MESSINGER. Well, first of all, I am not familiar with that association and their work. As I testified earlier, the history of trade agreements and job growth in the manufacturing sector is very clear. We have continued to grow manufacturing jobs. Even in Korea, manufacturing jobs were increased. Part of the issue in Korea is that the economy collapsed.

Ms. HAHN. So what would you specifically like for us to pay attention to in these deals that would protect small businesses?

Mr. MESSINGER. It is hard to say. I am not a legislator. I have not seen the details of a bill. The main interest that we have is tariff reduction. And as I testified, we are facing—we open our markets to everybody seemingly and yet we are closed in so many opportunities overseas. So that is the most important issue to us.

Ms. HAHN. Okay, thank you.

You know, I represent the Port of Los Angeles, the largest—along with Long Beach is the largest port complex in this country, and they are very good about having programs for small businesses. It is called Trade Connect, and they attempt to reach out to small businesses and educate, even handhold, talk about access to capital to allow small businesses to understand what it would mean to connect to the international trade industry. But Mr. Bieron, I was wondering, listening to you and talking about eBay and ecommerce, is that a model that we could or should update to educate small businesses in the intricacies of ecommerce? It is a good model but maybe it needs updating.

Mr. BIERON. I think, yes. I think that it is a way to get far more small businesses exporting. I think that it is not as complicated as traditional exporting, which is why the numbers are so vastly different, but one of the five points that we talk about with the Global Empowerment Network is, in fact, knowledge of how e-commerce can lead to exporting. And so we do think that there is a role to get that word out.

Ms. HAHN. And what exactly have you done to maybe get that word out to some of these Trade Connect programs that currently exist here?

Mr. BIERON. For example, eBay has a relationship with the Department of Commerce, and in fact, about a month ago we had a group of sellers, small business sellers, here in town meeting with some pretty senior officials over at the Department of Commerce to talk about how the existing trade promotion export support programs can be updated to reflect ecommerce small businesses, so we are just beginning that process.

Ms. HAHN. Great. Thank you very much.

I yield back.

Chairman CHABOT. The gentlelady yields back.

The gentlelady from American Samoa, Ms. Radewagen, who is the chairman of the Subcommittee on Health and Technology is now recognized for five minutes.

Ms. RADEWAGEN. Thank you, Mr. Chairman.

Again, I want to welcome our students who traveled 10,000 miles to be here with us today. We are all very proud of them.

Mr. Messinger, I have a couple of questions for you. We hear one of the largest barriers for exporting is understanding and complying with foreign regulations. Can you explain how you keep up with all the changing foreign regulations, including technical barriers and changes in tariffs?

Mr. MESSINGER. We cannot keep up with all of that. You know, we are a small company. We do what is right. We build machinery that is compliant with European standards, all international standards, and support it with outstanding service, and that is really all we can do.

Ms. RADEWAGEN. Thank you.

To better assist with export coordination, what tools should policymakers strengthen or reexamine for inefficiencies to help small businesses' efforts to start or increase trading opportunities? Mr. Messinger?

Mr. MESSINGER. Well, as I said earlier, I think the Department of Commerce has outstanding resources. Many of the states have tremendous programs, and quite frankly, a lot of our international market intelligence just comes from the Internet. You just get on and start asking questions and looking around and it is amazing what you can find.

Ms. RADEWAGEN. And lastly, this is your day today, Mr. Messinger, when you are looking to export to a new market, what is your biggest obstacle, either domestic or international?

Mr. MESSINGER. Wow, that is a good question.

For the most part it is the energy and the money that we might have available at any point in time to attack that market. We assess a market by its financial conditions. Do they have enough foreign exchange? Are they earning enough foreign exchange that the labor machine ratio favors machinery versus hand labor? If it does, then we are going to go out and see if we can scratch something in the dirt and make something happen. So it is probably not a limitation other than just the local economy.

Ms. RADEWAGEN. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. The gentlelady yields back. Thank you.

And the gentleman from Nevada who is chairman of the Subcommittee on Investigations, Oversight, and Regulations is recognized for five minutes.

Mr. HARDY. Thank you, Mr. Chairman.

Most of you already spoke on currency manipulation and that you really do not have much familiarity, but Mr. Brightbill, the question I have for you is would currency manipulation be better off under the Treasury, handled under the Treasury rather than under the TPA? Just a question.

Mr. BRIGHTBILL. Congressman, we are concerned that what the Treasury Department does currently is not enough. Every six months the Treasury Department is supposed to certify which countries are currency manipulators, and throughout the entire Obama administration it has refused to name China as a currency manipulator. So I do not think Treasury alone is the solution to this, which is why my clients support a procedure that would allow the Commerce Department to determine whether currency manipulation is a subsidy. In addition, there is also the TPA Amendment advanced by Senator Portman from Ohio that would have enforce-

able requirements for currency manipulation to be addressed in free trade agreements like TPP.

Mr. HARDY. Thank you.

This is kind of across the panel here. You have all had success in what you are doing trading overseas. What advice would you give small business to get them to maybe get more involved? What advice would you give them to help them have a little courage to step out there and start using the foreign markets? Does anybody care to start with that one?

Mr. BIERON. I think the eBay marketplace is a little different. As we have heard from most small businesses, nearly all of our small businesses do export. Honestly, one of the things we have encouraged them to do is contact Capitol Hill about TPA because we believe new trade agreements are the only way we are going to get a focus on microbusinesses who export because this is a very new model for exporting by small businesses.

Mr. MESSINGER. What I have found in talking with manufacturers that do not do a lot of exporting is that there is some times a fear of the unknown, yet there are opportunities for just about everyone overseas. Unless you have a desire to start really looking overseas, you certainly are not going to find it. But as I mentioned earlier, get on the Internet, pose some questions, look in your industry at what might be going on, and it is unbelievable what you can find.

Mr. STANEK. Congressman, we have found our freight forwarded to be of immense help to us. The employees at the freight forwarder are able to help walk us through a lot of the regulations that we are personally challenged with, and I would recommend someone looking to get into the arena to speak with a good freight forwarder and help initiate that process.

Mr. BRIGHTBILL. Congressman, I think I would focus on the trade barriers and some of the bigger problems. One of the biggest ones that we have not talked too much about is the lack of common standards and harmonization of standards. We are trying to negotiate a free trade agreement with the European Union right now but there has not been a lot of movement on the very different regulatory systems. I mean, if a product is safe and effective here, that should be suitable in the European Union as well and we just have not seen a lot of movement from the EU on that. So I think that is something that needs to be looked at as these trade agreements are negotiated.

Mr. HARDY. Thank you. You just led into my next question, because I think some of those discussions—do you feel like you being involved in this trade TPA as businesses in the discussion of fair trade, balanced trade, do you feel like your voice is being heard? Because sometimes I feel like being new here, that we do not utilize the real experts, the real people who get harmed or benefit enough. Does everybody—go ahead.

Mr. STANEK. I feel that we are being heard through our trade association. If not for the trade association, the National Small Business Association, I think individually we would have a difficult time being heard, but I believe our voice is heard via that route.

Mr. HARDY. That is good to hear.

Mr. BRIGHTBILL. Well, the NAM for sure. They are vocal on these issues.

Mr. BIERON. I think we are trying to be heard but the small businesses using the Internet to sell globally is such a new phenomenon that I feel like the trade infrastructure of Washington and really other major capitals, they are not really aware of how much of the small business trade is actually going on, so that is a real challenge.

Mr. HARDY. Thank you.

Mr. BRIGHTBILL. I would just agree. I think small businesses face a real challenge. I mean, the pharmaceutical industry, big manufacturers can get their voices heard. It is much tougher for small businesses to get their priorities out there and incorporate it into these agreements.

Mr. HARDY. Thank you.

Can I ask one more question, Mr. Chairman?

Are there any ideas of how we can do a better job of bringing small business into that discussion better?

Mr. Brightbill?

Mr. BRIGHTBILL. It is difficult. As you know, the text of the TPP, for example, has not been released yet. There are chapter summaries that are available to cleared advisors. I am a cleared advisor, so I can go to a room and read those summaries. But it is hard to know if you do not know what the provisions are or where they stand. So that is a real challenge. I can give that some more thought, and if I have some other answers I would be happy to respond in writing after the hearing.

Chairman CHABOT. The gentleman's time is expired.

The chair would just note for the record that one of the mechanisms for the small business community around the country to get to Congress what it is they think about TPP and other things is this committee and us holding hearings, and that is what we are doing today. And this panel has done a commendable job, and I think the attendance of the members here today has been good on both sides, too, so we are listening, and hopefully we will enter that into our ultimate decisions on how we vote on these things. So I would just note that for the record.

And the gentleman from South Carolina, Mr. Rice, who is the chairman of the Subcommittee on Economic Growth, Tax, and Capital Access is recognized for five minutes.

Mr. RICE. I want to ask each of you this. Where we do not have a trade agreement at all, would each of you agree that we face more barriers on exports than we place on imports?

Mr. Brightbill?

Mr. BRIGHTBILL. Where we do not have a trade agreement, you are saying are there more barriers on export than there are on imports? Certainly. We are the most open and transparent market in the world, and I agree with the statistics earlier as far as the immense challenges, ones that are in the laws as well as laws that we do not even know about in foreign countries. So I definitely agree.

Mr. RICE. Mr. Stanek?

Mr. STANEK. I would agree also. And all we are looking for is a balanced playing field.

Mr. RICE. Mr. Messinger?

Mr. MESSINGER. Absolutely. As my testimony indicated, we are given our market and we are not getting that much in return at times.

Mr. RICE. Mr. Bieron?

Mr. BIERON. I would agree and just note that the amount of exporting being done by small businesses is pretty remarkable given the current playing field.

Mr. RICE. Probably a lot because, as you said earlier, it is flying under the radar screen and the government has not stuck their hands into it yet; right?

So what you are saying is that we are less competitive in the world when we do not have trade agreements. Would you agree with that?

I know that Volkswagen, in the past five years or so, was looking to locate a facility in South Carolina where I am from, was on the list, and they ended up going to Mexico because we did not have a trade agreement. Arcelor Mittal in my district, a steel company in Georgetown, South Carolina, just announced they are closing in four months. They will lose about 300 jobs. And they cited as the primary reason unfair trade from China on steel. So I do think trade agreements are really important. I do not think they are a panacea. I do not think they solve all the problems. I do not think you can. There are too many ways in my opinion.

Mr. Brightbill, could you define for me, what is currency manipulation?

Mr. BRIGHTBILL. Sure. Currency manipulation, and it is defined more clearly in other studies and things, but I think it is generally defined as prolonged intervention by a government that leads to maintaining currency levels or pushing them in a specific direction for an extended period of time.

Mr. RICE. I would ask the rest of you guys, Mr. Stanek, what do you think is currency manipulation?

Mr. STANEK. I would suggest that it is a country unfairly moving its currency to impact itself favorably at the expense of other countries.

Mr. RICE. I would ask the rest of you all this question but it is really probably not in your area of expertise.

Mr. Brightbill, how do you manipulate currency?

Mr. BRIGHTBILL. There are many ways that currency can be manipulated. All I would say is that the evidence of what has happened with China over the years and other countries makes it clear that there is a problem here, that it has harmed U.S. businesses, and that we do need to take action to address it, and I think we should take action in trade agreements and also under U.S. law.

Mr. RICE. And I am going to ask you just very obvious questions, but so if a country, let us say, manipulates its interest rates to artificially low levels, does that have an effect on the value of its currency?

Mr. BRIGHTBILL. You could look at that under using Commerce Department subsidy rules and decide is that an unfair subsidy that distorts the playing field, or is that something else? So I think there are ways of creating—

Mr. RICE. I mean, there could be cogent arguments that the United States is manipulating its currency; right?

Mr. BRIGHTBILL. I think that—

Mr. RICE. I am just asking if there is an argument.

Mr. BRIGHTBILL. Sure. Arguments can be made against us around the world on any topic, but I think the evidence does not demonstrate that the United States is manipulating currency in the same way as China.

Mr. RICE. And I understand that. I am not trying to be overly argumentative, but I think China might disagree with you on that.

Now, with respect to prolonged deficit spending, does that have an effect on currency valuation?

Mr. BRIGHTBILL. Well, I think you could evaluate all of these. I would say that companies like ArcelorMittal and others in the steel industry would argue that currency manipulation hurts their ability to export and to compete around the world. And I think they would like something—

Mr. RICE. And I agree with you. The point I am trying to make is that there are myriad ways to, I mean, from tax policy to income tax policy to government regulation to things that you would not consider as currency manipulation, to manipulate currency. And I do not know. The trade agreement is just going to be a framework, and we have to do the best we can to set up enforceable mechanisms. But we, honestly, I do not believe, can sit here and foresee all the potential ways that a country could manipulate trade, and we have to do the best we can with our framework to make us more competitive, because everybody sitting here in this panel, and I think everybody sitting here on this panel agree that where we are without a trade agreement is a bad place. I mean, we all know we are making ourselves less competitive by not doing what we can to strike down these barriers to our exports.

And my time is over. Thank you very much.

Chairman CHABOT. The gentleman's time is expired.

And the gentlelady, the ranking member is recognized. She wanted to ask a follow-up question.

Ms. VELAZQUEZ. Thank you.

Mr. Brightbill and Mr. Stanek, you mentioned before that we need to help, and Mr. Messenger, you also mentioned that at the beginning you got a lot of assistance from the Department of Commerce. And so some of those programs will help small businesses get the type of technical assistance that will help them take advantage of the overseas market. But when I meet with small business exporters, one area where it is challenging for them is to find affordable export financing. The Ex-Im Bank can fill the void that exists, but there is a debate going on here in terms of whether the Ex-Im Bank is providing the assistance that small businesses need. Here we are debating this massive free trade agreement that is supposed to open and provide more opportunities for small businesses, and yet when you look at the reauthorization language of the Ex-Im Bank, it does not increase the small business lending cap that was put in place years ago by 20 percent.

So Mr. Brightbill, you said that there are some areas that need to be addressed within the Ex-Im Bank. Can you mention one or two?

Mr. BRIGHTBILL. Sure, Congresswoman. Great question.

Like I said, I do support reauthorization, but there have been abuses of the system. There have been some concerns about how loan recipients are selected. I can tell you some of my clients also have concerns when loans are made abroad to companies that then manufacture or mine raw materials, for example, that then end up in foreign steel that comes back at dumped and subsidized prices. So there are concerns about who Ex-Im lends to, the procedures for lending, and also, as you say, small business concerns as well, and those should be looked at carefully as part of this debate.

Ms. VELAZQUEZ. Thank you.

Chairman CHABOT. Thank you. The gentlelady yields back.

I would like to thank the witnesses for being here. Our panel, I think, has given us excellent testimony. Trade is clearly one of the more important issues that Congress is going to be facing in the upcoming weeks and months when one considers TPA, TPP, TTIP, and the Ex-Im Bank, and a range of other issues, and I think you made a great contribution, all of you, towards this Committee, and our colleagues understanding and grasping this issue, and hopefully doing the right thing.

I ask unanimous consent that members have five legislative days to submit statements and supporting materials for the record. Without objection, so ordered. And if there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 12:24 p.m., the Committee was adjourned.]

**A P P E N D I X**  
**TESTIMONY OF**

**Brian Bieron**  
**Executive Director, Global Public Policy Lab**  
**eBay Inc.**

**BEFORE THE**

**United States House of Representatives**  
**Committee on Small Business**

*Across Town, Across Oceans: Expanding the Role of Small  
Business in Global Commerce*

**PRESENTED**

**Rayburn House Office Building, Room 2360**

**May 20, 2015**

**11:00 a.m.**

Chairman Chabot, Ranking Member Velazquez, and members of the Committee, thank you for inviting eBay to testify on how small businesses are using technology to expand their economic opportunity by reaching international markets. Our company is a truly global business—with approximately 60% of our gross merchandise volume coming from activity outside the United States. We enable over 150 million users in over 200 countries to engage in technology-enabled commerce.

eBay is a U.S.-based global technology company that enables hundreds of thousands of U.S. entrepreneurs, small businesses, as well as mid-size and large businesses, to reach customers around the world. Through our experience, we have found that technology is transforming trade by allowing Main Street businesses to directly take part in globalization, reaping the benefits of markets previously only open to the largest global companies.

The prototypical model for trade by small businesses has involved plugging into the supply chain of a large multi-national company. This model continues to be the dominant model for trade, but there is an emerging model for trade by small businesses that is incredibly exciting because of its socio-economic impact.

Our unique experience at eBay demonstrates how the Internet and mobile technology are now powering global trade by small and micro-businesses. These micro-multinationals include businesses like: The Music Farm in Canton, Ohio, which exports more than 40% of its inventory to customers overseas and has 11 employees; and Great Sky Gifts in Kalispell, Montana, which exports to 99 countries with only four employees.

My team has spent the last four years conducting research on the growth of global trade by micro-multinationals. Most recently, we completed the, “2015 U.S. Small Business Global Growth Report”. I would like to offer to submit a copy of the report for the Committee record.

Our report shows that the Internet and platforms like eBay are revolutionizing global trade by opening it up to even the smallest enterprises. In the US, the Small Business Administration has found that between 1% and 2% of small businesses export. By contrast, on eBay, 95% export. The traditional small business exporters reach on average two markets a year. On eBay, 190,000 US small businesses reached 4 continents in 2014. Our data also shows that these micro-multinationals survive at a higher rate, meaning they continue to export while traditional businesses stop exporting because of the tremendous barriers to trade that they face. And newcomers capture a larger overall market share than traditional small businesses, meaning the online marketplace is more inclusive for small businesses. The global trade regime is changing before our eyes.

This new “Inclusive Globalization” depends on four components that make up what we call the Global Empowerment Network: 1) access to the Internet; 2) access to global services that exist on top of the Internet; 3) an efficient small package shipments logistics network; and 4) an educational system for businesses to learn about online opportunities.

Unfortunately, these four tenants of the Global Empowerment Network are undermined by trade barriers. At eBay we have been working to tackle the barrier of language. As a result of our investment in machine translation technology, we have lowered language as a barrier to trade by 66% since 2004. But technology alone cannot solve all of the trade barriers that micro-multinationals face.

I will offer three policy recommendations to improve the global ecosystem for micro-multinationals. First, raise the US low value customs “de minimis” threshold and de minimis thresholds around the world. The de minimis threshold is the level below which imports are exempt from duties and paperwork. Micro-multinationals trade in low-value shipments and raising the de minimis would allow products to reach global customers with less friction. The Customs Reauthorization Act here in the House would raise the US de minimis and I urge you to support that bill.

Second, modernize the global postal service system. Micro-multinationals regularly utilize postal services because of their widespread networks. Modernizing postal services to meet the needs of micro-multinationals engaging in package trade directly with consumers could greatly help to grease the wheels of modern small business trade.

Finally, the US government has many excellent programs designed to help US businesses, but many of these programs were not developed with small, global eCommerce businesses in mind. I urge the Committee to review existing government programs to be more inclusive of micro-multinationals.

Today we are witnessing the dawn of a new era of globalization. Small and mid-sized businesses contribute to their local economy and regularly serve customers around the world. This is good economics because it means more growth and wealth, and it is good for society because it means a more inclusive form of globalization. I urge the Committee to keep micro-multinationals on top of mind as it seeks to protect and promote cross-border trade opportunities for small businesses.

Thank you again for the opportunity to address the Committee on this important and timely topic. I look forward to answering your questions.



## 2015 US Small Business Global Growth Report

A world of opportunity for every American Small Business



**About the eBay Public Policy Lab**

The eBay Public Policy Lab seeks to address the public policy challenges that lie at the nexus of technology and commerce. We conduct innovative research using unique data analytics methodologies and creative insights. We seek to inspire debate at the highest levels of public policy discourse about the future of commerce and how technology can be leveraged to achieve the best possible outcomes for all.

Brian Bieron, Executive Director :: Usman Ahmed, Counsel & Head of Americas :: Hanne Melin, Counsel & Head of Europe :: Sassoon Grigorian, Head of Asia-Pacific

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**A World of Goods, an Opportunity for All**



Nearly twenty years ago, eBay was founded with a simple idea. An open and fair marketplace can create immense value and become a force for good in society.

That simple, yet profound idea is one of the main reasons that I joined eBay. We've created a level playing field for all sellers on our platform, regardless of size. Whether it's realizing the value of those shoes collecting dust in your closet or the ability to keep your main street business

open because you now have access to customers around the world – eBay is enabling commerce, fostering economic opportunity and making an impact on society with each transaction.

The impact of our technology on small business is great, and that excites me. In fact, our data shows that more than 90 percent of U.S. small businesses on our platform export. And of those exporters, 190,000 are exporting to four continents or more. Compare that to overall small business trade activity, where less than five percent of businesses export, according to U.S. Census data. Talk about creating economic opportunity.

In this report, we analyzed eBay trade data to understand the way U.S. small businesses are using technology to scale and trade globally. We will use this information to help us refine our platform and better serve our sellers. And, as champions for small business, we will continue to work with our industry peers, government and development agencies to help break down trade barriers.

Small businesses are part of what make this company uniquely eBay. I am inspired each day by them and their ability to drive an amazing commerce experience for millions of customers around the world. And I am proud of the role we can play to help make their success possible.

After all, when small businesses win, we all win.

A handwritten signature in black ink, appearing to read "Devin". The signature is fluid and cursive.

Devin Wenig, CEO

### Executive Summary

Globalization has no doubt resulted in tremendous economic benefit for the world, but there is an underlying tension that not everyone has fully benefited from the integration of the global economy. This tension is magnified in the US where some feel that globalization only helps large companies and harms local small and medium sized businesses [SMB]. Traditionally, large businesses have been able to take advantage of having access to the world's customers because of the tremendous capital investments and infrastructure required to directly engage in global commerce. Technology is changing all of this.

Small businesses, for the first time in history, are utilizing the Internet and the services built on top of the Internet to go beyond their local consumer base and reach out to the world. These **micro-multinationals** are able to compete in the global market, while maintaining a local physical presence. The economic and social benefits that are being created as a result of this new trend are astounding.

At eBay, we have witnessed this phenomenon take shape first hand. We have studied the data from 10 years of transactions on eBay Marketplaces and found four trends about US-based micro-multinationals:

1. **Exploring the World as Global Traders** – Data from eBay demonstrates that 95% of the US SMBs on our platform [those selling \$10,000 or more] engage in exporting. This is not a niche phenomenon as over 190,000 of these tech-enabled SMBs reach customers on more than 4 continents, which is remarkable when compared with Census bureau data, which reports that less than 5% of businesses in the US export.
2. **Surviving and Thriving** – The complexity of exporting tends to lead to low survival rates for businesses. World Bank data demonstrates that only 15% of exporting businesses are still exporting after 3 years. But, eBay data demonstrates that 74% of SMBs that were exporting in 2011 were still exporting after 3 years. Moreover, the ability provides meaningful growth benefits. Businesses focused on the domestic market on the eBay platform grew 58% between 2010 and 2014; whereas export-oriented businesses grew 91% during that same time frame.
3. **Creating a More Inclusive Economic Model** – Startups and SMBs have typically struggled to compete in the global market, but technology helps to level the playing field. World Bank data demonstrates that 82% of total exports are sold by the top 5% of businesses (by size). But, eBay's data shows that the top 5% of US-based businesses only account for 55% of the total exports. Moreover, newcomers on eBay have a significant market share after just one year on the platform. In 2014, newcomers on eBay had over 12% of sales on the platform whereas World Bank data demonstrates that newcomers only made up 5% of total sales.
4. **Benefiting from Reduced Barriers to Trade** - Small business global trade has been held back by barriers such as language and customs. Over the past decade, eBay

has launched innovations to mitigate these pain points with great results. For example, the development of machine translation technology has resulted in language as a barrier to trade over eBay being lowered by 66% since 2004.

The evolution of micro-multinationals is good economics because it means more growth and wealth creation; it is good global politics because it responds to questions about the current state of globalization; and, it is good for society because it is a more inclusive global economic model.

But, more work needs to be done to make global commerce truly frictionless. While technology has done wonders to change the trade landscape, government actions domestically and abroad have a significant impact on the global success of micro-multinationals. Governments should take the following steps to remove frictions in the trading system and benefit micro-multinationals:

- **Raise de Minimis Levels** – The de minimis is the threshold below which imported goods are exempt from duties and payments. US Micro-multinationals are harmed by low de minimis levels in foreign countries and even by the low de minimis in the US when accepting returned goods. Raising the de minimis will remove customs frictions from trade by micro-multinationals.
- **Modernize and Harmonize Postal Regimes** – Micro-multinationals increasingly utilize posts for cross border transactions. Postal services have largely been developed for domestic letter transmission. Modernizing postal services to meet the needs of micro-multinationals engaging in package trade directly with consumers could greatly help to grease the wheels of modern trade.
- **Protect Intermediaries Against Third Party Liability** – The principle that intermediaries are not held liable for the unlawful actions of their users has been engrained in US law. Unfortunately, foreign legal regimes do not have these important protections. Trade policy is an ideal vehicle for the US to push other countries to adopt stronger intermediary liability protections.
- **Tailor Government Programs to Fit the Needs of Micro-Multinationals** – The US government has many excellent programs designed to help US businesses. Many of these programs are tailored to small businesses and to exporters. Yet, largely because this is a new phenomenon, the programs are not tailored to the needs of micro-multinationals. This paper recommends revisiting existing government programs to address the concerns of micro-multinationals.

These changes will enhance the economic and societal benefits that come as a result of micro-multinational trade. We are excited to report on the positive trend of micro-multinationals engaging in global commerce. And, we hope that readers will join us in working hard to open up new opportunities for micro-multinationals to grow.



### Introduction

In 2005, former University of California, Berkeley economist Hal Varian wrote a groundbreaking piece in the New York Times about a new trend whereby small businesses were leveraging technology, particularly the Internet, to locate employees and access customers around the world.<sup>1</sup> Professor Varian coined the term “micro-multinationals” to describe this new phenomenon. But, notably, Professor Varian’s article did not have much data to back it up and instead relied upon case studies, describing a future where this emerging trend would become commonplace.

The data analysis contained in this report is the realization of Professor Varian’s 2005 prediction. Micro-multinational exporters are now a widespread phenomenon. The Internet creates a truly global digital network. When the Internet is combined with commercial services and efficient logistics, small businesses can connect with consumers and establish trust across national and cultural borders. We have coined the term **Global Empowerment Network** to describe this model. It runs alongside the traditional internationalization archetype for SMB participation in trade known as the Global Value Chain model.

This is the latest in a series of reports from the eBay Public Policy Lab that examine the impact of globalization and technology on small business commerce around the world. This report focuses on the United States, looking at how SMBs from across the US have embraced technology to grow their businesses globally. As in our previous reports, the eBay Marketplace provides the illustration of a new model for technology-enabled trade that is taking shape. Importantly, we believe our findings to be applicable generally to the nexus of trade and technology.

A team of economists at Sidley Austin LLP supported our efforts by conducting the economic research contained in this report, which is based on a global dataset of eBay Marketplace transactions from 2004 to 2014. The report compares findings from eBay Marketplaces with “traditional” trade flows between the US and other countries that have been gleaned from US Department of Commerce and US Census data as well as World Bank data.

This report will walk through the major findings that have come to light from our research. The first finding is that businesses leveraging technology export around the world at unprecedented rates compared to traditional SMBs. Secondly, this exporting leads to better survival and growth outcomes. Third, technology is helping to create a more inclusive economic model by bringing small businesses into the tent of beneficiaries from global trade. Fourth, technology can help reduce the effect of traditional barriers to trade.

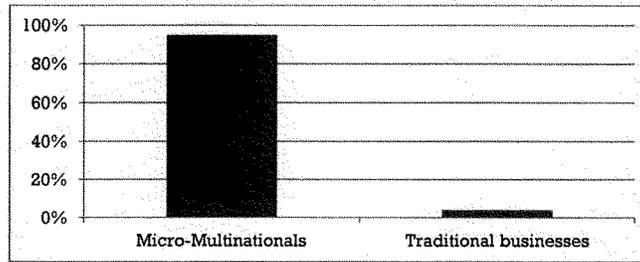
The report will also lay out illustrative case studies that serve to ground the data in the real world. Finally, the report will describe key policy actions that enhance the ability of technology-enabled businesses to more effectively reach world markets. Legal rules and administrative procedures have a key role to play in ensuring that the Global Empowerment Network provides increasing opportunities for technology-enabled SMBs to directly participate in global commerce.

**Exploring the World as Global Traders**

Traditionally, small businesses have been limited by distance in terms of their ability to explore foreign markets since most customers had to physically enter a business to transact. Reaching a customer in a different state, let alone in a different country, seemed like an impossible task for most SMBs. The Internet has changed the calculus.

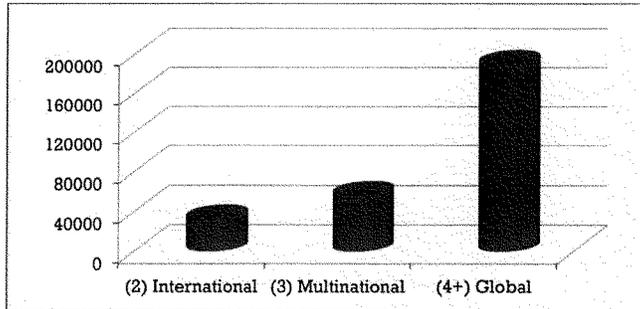
eBay Marketplaces data demonstrates that 95% of US-based SMBs on the eBay platform sell to customers in foreign countries. In short, they export. This is in stark contrast to traditional businesses in the US, of which only about 4% engage in exporting.<sup>ii</sup> (Figure 1).

**Figure 1. Share of Firms Exporting**



In many cases these are truly global businesses, exporting to nearly every corner of the world. In 2014, SMBs on eBay exported to 215 markets around the world. Moreover, this is not a niche trend, but instead a growing phenomenon. To demonstrate the pervasiveness of the unprecedented geographic reach and scale of these technology-enabled SMBs, we have placed them into 3 categories: [International = export to two continents; Multinational = export to 3 continents; Global = export to 4 or more continents]. (Figure 2). Most notably, over 190,000 SMBs reached global reach, exporting to 4 or more continents in 2014.

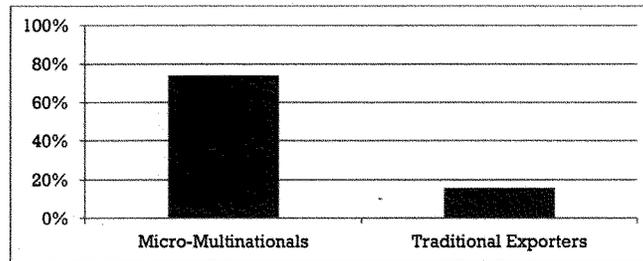
**Figure 2. Number of SMBs Reaching 2, 3, and 4+ Continents**



### Surviving and Thriving

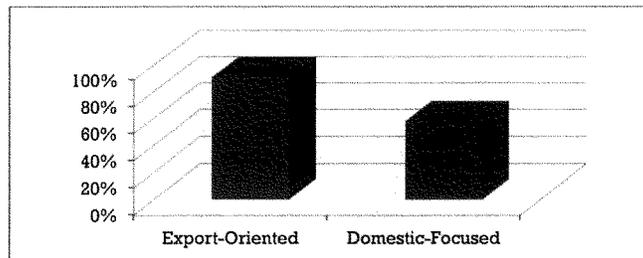
The idea that trade leads to firm growth is one that most economists hold almost as self-evident. Chairman of the Council of Economic Advisers Jason Furman stated, “[T]he ability to sell to a larger world market allows firms to take better advantage of increasing returns to scale.”<sup>iii</sup> But, the complexities involved in exporting can often lead to high failure rates [ceasing to export] among firms. The World Bank collects data on exporting firms from around the world. This database does not contain information on the US, but the 3-year export survival rates in developed European countries [Sweden, Spain, Portugal, Estonia, Bulgaria, and Belgium] is just 15.7%.<sup>iv</sup> In stark contrast is 2014 data from eBay Marketplaces demonstrating that 74% of micro-multinationals are still exporting after 3 years. (Figure 3).

**Figure 3. Survival Rate for Exporters**



Exports on the eBay platform increased nearly 300% between 2004 and 2014, while overall exports in the US only increased less than 100% over the same time frame.<sup>v</sup> It is also useful to track the growth of export-oriented firms to demonstrate the economic principle that exporting firms grow because of increasing returns to scale. We looked at SMBs on eBay from 2010 to 2014 and found that domestic-focused firms [those with >50% of sales going to international consumers] grew 58% over that time frame, whereas export-oriented firms [those with <50% of sales going to international consumers] grew 91%. (Figure 4). Export-oriented firms grew 57% faster than their domestic-focused counterparts.

**Figure 4. Growth of Export Oriented Firms**



**SpeedOutfitters**

Elkhart, IN



	SpeedOutfitters has 10 employees
	The business uses eBay, Amazon, and <a href="http://www.speedoutfitters.com">www.speedoutfitters.com</a>
	SpeedOutfitters operates out of a 7,000 sq. ft. brick and mortar store.
	The business exports 41% of its products.



**About SpeedOutfitters**

Motorcycle enthusiast and economist Travis Baird started SpeedOutfitters shortly after finishing college in 2004. The business was started with a mere \$3500 and Baird as the sole employee.

Baird founded SpeedOutfitters as a traditional retail store named Baird Motorcycles, before expanding to online sales. With a combination of hard work and determination and the help of platforms like eBay, Travis expects to continue expanding operations to employ 12-15 full-time workers by the end of 2015.

Over the past two years Baird chose to take heavy losses in order to reinvest in technology. He will forgo a salary in 2015 in order to maximize reinvestment in the business. Selling internationally is absolutely vital to the business, with roughly 41% of total sales to consumers from outside the United States. Baird has sold to consumers in 131 different countries.

**Seamless Development**

Cherry Hill, NJ



	Seamless Development has 30 employees.
	The business uses eBay, <a href="http://www.chopretail.com">www.chopretail.com</a> , and <a href="http://www.seamlessdev.com">www.seamlessdev.com</a>
	Seamless Development operates out of a 150,000 sq. ft. warehouse
	The business exports 30% of its products.



**About Seamless Development**

In 2004, Mathew Keister and his business partner, Erin Marchon, started a consulting company for online entrepreneurs. They developed eCommerce inventory management and shipping software for online retailers seeking to maximize sales.

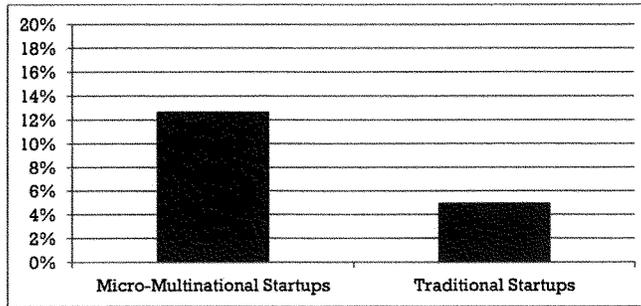
With the help of a loan from the Small Business Administration, Seamless created a cloud-based eBay operations platform to make it affordable and accessible for all types of online retailers and bring true enterprise-grade technology to small businesses. Seamless Development, Inc. is now growing at an incredible rate.

In 2012 Seamless started the ChopRetail eBay business as a way to test the new eCommerce cloud platform, which became an instant success; sales have increased at a rate of around 100% per month, and the business continues to grow. Keister and Marchon are hoping to double, or even triple the number of employees in the next few years.

**Creating a More Inclusive Model for Global Commerce**

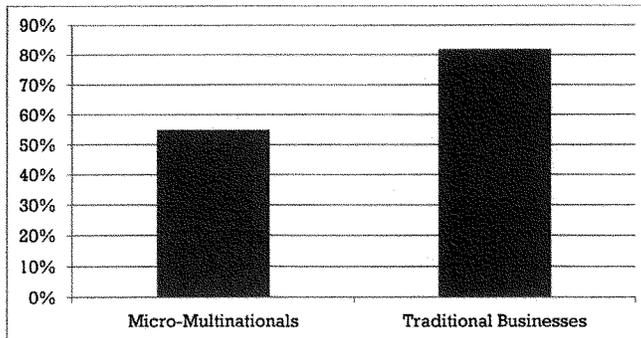
The benefits of global trade have traditionally been captured almost entirely by large established firms. Small businesses could not afford the large infrastructure, marketing, and capital costs required to engage in global trade. The Internet now enables an SMB to “go global” instantly. This explains why startup (newcomer) businesses on the eBay Marketplace are able to capture 12.7% of the export market in just one year, whereas, globally, new enterprises only make up 5% of the traditional export market.<sup>vi</sup> (Figure 5).

**Figure 5. Market Share of Newcomers**



The reciprocal factor of startups struggling to gain market share in the traditional economy is that largest traditional entities maintain much of the market share. Globally, the top 5% of exporters account for 82% of the export market.<sup>vii</sup> This is not the case for SMBs using the eBay Marketplace. The top 5% of micro-multinationals only account for 55% of the exports on the eBay platform, underscoring how the online marketplace is a more inclusive venue for SMBs. (Figure 6).

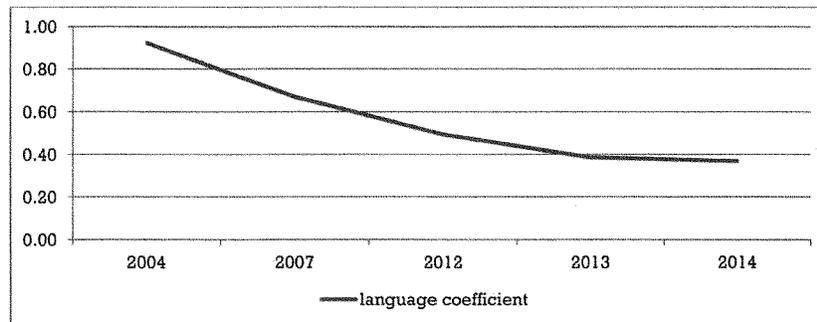
**Figure 6. Market Share of Top 5% of Businesses**



### Breaking Down the Barriers to Economic Opportunity

Small businesses continue to face disproportionate barriers to trade, despite the positive effect that the Internet has had in reducing marketing and communication costs. One of the major barriers that has inhibited micro-multinationals has been language. This has been an area of focus for eBay; the company has created machine translation technology that can help reduce the challenges associated with language. Over the past decade, language as a barrier to trade has been reduced by more than two-thirds for micro-multinationals. In 2004, trading with a buyer from a country with English as the official language used to boost exports of US-based sellers by 150%, but in 2014 it “only” increased exports by 44%— that’s a 2/3 reduction within a decade. (Figure 7)

**Figure 7. Reduction in Language as a Barrier to Trade**



There are several other barriers to trade that continue to inhibit micro-multinationals. Customs, in particular, is noted by micro-multinationals as a particularly onerous barrier to trade. Trade agreements are one of the most effective methods for improving customs processes and reducing fees and paperwork. eBay has served as a platform for micro-multinationals to organize and demonstrate their support for policy issues that would reduce business frictions. In early 2015, micro-multinationals using eBay sent over 50,000 emails to members of the United States Congress expressing support for the Trans-Pacific Partnership (TPP).<sup>viii</sup> The TPP is a trade agreement between the US and 11 other markets that represents more than 35% of the exports from US-based micro-multinationals on eBay.

Micro-multinationals have struggled to present a voice on policies that limit their ability to access international markets. But, their issues are of tremendous importance as they represent an entrepreneurial exporting class of businesses that the US should seek to promote.

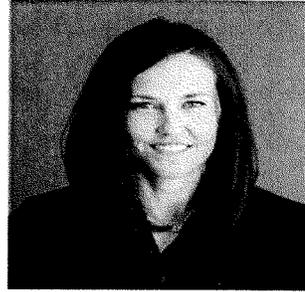
The final section of this report will lay out specific policy recommendations for the US government to consider in order to facilitate the continued growth of micro-multinationals.

## Fashionphile

Carlsbad, San Francisco & Beverly Hills, CA

FASHIONPHILE

↑↑↑	Fashionphile has 18 full time and 29 part time employees
🌐	eBay, www.fashionphile.com
🏠	Fashionphile has 3 boutiques in California
🌍	The business exports 20% of its products



### About Fashionphile

Founded by Sarah Davis in 1999, Fashionphile has worked hard to become the leading online reseller of pre-owned luxury handbags. The business' online success has enabled Davis to open three boutiques across California.

The business has been recognized by: CBS KCal, Good Day LA, Fox 11, Good Morning America, The Today Show, E! Entertainment TV Live from the Red Carpet at the Academy Awards, and The Wall Street Journal.

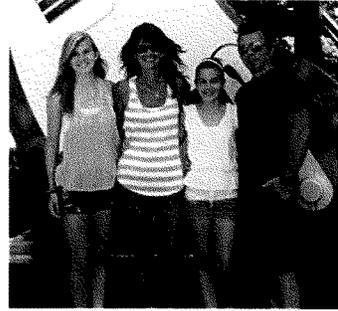
In 2014, a Brazilian blogger had a Fashionphile handbag shipped to a New York hotel where she was staying and shared her experience on the popular Brazil fashion blog Garotasestupidas (or Stupid Girls). Word about Fashionphile spread throughout the country, pushing Davis to find ways to safely expand its international sales to Brazil, a country she previously avoided.

**The Music Farm**

Canton, OH



	The Music Farm employs 11 people.
	eBay, Amazon, Sears, Newegg, Reverb, <a href="http://www.themusicfarm.com">www.themusicfarm.com</a>
	The Music Farm operates
	The business exports 30% of its products.



**About The Music Farm**

Brian Robinson has lived in the Canton, Ohio area for most of his entire life. He earned his first job in the area when he was just 15 years old. Robinson started in the music business in 1992, and when the company he was working for went under in 2004, he started to look for a new job. Ultimately, he decided to follow his entrepreneurial aspirations by starting his own business. In 2004, The Music Farm was born.

The Music Farm started exclusively as an online operation, but quickly grew in sales and inventory which allowed Robinson to open up a brick-and-mortar store and showroom. International sales are an integral part of the overall operation and make up nearly a third of Robinson's business.

### Policy Recommendations

Poor government policies can have a particularly powerful effect on SMBs. The International Organization of Employers finds that proportionate compliance costs can be 10 to 30 times greater for small firms than for larger firms.<sup>ix</sup> Moreover, micro-multinationals are a relatively new segment of trader, which means they have never before been a meaningful part of trade negotiations and thus the policy solutions needed to facilitate micro-multinational trade have not been proposed, let alone implemented within the traditional trade regime. This section will highlight four policy recommendations that would enhance the ability of US micro-multinationals to access the global market.

- **Raise de minimis levels:** The de minimis threshold is the monetary level below which an importer of physical goods is exempted from customs duty and paperwork requirements. Returns are an essential part of the retail experience. In the current environment, providing cross border returns is difficult for micro-multinationals because if a good is valued at a level above the de minimis threshold, then upon its return it may be subject to customs duty and paperwork requirements, with the burden falling on the seller. Legislation has been introduced in the United States to increase the US de minimis threshold from \$200 to \$800.<sup>x</sup> Moreover, US trade negotiators should seek commitments from trading partners to raise their de minimis thresholds, thereby reducing customs barriers for micro-multinationals.
- **Modernize and Harmonize Postal Regimes:** Harmonization and simplification of policy and regulation, as well as increased technological investment and development of postal services are extremely beneficial for micro-multinationals that utilize the postal service to move their goods around the world. Multi-lateral harmonization is the most effective method for improving the global postal system, agreement on addressing mechanisms, customs clearance policies, and tracking would make cross border technology-enabled trade much more efficient.
- **Protect Intermediaries Against Third Party Liability:** The United States regime for Internet intermediary liability has been instrumental in leading to the development of the strongest Internet services industry in the world as well as the most robust Internet-enabled economic activity. The balanced notice-and-takedown regime achieved in the Digital Millennium Copyright Act (DMCA) protects IP while enabling platforms to grow. The blanket immunity for speech violations provided by the Communications and Decency Act (CDA) Section 230 enables free speech to flourish online. Unfortunately, very few nations have adopted a similarly balanced regime for governing intermediary liability. This creates a great deal of uncertainty for micro-multinationals. The US should seek to harmonize intermediary liability regimes through trade agreements in a manner that encourages countries to adopt balanced, pro-innovation liability regimes modeled after the DMCA and CDA.

- **Tailor Government Programs to Fit the Needs of Micro-Multinationals:** The US has several trade-promotion programs designed to help educate, finance, and facilitate export-oriented businesses. Unfortunately, many of these programs are tailored to fit the needs of larger manufacturing and agricultural SMBs. The micro-multinational business faces divergent barriers from the traditional SMB exporter. The US should revisit export promotion programs and tailor them to meet the needs of the micro-multinational.

### **Conclusion**

Pierre Omidyar, eBay's founder, frequently says, "[E]veryone is born equally capable, but lacks equal opportunity."<sup>xi</sup> The Internet has opened up a world of opportunity for businesses of all sizes throughout the United States. At eBay, we are committed to creating products and services that continue to enable new opportunities for businesses of all sizes. We are interested in partnering with private sector entities, governments, and non-governmental organizations to further clear the path for micro-multinationals to grow.

We believe that the micro-multinational trend is still nascent and is only going to grow. The growth of micro-multinationals will bring more wealth creation and will spread that wealth to entities that have traditionally been left out. We are excited about our role in helping these businesses to grow and advocating on their behalf to enable their global success.

**Endnotes**


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<sup>i</sup> Hal Varian, Technology Levels the Business Playing Field, New York Times 2005

<sup>ii</sup> Andrew B. Bernard & J. Bradford Jensen & Stephen J. Redding & Peter K. Schott, 2007. "Firms in International Trade," Journal of Economic Perspectives, American Economic Association, vol. 21(3), pages 105-130, Summer

<sup>iii</sup> Trade, Innovation, and Economic Growth, Remarks by Jason Furman, Chairman, Council of Economic Advisers, The Brookings Institute (April 8, 2015) As Prepared for Delivery

<sup>iv</sup> Average of similarly situated markets in World Bank Exporter Dynamics Database

<sup>v</sup> International Trade Center, Trade Map

<sup>vi</sup> Average of similarly situated markets in World Bank Exporter Dynamics Database

<sup>vii</sup> Id.

<sup>viii</sup> Julian Hattem and Mario Trujillo, Overnight Tech: Net neutrality vote, at long last, The Hill (Feb. 25, 2015).

<sup>ix</sup> IOE Guidance Note, Small and Medium Sized Enterprises and Decent and Productive Employment Creation (2015) [http://www.ioe-emp.org/fileadmin/ioe\\_documents/publications/ILO\\_ILC/2015/EN/\\_2015-04-10\\_\\_2015\\_ILC\\_-\\_Guidance\\_Note\\_on\\_SMEs\\_and\\_Decent\\_and\\_Productive\\_Emp\\_Creation\\_\\_web\\_.pdf](http://www.ioe-emp.org/fileadmin/ioe_documents/publications/ILO_ILC/2015/EN/_2015-04-10__2015_ILC_-_Guidance_Note_on_SMEs_and_Decent_and_Productive_Emp_Creation__web_.pdf)

<sup>x</sup> S.489 "Low Value Shipment Regulatory Modernization Act of 2015"

<sup>xi</sup> Elanor Goldberg, eBay Founder Pierre Omidyar On Why He's Dropped \$1 Billion To Make The World A Better Place, Huffington Post (12/20/11)

**Testimony of Dyke Messinger,  
President of Power Curbers, Inc.**

**on "Across Town, Across Oceans: Expanding the Role of Small Business in  
Global Commerce"**

***before the Committee on Small Business***  
**of the U.S. House of Representatives**

May 20, 2015

Thank you for the opportunity to testify today as the President of Power Curbers, Inc., a 62 year company that was founded in Salisbury, North Carolina. I am also appearing today on behalf of the National Association of Manufacturers (NAM), the nation's largest industrial trade association in the United States with over 14,000 members.

Power Curbers was founded by two businessmen with a design for the world's first automatic curb machine. This engineering breakthrough helped streamline the process of laying out highways, medians and other road infrastructure projects. While we still produce machines using the same curbing technology, we have grown into one of the leading paving machinery producers, for both agricultural and infrastructure projects.

Power Curbers' success in the United States has been fueled in substantial part by our ability to sell overseas. Since the early 1960's, Power Curbers has been exporting its equipment, which can now be found in more than 90 countries throughout the world. By exporting, we are simultaneously helping create safer, more efficient infrastructure overseas and supporting good-paying manufacturing jobs in North Carolina and Iowa.

International sales and exports comprise 40% percent of our total revenue and are critical to our continued innovation and growth. More broadly, exports support 154,000 jobs in North Carolina and 81,449 jobs in Iowa, more than 20 percent of each state's manufacturing employment.

Trade and foreign markets are critical for small businesses like Power Curbers. Small- and medium-sized enterprises (SMEs) account for more than 96 percent of all exporters nationwide. U.S. SMEs also export indirectly by selling goods and services to large U.S. exporters. Based on their direct and indirect export activity combined, SMEs represent more than 40 percent of the value of U.S. exports. In manufacturing, SMEs employ 5.1 million of the 12 million manufacturing workforce.

To continue to thrive, manufacturers like Power Curbers need to see open markets and a more level playing field. I would like to focus on a few key trade issues

on which Power Curbers and the NAM are focused to grow the competitiveness and success of our manufacturers overseas.

### **The Status Quo**

The U.S. has the most open market of any major economy, with the lowest tariffs of any country in the G20. Indeed, more than two-thirds of all manufactured imports entered the U.S. duty-free in 2013.

Yet, manufacturers in the U.S. face steeper trade barriers abroad than virtually any other major country, including Mexico, China and Europe, largely because those countries have entered into more market-access agreements than the United States. Put of 138 countries measured by the World Economic Forum, the United States faces higher tariffs than all but eight countries.

### **“Tariffs Faced” Ranking by Country, 2014**

*(Out of 138 Countries)*

<b>Country</b>	<b>“Tariffs Faced” Ranking (From Least to Most Tariffs)</b>
Chile	1
Mexico	28
Brazil	51
South Korea	55
China	58
India	59
Canada	72
Germany and all EU countries	73
Russia	115
<b>United States</b>	<b>130</b>

**Source:** *World Economic Forum, Global Enabling Trade Report (2014).*

With some of the Trans-Pacific Partnership (TPP) countries, Power Curbers’ exports face tariffs as high as 20 percent. Other U.S. manufacturers face tariffs as high as 83 percent on automotive products, 70 percent on machinery and capital equipment, and 30 percent or more on chemicals, health and medical equipment and infrastructure products. With the European Union, manufacturers face tariffs as high as 20 percent on electrical equipment, 15 percent on consumer goods, 14 percent on information technology products, and 10 percent on machinery, capital equipment and metal goods.

Beyond tariffs, manufacturers like Power Curbers face a wide range of other discriminatory barriers around the world – from local production requirements to discriminatory regulations and standards. In many countries, foreign competitors can copy or counterfeit our American innovation and technology without recourse.

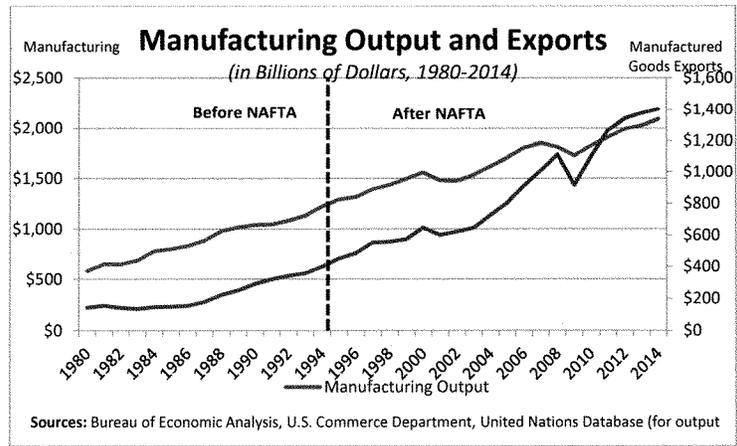
And while the U.S. has been able to expand its manufactured goods exports to a record \$1.4 trillion in 2014, U.S. manufacturers and exporters are facing an increasingly challenging global economy where growth has slowed. America lags behind many of its largest trading partners when it comes to exporting – in fact, U.S. exports comprised only 9.5 percent of global trade in manufactured goods in 2013.

Congress can and must do more to expand U.S. manufactured goods exports and open new markets if we are going to grow manufacturing and the jobs it supports in the United States.

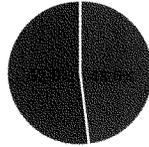
**Opening Markets with Trade Promotion Authority (TPA)**

Trade Promotion Authority (TPA) is a key negotiating tool to help the United States negotiate the types of strong market-opening agreements that level the playing field. The Bipartisan Congressional Trade Priorities and Accountability Act (H.R. 1890/S.995) that was introduced in April sets forth strong negotiating priorities for trade agreements, such as the TPP and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union, which track closely to the manufacturing trade priorities that the National Association of Manufacturers developed in 2013. The TPA legislation also includes significant and important updates to consultation, process and transparency provisions to ensure that Administration is held accountable.

Thirteen of the 14 U.S. free trade agreements and all of our broad market-opening trade agreements currently in force were concluded with TPA-type Congressional oversight. These agreements have spurred the quadrupling of U.S. manufactured goods exports over the past 14 years, which has also helped promote a quadrupling of U.S. manufacturing output to a record high of \$2.09 trillion in 2014.



With TPA, newer trade agreements are leveling the playing field and eliminating foreign barriers more completely helping American industry succeed. The United States currently has 14 free trade agreements (FTAs) with a total of 20 partner countries.<sup>1</sup> Taken together, America's 20 trade agreement partners buy more than half of all our manufactured goods exports, but account for less than ten percent of the global economy and only six percent of the world's population.



**Nearly half of U.S.-manufactured goods exports are purchased by our 20 Free Trade Agreement partners.**

■ FTA Partners ■ Rest of the World

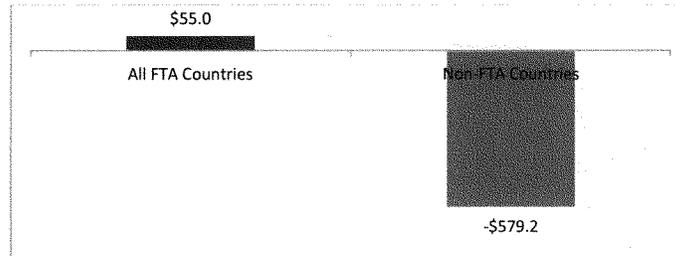
New trade agreements have helped expand U.S. exports. For example:

- U.S. manufactured goods exports to Canada and Mexico have more than doubled since the North American Free Trade Agreement (NAFTA) entered into force in 1994, from \$200 billion in 1993 to \$486 billion in 2014.
- U.S. manufactured goods exports to Chile have grown six-fold since the U.S.–Chile Free Trade Agreement entered into force in 2004, from \$2.5 billion in 2003 to \$15 billion in 2014.
- U.S. manufactured goods exports to Australia increased nearly 90 percent since the U.S.–Australia Free Trade Agreement entered into force in 2005, from \$13 billion in 2004 to \$24.6 billion in 2014.
- U.S. manufactured exports to Peru increased 58 percent since the U.S.–Peru Trade Promotion Agreement entered into force in 2009, from \$5.6 billion in 2008 to nearly \$9 billion in 2014.

As the data demonstrate below, the United States maintained a \$55 billion manufacturing trade surplus with its FTA partners in 2014, compared with a \$579.2 billion deficit with non-FTA countries.

<sup>1</sup> The United States has two multi-country FTAs: the North American Free Trade Agreement (NAFTA) with Canada and Mexico, and the Central American-Dominican Republic-U.S. Free Trade Agreement with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. The United States also has 12 FTAs with: Australia, Bahrain, Chile, Colombia, Israel, Jordan, Morocco, Oman, Panama, Peru, Singapore and South Korea.

**U.S. Manufacturing Trade Balance, 2014**  
**(FTA vs. Non-FTA, in Billions of Dollars)**



**Source:** U.S. Commerce Department.

By eliminating barriers overseas and ensuring the fair treatment of our manufacturers and their products, FTAs have propelled substantial quantities of manufacturing exports because manufacturers in the United States succeed in open markets. Given the fact that the global trade in manufactured goods is nearly three times the size of the U.S. market for such goods and its extraordinary growth over the past decades, efforts to level the playing field and eliminate barriers overseas will only become more important as the mature U.S. market provides insufficient opportunities for sustaining and growing manufacturing employment.

Passage of TPA, which lapsed in 2007, is critical to restore U.S. leadership on trade and help ensure the negotiation of strong market-opening agreements that foster new opportunities and a more level playing field for our nation's manufacturers.

**Export Promotion**

According to the recent United States of Trade report, around 300,000 small and medium-sized enterprises across the country export goods to foreign destinations – or about 97.7 percent of all goods exporters. These SME exporters support millions of American jobs through direct exports and participation in supply chains. Still, less than 1 percent of America's 30 million companies export – a percentage that is significantly lower than all other developed countries. Of U.S. companies that do export, 58 percent export to only one country. Many businesses could benefit from broadening the scope of their exports to new markets. The NAM supports efforts by this Committee to develop stronger tools to aid our SME exporters.

**The Export-Import Bank and Export Credit Financing**

One vital tool that thousands of manufacturers use to compete successfully in global markets is the Ex-Im Bank. With a mission to support U.S. jobs through exports, the Ex-Im Bank is an important tool to help grow U.S. exports and jobs. In FY2014, Ex-Im Bank enabled more than \$27 billion in exports – leveraging about \$20.5 billion in

authorizations. Nearly 90 percent of those transactions directly supported small-businesses, with an estimated \$5 billion in support for small business exporters. While Ex-Im does not need to finance the great majority of U.S. exports, it is considered vital in certain areas of significant growth – particularly for small- and medium-sized business exporters, long-term financing for large projects, sales to emerging markets and sales to foreign state-owned entities.

Small and medium-sized businesses sometimes find that Ex-Im Bank plays a crucial role in enabling them get their foot in the door overseas. Whether these companies need export credit insurance to unlock working capital or utilize a loan guarantee to extend competitive financing terms to their customers, Ex-Im Bank ensures access to capital faster and at a lower cost in order to help small and medium-sized businesses fulfill new orders and grow their business. Of the Bank's 3,300 small business transactions in FY 2014, 545 companies were first-time Ex-Im users.

### **Conclusion**

The United States is now sitting on the sidelines as other countries move forward more aggressively to open markets and promote exports for their businesses at the expense of ours. By standing still, the United States is falling behind in the global economy. It is time to reverse that trend and move to enact and implement legislation and programs that will boost America's global competitiveness and create a more level and fair playing field for companies like Power Curbers and other SMEs across America.

**Testimony of Michael Stanek  
Vice President & Chief Financial Officer**

**Hunt Imaging LLC**

**On behalf of the National Small Business Association  
And Small Business Exporters Association**



**House Small Business Committee Hearing:**

**"Across Town, Across Oceans: Expanding the Role of Small Business in Global Commerce"**

**May 20, 2015**

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[www.nsba.biz](http://www.nsba.biz)

Good morning. I would like to thank Chairman Chabot, Ranking Member Velazquez and the members of the Committee on Small Business for inviting me to testify today on issues related to challenges facing small-business exporters and the impact U.S. trade policy has on small businesses.

My name is Michael Stanek and I am the Vice President and Chief Financial Officer of Hunt Imaging LLC, a manufacturer of dry and liquid electrostatic toners and developers used primarily in high speed computer printers. Hunt Imaging is headquartered in Berea, Ohio just outside of Cleveland in a 100,000 square foot manufacturing facility we have occupied since 1974. We also have a 12,000 square foot facility outside of Antwerp, Belgium but are currently in the process of shutting down that operation as sales throughout Europe have declined to a level that make it financially unfeasible to maintain it as an ongoing entity.

Although more than 99 percent of all businesses in the U.S. and European Union (EU) are classified as small and medium-sized enterprises (SMEs), accounting for the vast majority of employment, and adding more than 14.3 million new jobs to the U.S. economy—we are still struggling to keep our European operations open due to both economies being mired in sluggish and uninspiring recoveries.

I am proud to be here representing not only my company but also the National Small Business Association (NSBA)—the nation's first small-business advocacy organization for whom I serve on the Board of Trustees, and its international arm, the Small Business Exporters Association (SBEA). I also serve as the First Vice Chair of the Board of Directors at an NSBA affiliate, the Council of Smaller Enterprises (COSE) in Cleveland, Ohio, the nation's largest regional small business association.

Hunt Imaging was founded in 1996 as a spinoff from a Fortune 200 company with more than 90 years of imaging chemicals experience. With both dry and liquid capabilities, Hunt is able to service a broad array of needs in the imaging industry. Our current focus is on the high speed computer printer market with a particular niche in magnetic image character recognition (MICR) toners. We supply some of the largest printer manufacturers on an Original Equipment Manufacturer (OEM) basis and compete in the aftermarket as well with a Hunt labeled product. We currently employ thirty-five hard-working individuals between our two facilities and will maintain a workforce of thirty-one after our downsizing is complete.

### **Challenges to Exporting**

The fact that Hunt Imaging is a Fortune 200 spinoff is very germane to the foreign trade topic as the background and experience many of our employees gained from being part of a large company gave us an advantage over most other companies our size when it came to exporting. Not only did we inherit an ongoing operation in Europe that made us very unique for a company our size, but our original employees brought with them the knowledge of how to deal

with freight forwarders, customs brokers, export/import documentation, and other items that are specific to the export arena.

Without this innate knowledge, we would have been facing the same legal, administrative and regulatory barriers that so many of my colleagues face when they decide to enter into the global marketplace. The fact that nearly half of the exporters who responded to a 2013 NSBA and SBEA Exporting Survey citing they spend a few months or more preparing to export is a clear indicator of the complexity faced by new exporters and the need for improved, streamlined assistance. The average small-business exporter reported spending approximately 8.4 percent of their annual operating revenue on preparing to export. To put that in context, the average S-Corporation reports spending 11.1 percent of their annual operating revenue on salaries and wages, according to the most recent information available from the Internal Revenue Service.

Clearly, for Hunt, having the foreign operation and an existing book of foreign customers when we spun off had us in the export business—with a clear advantage—from the very beginning of life as a stand-alone entity. We did not fully comprehend at the time how unique we were in comparison to the vast majority of companies our size which are at a loss when it comes to having that background, yet join us in the challenge of having limited resources upon which to draw when it comes to learning new practices and in keeping up with ever-changing rules and regulations. Developing foreign markets is a significant challenge, especially for a small firm with limited human and financial resources. There are cultural factors to learn, language barriers, legal snares and obstacles, and the complex array of logistical and governmental issues surrounding cross-border trade.

Our history in exporting has been varied, with more recent sales being focused in the European footprint and Canada. We have also in the past year sold into Brazil but have done so via a customer in Miami, Florida who has handled the actual exportation. We have handled our recent Brazilian shipments in this fashion as the Miami company has a pre-existing relationship with the Brazilian customer and it also shields us from economic unrest in the Brazilian economy.

Finding effective distribution partners has been essential for us in identifying new customers, in new countries and understanding the different regulatory requirements. Without them, we would have had to spend a considerable amount of time finding labeling, shipping, certification requirements and all of the other relevant rules that apply to doing business in Brazil. The time that we devote to an export transactions is time that we won't be devoting to some other, equally important business operation. One often has to wonder if it is even worth trying to expand into new markets. Other destinations to which we have exported directly, although not recently, have included the Philippines, Egypt, and Pakistan.

Service to our customers in Europe has been handled through our Belgian facility, a luxury which we will lose shortly due to the aforementioned economic decline. We have historically produced all

of our toner in our U.S. facility in Berea and would then export in bulk to our branch in Belgium where the toner would be packaged for sale to European customers. We are now in the process of changing the relationship with our largest European customer out of Germany and will both produce and package their product there in the U.S. and then export it directly to them.

This change in shipping point has resulted in a number of challenges for us to face. We now have to look at numerous facets of our operation, from things as basic as now having to order, inventory and utilize Euro pallets for shipping to much larger challenges such as addressing the REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) issue and its attendant certifications. The REACH issue in particular has been challenging for a small business such as ours to, first, fully understand, and second, to meet the criteria.

REACH is a regulation of the European Union (EU) which came into force in 2007 and addresses the production and use of chemical substances. The 849 pages of legislation have been described as the most complex legislation in the European Union's history and affects industries throughout the world.

REACH requires all companies manufacturing or importing chemical substances into the EU to register those substances with the newly established European Chemicals Agency (ECHA) in Helsinki, Finland. In our case this registration is necessary for every raw material contained in our toner formula.

We were previously REACH compliant through our Belgian branch but with our new direct sales approach from the U.S. we are looked at as a new company and required to make new registrations. While our customer in Germany is technically responsible for the registration as the importer of the product they have insisted that we handle the registrations. Many European companies will not consider purchasing from outside the EU unless the exporter assumes all REACH registration responsibilities.

The required registration can be handled by establishing a relationship with an organization within the EU termed an "Only Representative" (OR), OR consultancy companies exist outside the EU but it is not possible to register a substance if the OR is not based in the EU unless it is subcontracted to an EU-based registrant. The OR assumes responsibility and liability for fulfilling obligations of REACH for substances being brought into the EU by a non-EU manufacturer. However, the cost of engaging an OR can be in the tens of thousands of dollars, putting it well out of reach of a typical small-business exporter.

As an alternative to engaging an OR ourselves, we have been forced to take another, though no less time-consuming, approach. Each of the suppliers of our raw materials are large companies and all are also non-EU manufacturers. In response to the REACH regulation they have each found it necessary to individually contract with an OR in the EU. As the products which they are supplying to us are fully registered through their ORs we have been able to negotiate agreements with each of them that are allowing us to 'piggyback' on their registration by extending their OR appoint-

ments to include the distribution of substances via Hunt Imaging to our customer. These negotiations and the subsequent paperwork to effect the relationships have consumed a significant amount of time and a fair amount of legal and consultancy expense.

The REACH issue in Europe is only one of myriad challenges that need to be faced and addressed when a small business is looking to export. For a business without the internal resources to address these challenges it becomes a matter of finding outside assistance which in and of itself can become both time-consuming and cost-prohibitive.

Possibly the biggest exporting challenge for a small business, and certainly ours, is finding international opportunities to pursue. When we were part of a large multinational corporation we had a worldwide network of colleagues who could not only pinpoint opportunities for us but also pursue them on our behalf. As a small stand-alone organization we are challenged to uncover potential sales opportunities and have struggled with identifying domestic resources to assist in that process.

Participating in the trade show circuit, both as an exhibitor and as attendees, has proven to be of limited value to us. In addition to numerous domestic trade shows we also have been an exhibitor at Drupa, the largest printing exhibition in the world, held every four years in Dusseldorf, Germany. This show attracts nearly 2,000 exhibitors and 300,000–400,000 visitors. Again, the results as far as new business have been disappointing. We've picked up a few small sales but never anything that has justified the cost of exhibiting nor any business that we can maintain once our doors are closed in Belgium.

Once new customers are identified and a sales agreement is reached the next step is, of course, exporting the product to the customer. After 19 years as an independent organization our knowledge base from previously being part of a multinational corporation was waned. We now rely very heavily on our freight forwarder to advise us of rules and regulations and have, in fact, passed along power of attorney on export related issues to our freight forwarder.

Large companies in the U.S. are, for all practical purposes, fully globalized. They have a good sense of where their export markets are and what is needed to sell in those markets. They know where to go to finance their foreign sales and have the resources to handle common types of foreign trade barriers to U.S. exports. The situation among small and mid-sized companies in our country is dramatically different.

Large companies in the U.S. are, for all practical purposes, fully globalized. They have a good sense of where their export markets are and what is needed to sell in those markets. They know where to go to finance their foreign sales and have the resources to handle common types of foreign trade barriers to U.S. exports. The situation among small and mid-sized companies in our country is dramatically different.

The economic difficulties over the past few years, coupled with ongoing outsourcing, have put small businesses at a distinct disadvantage in the global economy. NSBA and SBEA have been urging for years—decades, even—that more must be done to emphasize the needs of small business within the scope of U.S. trade in order to enhance exporting opportunities for small U.S. companies. I have been pleased to see in the past few years, there has been a concerted effort by the administration, Congress and regulators to improve and enhance exporting opportunities for small businesses.

### **What Can Be Done**

It should come as no surprise that the results from the NSBA/SBEA Exporting Survey shows that fifty-five percent of SME's export to less than five countries. Foreign laws and regulations can change daily, making it increasingly difficult for a small business to stay up-to-date on when and how to comply with these regulations, and it acts as a deterrent to explore new markets. Additionally, the survey highlights that forty-seven percent of small-business owners are the ones handling the bulk of their exporting activities; this is on top of running the day-to-day operations of the business, and oftentimes serving as the accountant, benefits coordinator, attorney and personnel administrator.

#### *One-Stop-Shop*

It is critical for policymakers to understand that, for a small business, more information isn't always a better information. With more than twenty federal departments and agencies playing some role in international trade, it is important that SMEs have a place to turn. Many of these agencies overlap and offer duplicative services. I would recommend the creation of a One-Stop Shop—ideally within the Department of Commerce and more specifically the International Trade Administration (ITA)—that would have a centralized staff dedicated to field small business “how to” calls on exporting and to assist small businesses in transferring their exporting thoughts and ideas into reality. It would be beneficial to develop a “beginning-to-end” focus on each company—staying with a company from initial inquiry through the completion of the transaction and any necessary follow-up.

Increased coordination between agencies will help more small businesses access the tools they need to export; enhanced export training and technical assistance are key. Especially for small companies that are new to exporting and those with specialty products for exotic markets, there are undeniable fear factors, knowing exactly where to go and who to call could alleviate some of this anxiety which serves as a major barrier to entry into global trade. Cross-agency outreach guides and learning materials on the intended foreign markets with virtual marketplace and virtual trade missions would make it easier and less expensive for small businesses to reach foreign partners.

#### *Trade Agreements*

Trade agreements are a vital part of the effort to increase country and customer range, as well as the value of small-business exports. Free trade agreements are extremely important as they lower foreign barriers to our exports and produce a more level playing field. Lowering the “hassle factor” of exporting to specific countries helps to increase the attractiveness of those countries to smaller companies. And when trade agreements succeed in lowering exporting costs, they broaden the range of export profitability for American companies and American products.

For successful negotiations, it is critical the president have the authority to negotiate trade agreements through Trade Promotion Authority (TPA). TPA, which expired in 2007, is crucial to the passage of trade deals through Congress because it allows the agreements to advance under “fast track” rules with no amendments. Without TPA, the U.S. is relegated to the sidelines as other nations negotiate trade agreements without us—putting American workers and companies—especially small ones—at a competitive disadvantage. New and expanded market access through trade agreements has been an important catalyst for increased small business exports. I am pleased to see that Congress has begun consideration on TPA, and am hopeful both chambers will have constructive debate and pass this important legislation as soon as possible.

At Hunt, we consider selling into Canada to be a routine matter; the paperwork is simple and the logistics network is just an extension of our normal domestic carriers. It has been shown that following the implementation of the North American Free Trade Agreement (NAFTA), American SME exports to Canada and Mexico skyrocketed. Small businesses represent over 95 percent of all U.S. exporters to the NAFTA market. This same type of success is achievable with other trade deals.

Currently, the administration is negotiating two broad trade agreements: the Transatlantic Trade and Investment Partnership (T-TIP), with members of the EU and the Trans-Pacific Partnership (TPP) with countries in the Asia-Pacific region. These two agreements would cover 60 percent of American exports and 84 percent of foreign direct investment, both expanding some existing trade agreements and creating opportunities for free trade with more countries.

Given the importance of small businesses to both the European and Asia-Pacific economies, it is vital that these negotiators not only get the details right when crafting the SME-specific chapter, but also ensure that they address the specific needs of small business throughout the entire agreement.

NSBA and SBEA are pleased that trade negotiators have finally realized the need for including a chapter dedicated to small exporter issues in these agreements. It is critical for their long-term usefulness, however, to establish a small-business committee or advisory panel that would engage with the SME community and provide resources and information on understanding the full scope of these agreements and how they can benefit small businesses.

TPP and T-TIP are excellent opportunities for these countries and the U.S. to coordinate approaches and facilitate cross-border

trade and investment opportunities for American SMEs. By removing tariffs, making the regulatory process easier to understand, and ensuring companies have access to the information they need to start exporting, these agreements can make a real difference to the increased number of small firms who have expressed interest in exporting, per the NSBA/SBEA survey: from just 43 percent in 2010 to 63 percent in 2013.

#### *Ease Tariffs*

If we want American SMEs to export more, it is important to reduce variable costs like tariffs. Many countries impose tariffs on U.S. exports that are ten or twenty times as high as our own, and a web of non-tariff barriers overseas often shuts out U.S. goods and services. At Hunt we have found that our products can often times be classified numerous ways by a single country. Without combing through a maze of product descriptions and classifications we risk having our material placed in a much higher tariff class than necessary.

Also, we need to pay close attention to fixed or “inflexible” costs because those costs can impose disproportionate burdens on SMEs. When it costs \$10,000 in legal fees to comply with a trading rule it is a nuisance for a large company, but it is a potential show-stopper for a small company.

A lot of non-tariff barriers can generate such disproportionate costs. Non-tariff barriers include such items as foreign patent and trademark costs, “physical presence” requirements, paperwork requirements and performance bonds and licenses. Sometimes these disproportionate costs are subtle, such as when a country requires foreign companies to be structured in a certain way to do business there. But even small increases in a company or product’s cost due to tariffs can mean the difference between making and losing a sale for SMEs. NSBA/SBEA supports the elimination of all tariffs across all industries and product lines. Though the tariffs between the U.S. and EU economies are already relatively low, eliminating them would boost bilateral trade by more than \$120 billion in five years, according to a report from the Centre for Economic Policy Research.

#### *Transparency of Rules and Regulations*

Interpreting and comprehending regulations has proven to be a challenge that exhausts a small firm’s human resources and even drains our wallets when we have to turn to outside professionals. The easier it is to understand and comply with a country’s rules without having to hire attorneys, the cheaper it is to get into that market. While we have relied very heavily on our freight forwarder to keep us informed of and in compliance with all necessary rules, it would be much more comforting for us to have a clear way to confirm our own compliance.

New rules and regulations should only occur after notices have been posted online in an easily-accessible format for the public and American companies to provide comments on the impact the new rules would have on their business. Also, all issues raised by U.S.

companies should receive written responses with justifications for all new rules. The creation of an SME committee that would analyze and examine the impact of new rules on smaller companies would also be beneficial.

NSBA/SBEA also supports the creation of a centralized website that is monitored and collects up-to-date information on regulation policies and practices pertaining to requirements for shipping, labeling, testing, certifications, and customs clearance for the most commonly traded goods and services. It should be presented in a clear and easy-to-read format, to serve as a resource for businesses looking to navigate the process and enter a new market.

#### *Customs Simplification*

Reducing administrative burdens associated with customs procedures, raising the *de Minimis* threshold, eliminating unnecessary double customs controls and simplifying rules of origin could benefit small exporters—especially as a way of reducing red tape and delays at borders. Improving predictability, simplicity and uniformity in border procedures will make it easier for SMEs to participate in trade.

The current *de Minimis* value for goods entering the U.S. is \$200, while the current personal exemption for goods carried into the country is \$800. Duties and taxes are assessed only if the value exceeds \$800. If consumers ship their purchases back to the U.S. that same duty-free limit falls to \$200. This difference arbitrarily penalizes companies—such as mine—that ship products necessary for the production and manufacturing of our goods in the U.S. Streamlining this customs process and matching the \$800 exemption will help American businesses grow their export volume and enter new markets. NSBA/SBEA support the bipartisan efforts in Congress to increase this threshold, which will lower costs for American exporters.

#### *Strong Intellectual Property Protection*

Small businesses are the leaders in innovation and creativity that drive job creation and economic growth. Having a strong commitment to intellectual property rights (IPR) is vital in order to protect our innovative products and services, especially because small exporters are highly vulnerable to infringements of our IPR. U.S. small businesses are at a particular disadvantage, because they may lack the knowledge, expertise or resources necessary to prevent the theft of their ideas and products. In fact, research conducted by the United States Patent and Trademark Office found that only 15 percent of small businesses that conduct business overseas know that they need to file for IP protection abroad.

Many small businesses also may not have personnel and operations overseas, so they lack the “eyes and ears” needed to be vigilant globally and the theft of their IP can often go undetected. In addition, small businesses generally do not have the level of access or the resources, such as specialized legal counsel, that may be available to larger companies. NSBA/SBEA endorses the creation of simplified methods for filing and renewing trademark and copy-

rights to decrease the amount of time and paperwork normally required which in turn will provide more timely enforcement of IPR.

#### *Expand and Improve Export Finance*

On a more broad scale, we need to get more community banks into export finance and educate them on available government lending programs so they can better advise their small-business customers who are considering exporting. This can be achieved by streamlining paperwork, externalizing some of the banks' administrative costs for smaller export finance deals, providing export finance training, enhancing outreach to banks on the benefits of trade finance and improving bank recruitment practices.

Hunt just negotiated a new line of credit with a regional bank that allows us to borrow up to 80 percent of outstanding accounts receivable. However, we were unsuccessful in attempting to address the issue of foreign accounts receivable and are unable to borrow any money against receivables that are to be collected from companies outside U.S. borders. This naturally makes it much more difficult for us to financially support new export opportunities that may arise.

The U.S. financial sector is far less engaged in world trade than the financial sectors in Europe, Asia and other parts of the world, where banks themselves encourage business customers with promising products to export. To truly set up American exports, our banks must do more.

While Hunt does not use the Export-Import Bank of the United States (Ex-Im), it is also an important part of the U.S. export strategy for so many small exporters. The Ex-Im Bank is self-supporting and actually has generated excess revenues of nearly \$7 billion dollars since 1992. I cannot understand why the reauthorization of its lending authority has been so controversial. It is crucial the Bank maintain its congressionally approved lending authority allowing the Bank to operate without restrictions, so companies have the certainty and predictability we need to level the playing field and compete in the international marketplace. Interestingly enough, NSBA's members find this program valuable enough that reauthorization of Ex-Im Bank was voted among our top 10 priorities for the 114th Congress.

These are just some of the recommendations that, if accomplished, could alleviate many of the barriers affecting SMEs and yield significant gains for us and the overall U.S. economy.

#### **Conclusion**

While there is no doubt that some of America's biggest companies can continue to increase their exports, the largest untapped resource for American exports is small and medium-size companies. SMEs struggle with real and perceived challenges to exporting. Just over one percent, or 287,000, of the approximately 27.9 million small businesses in the U.S. currently export. With 95 percent of the purchasing market outside of the U.S., small businesses understand the importance of opening new markets and competing in the

global marketplace. Although the number of small exporters has been steadily growing their share of overall U.S. exports—34 percent in 2010, up from 27 percent in 2002—exporting is still not as much a part of the business culture in the U.S. as it is worldwide.

Many SME's think exporting is too burdensome or too risky, or they just do not know where to start. As highlighted throughout my testimony, some of the top barriers for small exporters are: (1) problems identifying foreign business opportunities and federal export assistance resources, (2) limited information on how to analyze foreign regulations and contact potential foreign customers, and (3) the need for external financing in order to undertake an export transaction. Federal and state agencies play an important role in helping to reduce these types of exporting barriers for small businesses. Lowering more of these barriers will help small exporters tap into new markets and grow.

Given the specter of a jobless economic recovery and lagging consumer spending, exporting holds many opportunities for small businesses during the domestic economic malaise, and supports long-term domestic growth and job development. Though small business exports represent less than five percent of the GDP, with aggressive support from the U.S. Government this contribution could be significantly increased.

Again, I would like to thank Chairman Chabot and the members of the committee for the opportunity to speak today. I would be happy to answer any questions you may have.

**House Committee on Small Business**  
**“Across Town, Across Oceans: Expanding the Role of Small  
Business in Global Commerce”**

Testimony of Timothy C. Brightbill  
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Adjunct Professor, Georgetown University Law Center

May 20, 2015

Chairman Chabot, Ranking Member Velazquez, and Members of the Committee. I am Tim Brightbill, a partner at Wiley Rein LLP and adjunct professor at Georgetown University Law Center. Thank you for the opportunity to testify here today on the important issue of expanding the role of small business in global commerce. (These views are my own, not those of my firm or my clients.)

I have practiced international trade law for 20 years, and my practice has always focused on helping American companies, American industries, and American workers. I work with members of a wide variety of industries—including manufacturers of everything from solar panels to steel to school notebooks to heavy forged hand tools. I also work with many companies that provide products and services both here and abroad. My job is to help these companies grow, to prevent unfair trade practices from harming these companies, and to help eliminate trade barriers overseas.

As this committee is aware, small businesses face enormous challenges in the area of international trade. According to the President’s 2015 Trade Agenda, of the 28 million small businesses in the United States, only about 1 percent, or approximately 300,000 of these small businesses export their merchandise to other countries.<sup>1</sup> Equally striking is the fact that of those small businesses that do export, more than half export to only one country—either Canada or Mexico. This demonstrates how small businesses often struggle to overcome steep tariffs, complicated paperwork, fees, and the often significant delays that they face in exporting to other countries. These trade barriers disproportionately affect small businesses that often cannot meet the high costs of compliance.

In the last several years, the U.S. government has taken several steps towards easing such barriers, but there is more to be done. Encouraging and facilitating exports by U.S. small businesses is imperative to allowing American industry to expand and American workers to prosper. I’d like to list just a few areas of priority for this Congress and Administration that are particularly relevant to small businesses:

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<sup>1</sup> Office of the U.S. Trade Representatives, *The President’s Trade Agenda: Made in America*, at 19 (Mar. 2015).

1) **Trans-Pacific Partnership** - The U.S. government has a potentially important opportunity to create jobs, expand trade and manufacturing, and improve the global rules of international trade in the Trans-Pacific Partnership free-trade negotiations. If approved, the TPP would be the largest U.S. free trade agreement, involving 12 countries and more than 40 percent of global trade.<sup>2</sup> The TPP specifically seeks to promote measures that improve U.S. small businesses' ability to export, such as streamlining customs procedures, eliminating tariff and non-tariff barriers, promoting digital and e-commerce, and developing more transparent regulatory procedures. The TPP provisions are similar to the types of improvements included in the World Trade Organization's recent Agreement on Trade Facilitation. As discussed below, the TFA is intended to make the movement of goods between countries faster, less expensive, and more reliable, as in the TPP.

Two other features of the TPP that could benefit small businesses are the implementation of **common tariffs** (prior to tariff elimination) across countries and the chapter on **express delivery services**. A serious challenge to the effectiveness of international trade rules is what some have called the "spaghetti bowl" of free trade agreements, each of which has its own rules. This creates uncertainty in the system when different tariffs are imposed on the same products by different countries. Some small businesses don't even bother to claim duty free treatment for their goods due to the complexity of the process. Standard tariffs across TPP countries should reduce this burden.

The TPP will also, for the first time, impose disciplines and requirements on **state-owned enterprises**, which will greatly assist U.S. companies, both large and small, by reducing the need to compete with foreign-government backed entities. While China is a notable example of this problem, SOEs play substantial roles in the economies of TPP countries like Malaysia and Vietnam—as well as Russia, Brazil, India, and many others. When U.S. small businesses export, they should not have to compete with foreign governments, which is why these SOE provisions are potentially so important.

Similarly, many small businesses use express delivery services for their exports, and the TPP includes provisions that should allow greater use of these services. The TPP specifically seeks to enhance such services through expedited procedures that help small businesses gain quick and efficient access to global markets and supply chains.

But, before it can pass the TPP, Congress and the Administration must first pass **Trade Promotion Authority**, which defines U.S. negotiating objectives and priorities for trade agreement negotiations. As you know, the Senate is currently considering TPA legislation as well as potential amendments, and the House will also do so shortly. And as this debate has taken place in recent weeks, the theme we have heard over and over again is one of enforcement. Specifically, Congress should not approve new trade agree-

<sup>2</sup> Office of the United States Trade Representative, *Overview of the Trans Pacific Partnership*, <https://ustr.gov/tpp/overview-of-the-TPP>.

ments until we have better ways of enforcing our existing agreements. Several TPA amendments would go a long way toward improving enforcement for all types of businesses, including small and medium sized enterprises.

First, Congress should approve much-needed trade enforcement measures as part of TPA. U.S. industry has proposed a set of five trade law changes that it views as essential to strengthening the U.S. government's enforcement and administration of the U.S. trade laws, and to ensuring that U.S. trade laws remain an effective tool for domestic companies and their workers to respond to unfair trade practices. These provisions would:

- Enhance the Commerce Department's ability to address non-cooperative foreign parties in trade remedy cases;
- Clarify the injury standard in trade remedy cases;
- Enhance the ability of the Commerce Department to calculate a trade remedy when foreign prices or costs are distorted; and
- Clarify the Commerce Department's authority regarding the selection of which foreign companies to investigate in a trade case.

These changes would benefit all companies who bring trade cases against dumped and subsidized imports, including large and small business alike. They were included in the Customs and Trade bill passed by the Senate Finance Committee. They should be included in TPA as well.

Second, Congress should approve the ENFORCE Act legislation to guard against foreign companies who use fraud and evasion to avoid paying trade case duties. Senator Wyden has championed this legislation for years, and again it was included in the Customs and Trade bill passed by the Senate Finance Committee. The ENFORCE Act is preferable to the PROTECT Act, which has also been proposed in the House.

Although the TPA would prove beneficial to small businesses in many respects, there are potential drawbacks as well. First, the opening of the U.S. market to additional foreign competition could harm smaller businesses that are less able to compete than larger or multinational companies. This could also lead to jobs being lost to lower-wage positions in other TPP countries. However, the extent of such harm, if any, is not known, and some experts have stated that because many TPP countries are already free trade partners of the United States, the actual increase in competition may be limited.<sup>3</sup>

Second, opponents of the TPP argue that the agreement, largely negotiated behind closed doors, reflects powerful corporate interests, rather than the interests of small businesses who are less able to influence U.S. trade policy. In fact, while the TPP will contain a separate chapter on small- and medium-enterprises, little is known about the contents of that chapter. The United States Trade Representative has indicated that the TPP will address informa-

<sup>3</sup>See, e.g., David Autor, David Dorn & Gordon H. Hanson, *Why Obama's key trade deal with Asia would actually be good for American workers*, Wash Post (Mar. 12, 2015).

tional challenges that small businesses have previously raised with regard to the difficulty of actually utilizing free trade agreements, but the specifics remain unknown.<sup>4</sup> And while the Administration is seeking to include a provision for regular reviews of how the TPP is working for small businesses, it is not clear if and/or how the outcome of such reviews will be used to the benefit of these companies.<sup>5</sup>

Third, and perhaps most controversial,<sup>6</sup> are the TPP's Investor-State Dispute Settlement provisions. Under these provisions, U.S. businesses could challenge foreign government policies or actions before independent arbitrators with the authority to order compensation to the companies, if so warranted. Critics of ISDS argue that it could allow the rollback of U.S. health, safety, and environmental regulations. My personal view is that these concerns are overstated, and there are many ways that ISDS could be beneficial to small- and medium-sized enterprises who invest abroad. These arbitration proceedings are often a cost-effective way for companies to protect their investments abroad from hostile government actions.

**2) Transatlantic Trade and Investment Partnership (TTIP):** The Transatlantic Trade and Investment Partnership is another trade agreement that has the potential to bring substantial benefits to U.S. small businesses. The United States and the European Union have one of the most complex trade and investment relationships, with U.S. goods and private services trade with Europe totaling more than \$1 trillion in 2013.<sup>7</sup> Nearly 95,000 U.S. small businesses export to the European Union, but the growth in such exports is hampered by the need to comply with European standards, technical regulations, and conformity assessments.<sup>8</sup> Such requirements, coupled with high tariffs and shipping costs, are often prohibitive for small businesses. The TTIP negotiations seek to address these barriers by reducing or eliminating tariffs, promoting duty-free treatment of digital products, promoting compatible regulatory requirements and assessments, and reducing border costs and delays. The TTIP negotiations are in their early stages, so it is still too soon to assess their potential.

**3) Trade in Services Agreement:** The Trade in Services Agreement, being negotiated among 24 countries, seeks to expand global trade opportunities for service industries like telecommunications, financial services, healthcare, and distribution and delivery services.

Today, barriers to trade in services are often greater than those facing manufactured goods, so TISA could provide small businesses

<sup>4</sup>Office of the United States Trade Representative, *Trans-Pacific Partnership: Summary of U.S. Objectives*, <https://ustr.gov/tpp/Summary-of-US-objectives>.

<sup>5</sup>*See, id.*

<sup>6</sup>*See, e.g.,* Elizabeth Warren, *The Trans-Pacific Partnership clause everyone should oppose*, N.Y. Times (Feb. 25, 2015).

<sup>7</sup>Office of the United States Trade Representative, *European Union*, <https://ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

<sup>8</sup>U.S. International Trade Commission, *U.S. International Trade Commission Releases Report on How T-TIP Will Benefit Small Businesses* (Mar. 28, 2014); U.S. International Trade Commission, *Trade Barriers that U.S. Small and Medium-sized Enterprises Perceive as Affecting Exports to the European Union*, Inv. No. 332-541, USITC Pub. 4455, at 2-2-2-7 (Mar. 2014).

with greater and more affordable access to global markets. Because the United States already runs a large trade surplus on trade in services, TISA should further strengthen U.S. services firms that are looking to expand abroad.

4) **Currency Manipulation** - Currency manipulation continues to be a serious problem that harms all U.S. exporting businesses, large and small. Currently manipulation has resulted in the loss of thousands, if not millions, of U.S. jobs by making imports of certain goods into the United States artificially cheap and by giving foreign-manufactured products an unfair advantage over U.S. products in export markets. The Petersen Institute for International Economics, one of the most respected think tanks in Washington, has previously called currency manipulation “the biggest subsidy of them all,”<sup>9</sup> and despite recent International Monetary Fund statements,<sup>10</sup> many estimates suggest that China’s currency is still undervalued by 25% or more. In addition to the millions of lost American jobs, such currency actions by China and more than 20 other countries are estimated to have increased the U.S. trade deficit by \$200 billion to \$500 billion per year.<sup>11</sup> Yet, the Commerce Department has repeatedly refused to investigate whether currency manipulation is a countervailable subsidy under U.S. trade laws.

U.S. free trade agreements currently do not address this serious issue, to the detriment of American companies and workers. Congress now has the opportunity to take two important steps towards stemming this ongoing problem. First, Congress should direct the Commerce Department to investigate currency manipulation as an illegal subsidy. Second, Congress could establish, as a negotiating objective, that the Administration seek enforceable rules against currency manipulation in all future trade agreements, including the TPP.

5) **World Trade Organization’s Agreement on Trade Facilitation** - This agreement has not yet entered into force, but could benefit many U.S. small businesses by making the movement of goods between countries faster, less expensive, and more reliable. Exporting goods to some countries can be particularly difficult, with delays at the border, substantial paperwork, and steep fees. Under the TFA, WTO members must adopt procedures that (1) allow exporters to submit import documentation even before the arrival of their goods at the port; (2) allow for the release of merchandise even before the final customs duties and fees are determined; (3) allow for expedited procedures for operators with demonstrated records of customs compliance; (4) provide a mechanism for expedited release of merchandise; (5) implement procedures to reduce documentation requirements, and allow for the rapid release and clearance of goods, particularly perishable items; and (6) allow for the temporary admission of certain merchandise intended to be re-exported. Another benefit to small businesses under the TFA is ac-

<sup>9</sup> See C. Fred Bergsten, *Addressing Currency Manipulation Through Trade Agreements*, Peterson Institute for International Economics (Jan. 2014).

<sup>10</sup> See Bonnie Cao & Ye Xie, *IMF Official Says Yuan Nearing Point Where No Longer Undervalued*, Bloomberg Business (Apr. 17, 2015).

<sup>11</sup> C. Fred Bergsten & Joseph E. Gagnon, *Currency Manipulation, the U.S. Economy, and the Global Economic Order*, Peterson Institute of International Economics (Dec. 2012).

cess to expedited shipping channels, increasing access to global supply chains and allowing for more cost-efficient shipping and logistics. Such measures would allow U.S. small businesses increased opportunities and destinations for their products, and the U.S. should urge WTO members to ratify the agreement as quickly as possible.

Thank you for addressing these important issues today, and I would be happy to answer any questions.

