

EMBARGOED UNTIL THURSDAY, 9/16/10, 6:00 AM

**REPORT TO THE PRESIDENT ON THE
NATIONAL EXPORT INITIATIVE:**

*The Export Promotion Cabinet's Plan for
Doubling U.S. Exports in Five Years*

Washington, D.C.
September 2010

EMBARGOED UNTIL THURSDAY, 9/16/10, 6:00 AM

THE EXPORT PROMOTION CABINET

As established by Executive Order 13534 of March 11, 2010, the Export Promotion Cabinet consists of:

the Secretary of State;
the Secretary of the Treasury;
the Secretary of Agriculture;
the Secretary of Commerce;
the Secretary of Labor;
the Secretary of Energy;
the Secretary of Transportation;
the Director of the Office of Management and Budget;
the United States Trade Representative;
the Assistant to the President for Economic Policy;
the National Security Advisor;
the Chair of the Council of Economic Advisers;
the President of the Export-Import Bank of the United States;
the Administrator of the Small Business Administration;
the President of the Overseas Private Investment Corporation; and
the Director of the United States Trade and Development Agency.

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Finally, special appreciation is owed to the more than 100 TPCC agency employees who participated in NEI or TPCC working groups to help develop the recommendations and draft sections of this Report. We owe special thanks to several agencies for moving the NEI forward, including SBA for its leadership of the TPCC small business working group, Ex-Im Bank, Treasury, and USTR for their responsibility for specific NEI priorities, and to the State Department for co-chairing with the Commerce Department several TPCC working groups.

With the President's strong support and direction, the Export Promotion Cabinet looks forward to working with Federal export promotion agencies and stakeholders throughout the public and private sectors to implement the goals of the NEI over the next five years.

Gary Locke
Secretary of Commerce

INTRODUCTORY NOTE

This document is composed of the Report, a more detailed description of the NEI in three Parts, and an Appendix on the NEI coordination process and parties. The Report sets out the overall economic context for the NEI, describes what is happening already to boost exports, and provides a top-line summary of NEI recommendations. Part I, titled “The NEI in Context,” sets out eleven key factors and assumptions that form the basis of a sound and comprehensive plan to double exports, ranging from assessments of the U.S. and global economies and identification of priority markets, to determining the most promising and appropriate roles for the Federal Government in increasing exports. Part II, titled “Recommendations,” examines each of the eight NEI Priorities, describes the rationale underlying each Priority, and presents short- and long-term recommendations for the Federal Government to implement, consistent with the Executive Order that mandated the Report. Finally, Part III presents conclusions, discusses the National Export Strategy that will be published later this year, and highlights suggestions for further advancing the NEI goals.

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NATIONAL EXPORT INITIATIVE REPORT TO THE PRESIDENT

Exporting is good for American business, good for American workers and good for American jobs. That is why President Obama set the goal of doubling U.S. exports in five years in his State of the Union address in January 2010. And that is why the Obama Administration is committed to working with U.S. companies to help American-made goods and services succeed in the global market.

Put simply, when America exports, America prospers. The National Export Initiative (NEI) is a key component of the President's plan to help the United States transition from the legacy of the most severe financial and economic crisis in generations to a sustained recovery. At a time when Americans are saving more and consuming less, exports can help to create the jobs needed to bring unemployment down and help to assure a strong and durable recovery.

The NEI's goal of doubling exports over five years is ambitious. Exports need to grow from \$1.57 trillion in 2009 to \$3.14 trillion by 2015. This will only happen if U.S. companies, farmers and small and medium-sized enterprises – the engines of economic growth – receive the encouragement and support they need as they seek new markets for their goods and services.

We are just nine months into a five year goal. Progress has been made. Exports are rising, helping to put people back to work. The Export Promotion Cabinet and other federal agencies have met, individually and as part of working groups convened by the Trade Promotion Coordinating Committee (TPCC), to develop short and long term recommendations in the priority areas outlined in the NEI Executive Order.¹

This Report lays out the comprehensive plan the Export Promotion Cabinet has developed to help the U.S. double its exports – and highlights the steps the U.S. government needs to take to assure that exports play a vital role in the recovery and support millions of jobs in America.

Why do we need an NEI?

95 percent of the world's customers lie outside the United States; we ignore them at our peril. Tapping into customers in fast-growing markets abroad and in our traditional markets is crucial to putting the United States' own economy on a solid footing – and generating the demand needed to put Americans back to work.

We cannot return to an economy that is driven by borrowing and consumption. To maintain robust growth, the world will need to rely less on U.S. consumption – and we will need to sell more to the rest of the world.

¹ The Export Promotion Cabinet and TPCC also solicited input from various private sector sources, both through members of the President's Export Council and through a call for comments published in the Federal Register.

In 2008, exports supported over 10 million jobs and represented nearly 13 percent of Gross Domestic Product (GDP). Exports fell during the recession. Meeting the NEI's goal of doubling exports will bring them not just back to where they were, but to an even higher level, supporting millions of good jobs.

Exporting also drives up productivity and wages. When the United States expands its exports, productive firms grow and generate more high-paying jobs here at home. By exporting more, we focus our production on goods and services where American workers excel and earn good wages for their hard work. This helps support good, high-paying jobs. Americans working for firms that export earn more than 15 percent more than similar workers at firms that do not export. Exports already support over a third of our manufacturing jobs, making it clear that our success in manufacturing hinges on our ability to export.

Exporting is fundamentally a decision driven by our entrepreneurs, workers, and farmers. But, businesses attempting to close an export sale today face many hurdles, including lack of readily available information about exporting and market research, challenges obtaining export financing, and strong competition from foreign companies and foreign governments. This suggests an important role for the Federal Government.

The NEI is the Administration's commitment to serve as a full partner with U.S. businesses to promote American-made goods and services worldwide, within global trading rules. Firms generally require government support to overcome trade barriers in other countries – they cannot by themselves overcome unfair trade practices. Furthermore, it may be more efficient to have the Federal Government help U.S. companies overcome information barriers (how to navigate other countries' markets or policies) rather than have each company reinvent the wheel each time it tries to export to a new country. In addition, there is generally a cost to entering a new market. If the U.S. Government could efficiently help firms reduce that fixed cost, the U.S. economy can perform better. Small businesses play a special role in U.S. job creation, innovation, and entrepreneurship, yet face hurdles to exporting that can limit their ability to export. Many other governments help support exporters – generally more than the U.S. Government has done in the past. The NEI can help balance the playing field and give American firms a chance to compete for the world's customers.

What will the NEI do?

The NEI has five components. We will improve **advocacy and trade promotion** efforts on behalf of U.S. exporters, so trade missions can introduce the world to American products and advocacy centers can help U.S. exporters pursue opportunities. We will increase access to **export financing**, so good opportunities do not fall through due to the inability to finance an export. We will reinforce our efforts to **remove barriers to trade**, so as many markets as possible are open to our products. We will **enforce our trade rules**, to make sure our trade partners live up to their obligations. And, we will pursue policies at the global level to **promote strong, sustainable, and balanced growth**, so the world economy grows and our exports

have robust markets. These are crucial tasks for the Government to pursue so America's exporters can succeed around the globe.

What is happening already?

In large part due to U.S. leadership, the world did not slide into a depression. Due to bold policy actions at home and abroad, global growth has resumed and we have avoided a significant uptick in protectionism. As a consequence, trade is rebounding. A return to strong global growth is the most important thing that can happen to help double U.S. exports. As our customers grow, our exports grow.

We are now nine months into a five-year goal, and progress is being made. Exports in the first six months of this year were 18 percent higher than exports in the first six months of 2009. Furthermore, exports have contributed more than one percentage point to GDP growth (at an annual rate) in each of the four quarters of recovery and have contributed over 1.5 percentage points to growth in the last year. This was a larger contribution than either consumption or fixed investment.

The NEI is already making contributions to this progress. Already this year, the Export Promotion Cabinet has made significant progress to implement the NEI on a number of fronts, with tangible results, including increased export opportunities, export successes, and jobs supported by exports. Full details are provided in the attached description of the NEI. Examples include:

- **An unprecedented level of advocacy efforts on behalf of U.S. exporters.** Since January, Commerce has coordinated an unprecedented 20 trade missions in 25 countries with more than 250 companies participating. Participating companies expect \$2 billion in increased exports from these missions. Commerce's Advocacy Center in close cooperation with other agencies has assisted U.S. companies competing for international contracts and other U.S. export opportunities, supporting an estimated \$11.8 billion in U.S. export content, and an estimated 70,000 jobs.
- **Bringing more U.S. sellers and foreign buyers together.** The Department of Commerce has recruited nearly 8,800 foreign buyers to visit major U.S. trade shows here in the United States, facilitating over \$660 million in export successes since January 2010. As the result of reverse trade missions, the Agriculture Department recruited over 1,500 foreign buyers since January. In addition, the USTDA is hosting over 30 reverse trade missions this year, representing over \$1 billion in U.S. export opportunities.
- **Expanding small business export engagement and success.** The Small Business Administration (SBA) has identified more than 2,000 potential exporters on the Central Contracting Registration² to target for export promotion outreach. In July, SBA piloted

² Located at <https://www.bpn.gov/ccr/default.aspx>

the first Export Outreach Team training in Baltimore, bringing together both private– and public–sector business assistance providers to help more new exporters. The program will be rolled out nationally. The Department of Commerce helped over 3,000 individual companies achieve a new export success since January.

- **Increased access to export financing.** The Export-Import Bank (Ex-Im Bank) has increased its loan approvals by nearly 20 percent thus far this fiscal year (11 months to August 2010) over the same period last year, from \$18.3 billion to \$21.5 billion. Small business approvals have increased from \$3.6 billion to \$4.1 billion. The estimated total number of U.S. jobs supported by Ex-Im Bank financing has increased from 170,000 to 200,000 over this period
- **Reinforced efforts to remove trade barriers.** In March, the United States reached an agreement with China to reopen the Chinese market to U.S. pork and pork products. This step re-opens a market worth more than \$250 million in U.S. exports annually. The Commerce Department’s Trade Agreements Compliance Program has successfully addressed 50 different barriers to trade affecting U.S. businesses in 33 different markets, and has initiated action on behalf of U.S. exporters and investors in 120 different cases. At the G-20 Summit in Toronto, President Obama announced that he had instructed Ambassador Kirk to begin discussions with his Korean counterpart to resolve outstanding issues with the United States - Korea Free Trade Agreement (FTA). The Korean FTA would increase goods exports by an estimated \$10-11 billion, which would support an estimated 70,000 jobs. The gains from the agreement could significantly exceed this estimate when reductions in non-tariff barriers and increases in services exports are included.
- **Stepped up enforcement of trade rules.** In August, the United States achieved an important victory when the WTO announced that the European Union had violated its WTO tariff commitments by imposing duties on certain high-tech products. If upheld on appeal, this ruling will help ensure that U.S. producers of high-tech products to Europe duty-free. USTR also delivered two new reports on barriers to trade to help guide our efforts to address problematic trade practices abroad, and the U.S. is aggressively pursuing enforcement cases where U.S. exporters are denied market access provided under our trade agreements.
- **International promotion of policies leading to strong, sustainable, and balanced world economic growth.** These last 18 months have been an effective period of international economic cooperation, with global growth replacing economic contraction. The United States is promoting strong, sustainable, and balanced growth in the global economy through its collaboration with members of the G-20.

Recommendations for Future Action

The Export Promotion Cabinet has developed recommendations to address the eight priorities set out in the NEI Executive Order. These recommendations cover all five components of the NEI, cut across many Federal Government agencies, and focus on areas where concerted Federal Government efforts can help lift exports.

Priority 1: Exports by Small and Medium-Sized Enterprises (SMEs)

Tremendous opportunity exists for the U.S. Government to help SMEs participate more actively and effectively in export markets through **advocacy and promotion** as well as **export financing**. The Export Promotion Cabinet recommends four short-term actions:

- First, help identify SMEs that can begin or expand exporting through a national campaign to increase SME awareness of export opportunities and U.S. Government resources.
- Second, prepare SMEs to export successfully by increasing training opportunities for both SMEs and SME counselors.
- Third, connect SMEs to export opportunities by expanding access to programs and events that can unite U.S. sellers and foreign buyers.
- Fourth, once SMEs have export opportunities, support them with a number of initiatives, including improving awareness of export finance programs.

Priority 2: Federal Export Assistance

Improving the Federal Government's core **trade promotion** programs can substantially enhance the ability of U.S. companies to export. The Export Promotion Cabinet recommends:

- Creating more opportunities for U.S. sellers to meet directly with foreign buyers by bringing more foreign buyer delegations to U.S. trade shows and by encouraging more U.S. companies to participate in major international trade shows.
- Improving cooperation between TPCC agencies to encourage U.S. green technology companies to export by matching foreign buyers with U.S. producers.

Priority 3: Trade Missions

Trade missions are another important part of **trade promotion** and a practical step the government can take to encourage exports. By participating in trade missions, U.S. companies receive individually selected, one-on-one meetings with business contacts, including potential agents, distributors, and partners in the local market. This assistance allows U.S. companies to enter or expand their presence in the global marketplace. The Export Promotion Cabinet recommends:

- Increasing the number of trade and reverse trade missions, including missions led by senior U.S. Government officials.

- Improving coordination with state government trade offices and national trade associations.

Priority 4: Commercial Advocacy

Commercial **advocacy** is designed to help level the playing field on behalf of U.S. businesses competing for international contracts against foreign firms that may benefit from strong home government support. The Export Promotion Cabinet recommends:

- Leveraging multiple agencies' assistance in the advocacy process and extending outreach efforts to make more U.S. companies aware of the Federal Government's advocacy program.

Priority 5: Increasing Export Credit

Export financing is a crucial part of exporting. Government trade and investment financing agencies such as the Ex-Im Bank step in to fill market gaps that arise because the private sector is unable to provide adequate credit to support certain transactions with greater real or perceived risk. The Export Promotion Cabinet recommends:

- Making more credit available through existing credit platforms and new products.
- Increasing outreach to exporters, foreign buyers, bankers, and other entities in order to build awareness of Government assistance.
- Making it easier for exporters and other customers to use Government credit programs by streamlining applications and internal processes.

Priority 6: Macroeconomic Rebalancing

A key determinant of U.S. export growth over the next few years will be the economic growth of our trading partners. In the short term, working to sustain a strong global economic recovery will require concerted and continued efforts by the United States and its G-20 partners to ensure that the global economy shifts smoothly to more diversified sources of economic growth. Over the medium and longer term, shifts in the composition of economic growth in our trading partners will also be crucial to U.S. export growth. A broad range of countries need to take policy actions that reduce their surpluses by stimulating domestic demand (especially consumption) and thereby increasing their demand for imports. **Strong, sustainable, and more balanced global growth** is therefore crucial to U.S. export growth.

Priority 7: Reducing Barriers to Trade

The United States Trade Representative (USTR), working with other members of the Export Promotion Cabinet, is taking steps to improve market access overseas for our manufacturers, farmers, ranchers, and service providers. A crucial part of continued export growth is

removing trade barriers through negotiations. The Export Promotion Cabinet recommends enhancing U.S. economic growth, job creation, and innovation by:

- Concluding an ambitious, balanced, and successful WTO Doha Round that achieves meaningful new market access in agriculture, goods and services.
- Concluding the Trans-Pacific Partnership (TPP) Agreement to expand access to key markets in the Asia-Pacific region.
- Resolving remaining issues with pending FTAs such as the United States - Korea FTA.
- Addressing foreign trade barriers – especially significant non-tariff barriers – through use of a wide range of U.S. trade policy tools vital for obtaining enhanced market access.
- Robust monitoring and enforcement of WTO trade rules and other U.S. trade agreements.

Enforcing trade obligations and expanding new market access go hand in hand. As we try to open new markets, we must ensure that our exporters have the opportunities they were promised in prior agreements. Robust enforcement is both a short-term and long-term priority and an effective way for the Federal Government to help increase exports.

Priority 8: Export Promotion of Services

Traditional **advocacy and trade promotion** efforts may overlook services. As the largest component of the U.S. economy, services account for nearly 70 percent of U.S. GDP and are the largest driver of job creation in the United States. The Export Promotion Cabinet recommends:

- Building on the activities and initiatives outlined in Priorities 1 through 7 with enhanced focus on the services sector.
- Ensuring better data and measurement of the services economy to inform commercial decision-making and policy planning.
- Continuing to assess and focus on key growth sectors and emerging markets such as China, India, and Brazil; increasing the number of foreign visitors to the United States.
- Better coordinating services export promotion efforts.

This Report and the attached detailed description of the NEI sets out the U.S. Government's plan to achieve the President's goal of doubling of exports over the next five years and provides a comprehensive view of the Administration's efforts to increase exports and promote jobs and prosperity in the United States. The NEI provides a roadmap for improved U.S. export performance. As this plan is executed, the Administration will continue to seek the advice of stakeholders and to improve on the NEI in response to evolving economic and market conditions over the coming years.

I. THE NEI IN CONTEXT

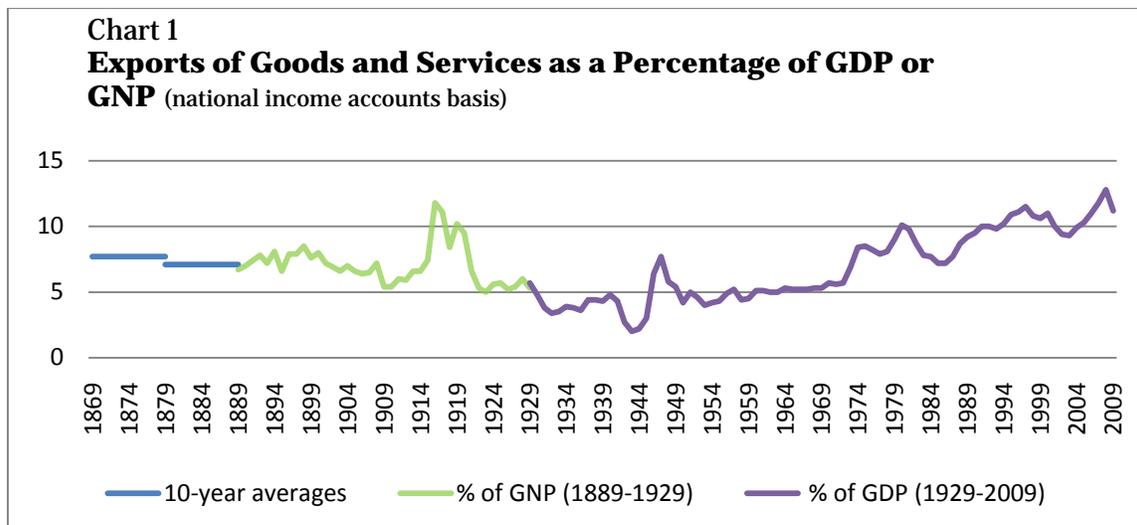
Global market trends hold great potential for U.S. exports, with fast-growing emerging markets driving new demand for U.S. goods and services. Key markets like China, India, and Brazil, and several smaller emerging markets are growing most rapidly, yet traditional trading partners like the European Union and U.S. Free Trade Agreement (FTA) partners, particularly Canada and Mexico, remain important to the vast majority of U.S. exporters. Multilateral, regional, and bilateral trade agreements are critical to improving U.S. competitiveness in these markets.

All major sectors of the U.S. economy depend on exporting, yet certain key sectors, especially those with market-leading technologies, have the greatest potential to significantly increase exports. Certain domestic regulatory and infrastructure issues that affect the ability of U.S. companies to export, such as export controls, business visas, transportation and supply chain infrastructure, and patent backlogs, are also being addressed by policy forums outside the scope of this Report, and thus receive minimal treatment here.

To provide a context for the National Export Initiative (NEI), the Export Promotion Cabinet examines here the role of exports in the U.S. economy, the international climate for exports, and the Government's role in export promotion. For a broader examination of overall trade policy, see the President's *2010 Trade Policy Agenda*.¹

1. The importance of exporting continues to grow. Exports will play a vital role in increasing employment and creating strong, sustainable economic growth.

In 2008, U.S. exports represented record levels of GDP (12.7 percent) and the greatest share of employment on record (6.9 percent of fully employed workers).² Not since the beginning of World War I had exports accounted for a level of GDP this high (Chart 1), and 2008 marked the high point of a 70-year-trend that began in the early 1930s.³



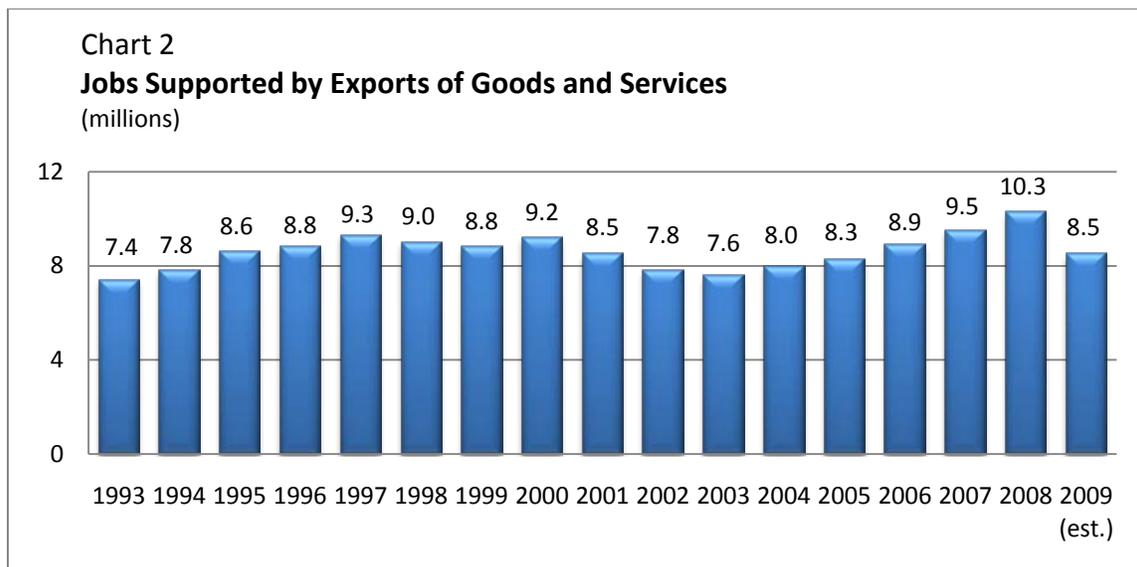
Source: Tschetter, U.S. Department of Commerce, "Exports Support American Jobs," 2010, p. 3.

In the second half of 2008 and into 2009, however, U.S. exports decreased steeply, due largely to the global economic crisis and declining world demand that adversely affected exporters all over the world. This downturn, from \$1.8 trillion in 2008 to \$1.6 trillion in 2009,⁴ reduced the number of U.S. export-supported jobs by an estimated 1.8 million,⁵ and contributed to 2.6 percent of the contraction in real GDP growth in 2009.

Two trends highlight the increasing importance of exports in the short and long term to strengthening the American economy, supporting American workers, and improving Americans' standard of living.

- a. Increasing U.S. exports will support jobs.** Despite sluggish economy-wide job growth between 2003 and 2008, the number of export-supported jobs increased by nearly 3 million during this period, from 7.6 million in 2003 to 10.3 million in 2008 (Chart 2). Of the 10.3 million American jobs supported by exports in 2008, 7.5 million were supported by goods exports⁶ and 2.8 million by services exports.⁷ Nearly a million of these jobs were related to agricultural exports.⁸

Although a weak global economy caused the number of jobs supported by exports to fall to an estimated 8.5 million in 2009, an improving global economy will generate increased production and more jobs as exports rebound.



Source: Tschetter, U.S. Department of Commerce, "Exports Support American Jobs," 2010, p. 2.

- b. Domestic consumption is unlikely to drive GDP growth as it did earlier this decade.** Through the 1990s, domestic consumption accounted for 72 percent of GDP growth. For the six years prior to the recent economic downturn, the importance of exports to the U.S. economy had been increasing, accounting for 12.7 percent of GDP in 2008 – the highest level since 1916.

During the last quarter of 2009, the U.S. economy began to recover and expanded at a rate of 5 percent (on an annualized basis). Exports have contributed more than one percentage point to GDP growth (at an annual rate) in each of the four quarters of recovery and have contributed over 1.5 percentage points to growth in the last year. This was a larger contribution than either consumption or fixed investment.⁹ With 95 percent of the world's consumers living outside U.S. borders, exports are likely to serve as a critical driver of growth for U.S. companies looking forward.

2. Exporting is important for maintaining and strengthening U.S. productivity and worker living standards.

Increased international trade over the past seven decades has made global commerce an important source of productivity growth for individual U.S. firms, farmers, and ranchers, as well as for the overall U.S. economy.¹⁰ Exports allow U.S. companies to diversify production, grow faster, pay increased wages to employees, and increase their competitiveness. The same generally holds true for agricultural production.

- a. Exporting allows the U.S. economy to grow in areas where it is more productive.** The openness of the U.S. economy to the global marketplace enables more productive firms to grow relative to less productive firms, shifting labor and resources and increasing overall productivity.¹¹

Firms that export tend to be more productive than firms that do not export. By exporting, companies can expand and achieve a scale of production unattainable through the domestic market alone. Access to the global market also encourages firms to invest in the research necessary to become technological leaders.¹²

Innovation in sectors such as education, physical infrastructure, healthcare technology, clean energy, and fundamental research also leads to productivity gains. Companies with leading technologies will naturally turn to the export market to help build their customer base and improve competitiveness.¹³

- b. Export-supported jobs pay higher-than-average wages.** Jobs that are supported by the export of goods and services pay 15 percent more than the average non-export-related job. For export-supported manufacturing jobs, the average wage increase is even higher – 18 percent.¹⁴

3. SMEs face exporting constraints, but can drive job growth.

Small and medium-sized enterprises (SMEs)¹⁵ account for about half of all employment and economic activity in the United States,¹⁶ and are 97 percent of all identified exporting firms. SMEs account for roughly 31 percent of total U.S. export value.¹⁷ Conversely, large firms represent 3 percent of all exporting firms and are responsible for 69 percent of total U.S. export value.¹⁸ Market forces explain much of the difference. SMEs are less likely to look beyond the large domestic market for revenue growth. Large firms have a bigger presence in the manufacturing sector (which represents most U.S. exports). Large firms can also take advantage

of economies of scale and other efficiencies. Nonetheless, there is a clear opportunity for SMEs to increase their exports.

The costs of exporting can have a disproportionate effect on SMEs. Exporting can involve a substantial initial cost, limiting a small firm's ability to participate in global trade.¹⁹ A fuller appreciation of SME exporting and the role of SMEs in job creation, innovation, and entrepreneurship is essential for defining the Government's role both in unlocking SME export potential and broadening the benefits of trade to a wider segment of American society.²⁰

- a. SMEs are the biggest drivers of jobs and new job creation in the United States.** SMEs accounted for almost 55 percent of private sector employment in the first quarter of 2009.²¹ SMEs were responsible for creating 64 percent of net new jobs during the 16 years from 1992 to 2009.²²
- b. SMEs play an important role in innovation and in developing entrepreneurial skills.** In addition to providing employment opportunities, they are important sources of innovative processes, products, and services.
- c. SMEs are capable of exporting to a wide range of markets.** Canada and Mexico are the largest export markets for both SMEs and large firms. However, SMEs have demonstrated their capability to export to emerging and developing countries. For example, China is the third-largest destination for SME exports after Canada and Mexico. From 2007 to 2008, the markets with the largest percentage increase in the number of SME exporters were markets such as the United Arab Emirates (21 percent), Saudi Arabia (14 percent), and Brazil (11 percent).²³
- d. Small firms face particular resource hurdles, limiting the ability of many to participate in global trade.** SMEs face a wider range of resource constraints and scarcities than large firms do. For example, SMEs are more likely to need external financing to undertake an export transaction, a particularly daunting task currently with the tightening of credit markets. As noted by FedEx in comments submitted in response to the NEI Federal Register notice, "We continue to hear from many of our customers that inadequate trade financing remains the top issue for SMEs."²⁴ In addition, SMEs face insufficient knowledge of foreign markets, in contrast with a larger firm's access to market intelligence and its direct presence in targeted foreign markets. Finally, SMEs face higher real and perceived risks of exporting. They have fewer resources to address trade barriers they might face abroad, and they are less likely to have a diversified foreign customer base.²⁵ The effect of one deal falling through has a greater impact on an SME's bottom line.

4. World economic growth provides increased opportunities outside the United States.

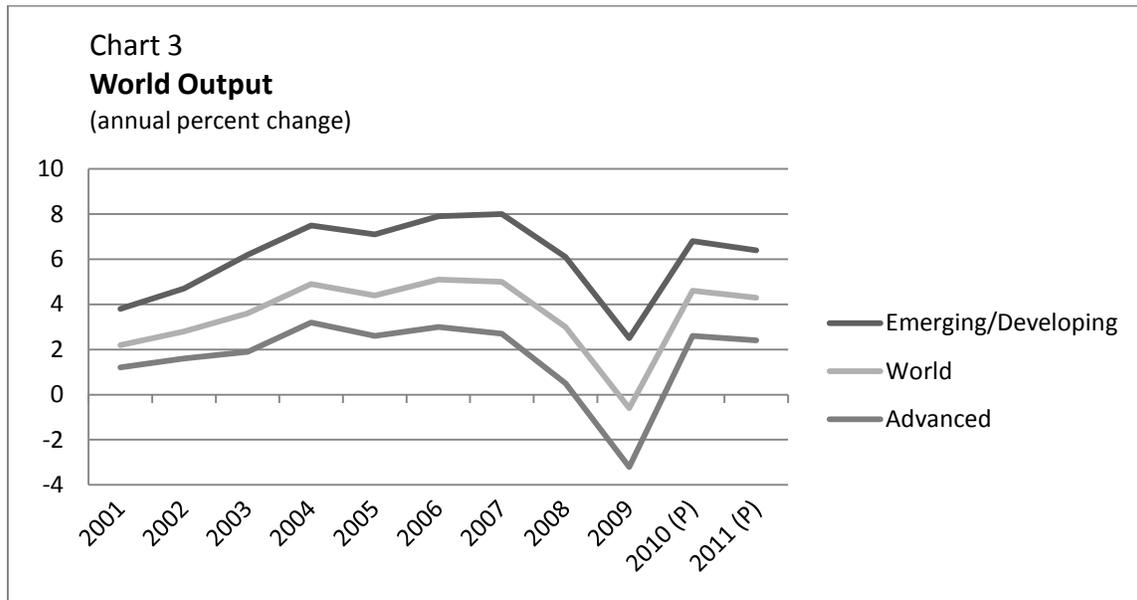
The International Monetary Fund (IMF) forecasts indicate that nearly 87 percent of world economic growth over the next five years will take place outside of the United States.²⁶ Just as trade typically falls faster than GDP in a recession, trade typically grows faster during a rebound.

Accordingly, exports can be expected to rise rapidly as the world recovers from the economic crisis. In support of this, the IMF forecasts imports of advanced countries to grow by 7.2 percent in 2010, while emerging and developing country imports are forecast to grow by 12.5 percent.²⁷

As global markets become increasingly interconnected, it is critical that the U.S. maintain and promote a highly competitive export economy. The United States' future competitiveness depends on its ability to remain fully engaged in the growing global marketplace.

a. Emerging and developing countries are significant drivers of growth.

Before 2002, developing countries suffered steeper and longer downturns during periods of global contraction than their advanced country trading partners did. Now, the emerging and developing markets are recovering first and returning to higher growth rates. Advanced economies' output is expected to expand by 2.6 and 2.4 percent in 2010 and 2011, respectively, while emerging and developing countries are projected to grow by 6.8 and 6.4 percent in the same period (Chart 3).²⁸



Source: IMF, "World Economic Outlook Update," July 7, 2010, Table 1.

Most emerging markets did not suffer long-lasting shocks to their financial systems or large increases in unemployment. In addition, many deployed their own sizable fiscal and monetary stimulus in response to the global financial crisis, a reflection of strengthened domestic institutions in response to earlier crises.²⁹

b. Given the dependence of exports on world growth, outside factors exist that could have significant negative impact on U.S. exports. While the IMF expects the current global economic recovery to continue, it warns that uncertainties

surrounding the sovereign and financial sectors in Europe pose increased downside risk of spreading more widely. Other risks cited by the IMF involve how advanced countries proceed with fiscal consolidation, and how emerging market countries rebalance their economies.³⁰ The U.S. Department of the Treasury (Treasury) is working with other G-20 nations to address macroeconomic rebalancing, a process discussed in greater detail in Part II.

5. Multilateral, regional, and bilateral trade agreements increase opportunities for U.S. exporters and increase U.S. competitiveness in foreign markets.

The United States has reaffirmed its commitment to the rules-based trading system anchored by the World Trade Organization's (WTO) system of multilateral trade rules and dispute settlement. U.S. exporters benefit from lowered foreign tariffs achieved through regional and bilateral trade agreements. As noted by the National Association of Manufacturers in comments submitted in response to the NEI Federal Register notice,³¹ "[t]he United States is already a very open market, with manufactured goods tariffs averaging less than 2 percent and 70 percent of imports already entering the United States duty-free." Although the United States has bilateral or regional FTAs in place with 17 countries and is pushing for Congressional approval of three more with Korea, Colombia, and Panama, other countries are pursuing trade agreements with foreign markets as well. Those agreements risk giving foreign producers and companies preferential access to key emerging markets and putting U.S. workers and businesses at a disadvantage.

- a. The Doha Round holds the promise of major global market access gains.** The WTO has 153 members. Through the Doha Round negotiations, the WTO is the most comprehensive venue for multilateral trade liberalization and the reduction of foreign preferences to non-U.S. exporters that put U.S. companies at a competitive disadvantage in foreign markets. Because U.S. tariffs are already so low relative to those in other countries, U.S. exporters stand to gain substantially from the continued mutual reduction of remaining tariffs. The WTO also provides a bulwark against protectionism through the day-to-day activities of the WTO standing committees. This is why the United States strongly supports the WTO and the ongoing work to complete an ambitious and balanced Doha Round agreement. A sound Doha Round agreement that provides meaningful liberalization in all three core market access areas – agriculture, goods, and services – could boost the world economy and support millions of export-related jobs. Importantly, a successful Doha Round outcome would also enhance U.S. exporters' access in critical fast-growing emerging markets.
- b. Free Trade Agreements, including the pending FTAs with Korea, Colombia, and Panama, expand opportunities for U.S. exporters.** The United States has FTAs in effect with 17 countries, which account for 40 percent of U.S. goods exports and 31 percent of goods imports in 2009. These agreements help to open markets and expand opportunities for American workers and businesses by including commitments on reducing and eliminating tariffs and non-tariff barriers to

trade. For these reasons, it is important for the competitiveness of U.S. exporters to resolve remaining issues, and consult with Congress on pursuing approval and implementation of the pending FTAs.

- c. The Trans-Pacific Partnership (TPP) Agreement and the United States-Korea Free Trade Agreement (KORUS FTA) would strengthen U.S. ties in the Asia-Pacific region.** Through the TPP Agreement negotiations, the United States is working with an initial group of like-minded countries to negotiate a 21st century regional agreement that will advance U.S. economic interests in the rapidly growing Asia-Pacific region. Korea is both a rapidly growing market and the United States' seventh largest trading partner. As key competitor countries implement their own trade agreements with Korea and others in the region, the TPP and KORUS FTA can help level the playing field for U.S. exporters in these important markets.

6. Continued, vigorous enforcement of trade agreements is key to ensuring negotiated gains translate into commercial gains for U.S. companies.

Once a trade agreement has entered into effect, it must be enforced. Where a trading partner is not living up to the market access commitments achieved for U.S. firms and workers, there are a variety of enforcement mechanisms available to the Government, including bilateral consultations and dispute settlement provisions under WTO and other trade agreements.

The Administration has made enforcement actions of all types a centerpiece of U.S. trade policy. This not only upholds U.S. rights, but also puts trading partners on notice that the United States will not be lax about enforcement.

For Americans to appreciate fully the benefits of trade, they must be able to see agreements working. Ensuring that trading partners live up to their obligations is therefore essential. Foreign markets that present market access barriers to U.S. exporters require monitoring and, when obligations are not being fulfilled, stepped-up enforcement on behalf of U.S. businesses and workers.

Enforcement of trading partners' obligations is not an action U.S. exporters can take on their own. They need the U.S. Government to address market access barriers and unfair treatment by advocating vigorously on their behalf, and by pursuing formal dispute settlement when necessary. Strong enforcement measures, in turn, reassure U.S. exporters that the Government will stand behind them and defend U.S. rights under trade agreements. Vigorous enforcement thereby also creates strong incentives for U.S. companies to invest in and maintain manufacturing bases in the United States as they seek new markets and opportunities abroad.

7. All major sectors of the economy depend on exporting, but certain key industry sectors represent great export potential for the United States.

Foreign markets play an important role in every major sector of the U.S. economy. In 2008, 27 percent of all manufacturing sector jobs³² and 19 percent of agricultural jobs³³ were supported by exports. In the services sector, export-supported jobs in the professional or business

services³⁴ industry totaled nearly 2.1 million – 11 percent of all U.S. jobs in that industry. Other services-sector industries where jobs are even more dependent on exporting include transport and warehousing, where 23 percent of jobs are supported by exports, and wholesale trade, where 17 percent of jobs are supported by exports.³⁵

While all industries are touched by the global economy, some industry sectors have greater export potential than others. As home to the most competitive and dynamic marketplace anywhere in the world, America's businesses continue to be the engines of innovation and growth. As articulated in the Administration's *Strategy for American Innovation*, the challenge for the Federal Government is to avoid attempting to pick winners and losers – an approach that can result in wasting resources and stifling, rather than promoting, innovation.³⁶ Rather, the Export Promotion Cabinet's goal is to support exports by ensuring that the Federal Government is attuned to trends in U.S. industry and the global marketplace, and that innovative and productive U.S. businesses have the tools, opportunities, and support to compete and win in the global marketplace. Innovation in key industries is this nation's strategic advantage.

- a. The Administration should focus trade promotion efforts on important sectors of the economy with export potential.** There are certain sectors in which the United States often leads global technology development and innovation, such as renewable energy; civil nuclear power, smart grid, and advanced vehicle technologies; healthcare technology, biotechnology, and medical devices; and agricultural production. The Administration is using the NEI to highlight opportunities for U.S. exporters in these sectors, and concentrating Federal agency attention on trade promotion, market development, and trade enforcement.
- b. The NEI provides an opportunity to amplify the Administration's export promotion activities in support of the highly competitive U.S. services sector.** As the largest component of the U.S. economy, services account for nearly 70 percent³⁷ of U.S. GDP. This dynamic sector encompasses such services as financial (banking, securities, and insurance), telecommunications, computer, energy, environmental, express delivery, distribution services, audiovisual, construction, professional (architecture, engineering, accounting, and legal), health care, education, and travel and tourism services. The United States is the world's largest services market and the leading services-exporting country, with exports of \$502 billion in 2009, or 14 percent of all global services exports.³⁸ The United States has enjoyed a consistent surplus in services trade, and the current surplus of \$132 billion is larger than that of any other country, reflecting the highly competitive and innovative nature of U.S. services firms.³⁹ Indeed, U.S. services firms act as force multipliers for American manufacturing firms and agricultural producers, providing the express delivery, banking, insurance, accounting, legal, retail and other services necessary for these firms to expand domestically and globally. In every U.S. State, services employ more workers, pay more wages, and account for more business sales than any other sector.

Global trade in services is important to the continued expansion of the U.S. economy, and international markets offer significant growth opportunities for U.S. services. To seize these opportunities, the Federal Government will pursue a variety of services export trade promotion activities designed to achieve the broadest possible expansion of exports by U.S. services firms. These activities will complement U.S. efforts to reduce barriers to trade, as outlined further in Part II, Priority 7: Reducing Barriers to Trade.

8. The complexities of a changing global economy require an export strategy that is both balanced and targeted.

Current and projected economic growth rates point to many of the emerging and developing countries as the fastest-growing economies, representing great opportunities for experienced U.S. exporters. Meanwhile, traditional trading partners like Canada, Mexico, and many European Union countries still offer highly accessible markets for most U.S. exporters, many of them SMEs.

- a. China, India, and Brazil are large, high-growth markets that offer U.S. exporters tremendous opportunities.**⁴⁰ These three large, advanced developing countries have experienced rapid GDP growth rates and have rebounded most quickly from the global economic crisis. China continues to register 9 to 10 percent annual economic growth. India's growth is expected to move from 6 to 7 percent between 2008 and 2009, and 8 to 9 percent between 2010 and 2011. Brazil's projected growth has been revised upward to over 7 percent for 2010.⁴¹

Given their attractiveness as growth markets, foreign competition in Brazil, India, and China is intense. All major competitors, including Japan, most nations of the European Union, and, increasingly, other advanced developing countries themselves, are fully committed to these markets. The stakes are raised by the fact that these are also difficult markets for U.S. companies to navigate. In addition to the cultural and bureaucratic differences, U.S. companies attempting to do business in these markets too often encounter market access barriers. To address these challenges, the NEI focuses needed attention on enforcing trade agreements and improving cooperation on bilateral commercial issues (see Part II, Priority 7: Reducing Barriers to Trade).

- b. Targeting other key "next tier" emerging markets,⁴² and the Asia-Pacific region as a whole, is critical to continued and sustained U.S. export growth in the long term.** More countries are entering the ranks of relatively stable, fast-growing markets, offering significant commercial opportunities. Key "next tier" economies such as Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam are anticipated to experience high GDP growth rates in the next few years.⁴³ As with many of these markets, foreign competition is intensifying, and these countries also present many and varied hurdles and market access barriers for U.S. companies.

In addition, while several individual countries in the region are among the “next tier” economies, the Asia-Pacific region as a whole also continues to grow in importance to U.S. export and job expansion prospects. The Asia-Pacific region is growing rapidly and already constituted 23 percent of the world economy in 2009.⁴⁴ As discussed in the President’s 2010 *Trade Policy Agenda*, countries in the region must see the United States as a committed and engaged trading partner if the United States is to remain at the center of their network of intensifying trade relationships.⁴⁵

- c. Canada and Mexico play a special role as the United States’ largest export markets, and are therefore an ideal starting point for new exporters.** Canada and Mexico, the United States’ neighbors and North American Free Trade Agreement partners, are the largest export markets for U.S. goods and services. Because the trading relationship is well established and market access barriers are relatively low, these markets are a high priority in terms of broadening the base of exporting U.S. companies. In addition to benefiting from the competitive advantages of doing business with an FTA partner country, U.S. companies will find these markets more accessible from a shipping, logistics, and payment standpoint.
- d. Europe remains an important market, given the huge baseline trade and deep commercial ties.** Average annual U.S. goods exports to the European Union (EU) are about \$250 billion – about 25 percent of total U.S. merchandise exports to the world. Therefore, any market access gain with the EU can translate into major commercial benefits. In 2008, U.S. services exports to the EU totaled more than \$224 billion – representing 43 percent of all U.S. services exports to the world. The European Union is a natural target for U.S. export promotion efforts that encourage companies to begin exporting or to expand to new markets.
- e. Free Trade Agreement (FTA) partner countries offer attractive and increasingly transparent business environments.** The United States has FTAs in place with 17 countries.⁴⁶ These FTAs provide dramatic improvements in market access – from tariff elimination or reduction and stronger trade rules, to general improvements in business practices and dispute resolution. In addition to seeking Congressional approval of pending FTAs or negotiating new FTAs, the Administration must continue to promote greater participation of U.S. companies in the current FTA partner countries. U.S. exports to FTA partners have seen strong, above average increases, particularly for SMEs.⁴⁷
- f. U.S. export strategy must be flexible.** For some U.S. industry sectors, pursuing opportunities in generally targeted markets may not produce results. For example, while U.S. agricultural exporters should continue to focus on China and several of the next-tier emerging markets, these exporters also need to focus on other countries with good growth potential for agricultural goods. While many of the high-growth markets look promising for the renewable energy and energy efficiency sectors, more mature markets, such as the European Union or Japan, are the places where

consumers are demanding these products today. U.S. export strategy should match the diversity and flexibility of the U.S. economy to the changing dynamics of continually evolving foreign markets. A one-size-fits-all approach will not work.

9. Addressing trade-related regulatory and infrastructure issues can have a major impact on U.S. exports.

While the United States remains the most open and competitive market in the world, the Administration is committed to addressing several policy issues that can otherwise contribute to the costs, complexities, and risks of exporting. In comments submitted in response to the NEI Federal Register notice, industries highlighted how tax policy (including corporate tax rates, the Research and Experimentation tax credit, and value-added taxes (VAT) in many markets abroad) impacts U.S. exports and overall U.S. competitiveness in the international economy. While an analysis and discussion of tax policy is outside the scope of this Report, the Export Promotion Cabinet is keenly aware that U.S. companies must compete in an international environment of different (and some believe more favorable) tax policies. The Export Promotion Cabinet will consider these and other comments in the context of creating a more level playing field for U.S. companies competing against foreign firms. Similarly, while the Administration recognizes that exchange rates are a factor affecting U.S. exports, this issue is being addressed elsewhere and is outside the scope of this Report. Below are other key Administration initiatives that will further U.S. export promotion goals, but are not within the direct purview of the Executive Order and the authority of the Export Promotion Cabinet agencies.

- a. Reforms of export controls will strengthen national security, while enhancing the competitiveness of key American industries.** In August 2009, President Obama called for a broad-based review of the U.S. export control system, which controls the exports of the United States' most sensitive goods and technology, in order to ensure and enhance national security and to promote effective political-military engagement with partners of the United States. The President called for reforms that focus controls on key technologies and on items that pose the greatest national security threat. The decades-old export control system has become outmoded by changes in the world that call for a more holistic and coordinated approach to controlling the export of sensitive goods and technology. The system has the effect that many companies are now "designing out" U.S. content by moving production offshore. This erodes the United States' defense industrial base, undermines U.S. control regimes in the process, and costs American jobs.

An interagency process led by the National Security Council identified four key reforms: a single export-control list, a single information-technology system, a single licensing agency, and a single enforcement-coordination agency. While some of these changes can be made through executive action, others will require congressional action. On August 31, the President announced the foundation of a new export control system based on this analysis.

The Administration's plans for export control reform are completely separate from the NEI, and driven solely by the need to strengthen national security. However, a by-product of this important reform process will allow for exporters in some of the most competitive industries to export products consistent with the new export control process.

- b. Business Visa Facilitation.** A business-related visa application process that enables legitimate business travelers to visit the United States to meet with exporters, inspect the quality of their products, explore investment opportunities, and forge business relationships, is crucial to maintaining U.S. competitiveness in export markets and inward investment attraction. Facilitating business travel is a priority of the Administration, and important to meeting the NEI goal of doubling exports in five years.

Late in 2009, the Departments of Homeland Security (DHS), Commerce, and State created a working group to address these issues. Within the context of the working group, Commerce provides State and DHS access to its domestic and foreign business network, enabling State to augment its existing domestic outreach to help U.S. businesses trying to bring legitimate foreign business travelers into the United States. With the introduction of an online visa application, its business facilitation programs overseas, and reduced clearance times for technology-related visa applications, State aims to provide enhanced responsiveness, educational resources, and assistance in solving problems on business-related visa application process issues, now and in the future.

- c. Improvements in the U.S. transportation and supply chain infrastructure are critical to enabling exporters from all 50 states to get their goods to ports quickly and inexpensively.** Maintaining a globally competitive, user-focused U.S. supply chain infrastructure is critical to the success of the NEI and to sustained American economic growth. The Departments of Commerce and Transportation have entered into a Memorandum of Understanding to work together and with stakeholders to develop and implement a comprehensive, competitiveness-focused national freight policy. The resulting policy will foster end-to-end U.S. freight infrastructure improvements that facilitate the movement of goods for export and domestic use. The goal is to improve the competitiveness of U.S. supply chains in domestic and international commerce and national economic development, while supporting environmental sustainability and livable communities. Canada, the European Union, and other competitors have already adopted similar policies that promote their supply chains and national development. Many of the United States' most important exporters are farmers located in rural areas and manufacturers that have built plants in rural areas to keep production costs low. The Federal Government needs to make sure that these exporters, like their counterparts in the urban markets, are connected to export ports through a systematic and smoothly functioning network of airports, railroads, roads, and waterways. The Government

also needs to make sure that these exporters can get access to containers where and when they need them. Shortages of export containers have hampered the country's ability to meet worldwide demand for agricultural products. The Export Promotion Cabinet will take a fresh look at how empty containers are made available to exporters to help ensure that exporters can get what they need, and will analyze the United States' entire transportation system (including air freight) to ensure that investments are meeting the needs of the Nation's exporters.

- d. Protection of intellectual property under the rules-based global system must continue to be enforced fairly.** Protection of intellectual property (IP) generally, and patents specifically, is critical for U.S. companies seeking to secure the intangible assets associated with products and services in foreign markets. With IP rights secured, U.S. companies can enter foreign markets with confidence that their ideas and innovations will not be misappropriated. The Administration will continue to use all tools available to strengthen international IP protection and to seek enforcement through the WTO and other avenues when appropriate.

Extensive delays in the patent application process, both at home and abroad, place an undue burden on companies seeking to gain valuable protection. The U.S. Patent and Trademark Office (USPTO), in coordination with foreign partner offices, has pioneered an innovative solution to this problem. The Patent Prosecution Highway (PPH) allows for an application that has been approved in one country's patent office to be fast-tracked in another. The expedited patent review offered by the PPH allows companies to reach foreign markets with products and services more quickly and with sound IP protection. The PPH program has the added benefit of improving efficiencies between international patent offices by reducing "re-do" work among offices.⁴⁸

- e. Increasing the amount of Foreign Direct Investment (FDI) in the United States supports jobs and exports.** Exports from U.S. affiliates of foreign companies exceeded \$216 billion in 2007, representing 18.5 percent of total U.S. exports. In addition, FDI supports 5.5 million American jobs, including 1.9 million jobs in the manufacturing sector. Overall, the United States does far less at the national level to attract FDI than any other developed economy, and most developing economies. In part, this is because U.S. States and local agencies play the leading role in attracting FDI. Through Invest in America, the Federal Government's program to promote FDI, TPCC agencies will work to increase FDI in the United States, and thus grow jobs and exports. TPCC agencies will also ensure that U.S. affiliates of foreign companies have access to the menu of Federal export promotion programs and resources. In coordination with State and local FDI promotion agencies, TPCC agencies plan to target companies from nations with the highest-growth potential for increased FDI in the United States. Near-term targets will include Australia, Canada, France, Germany, Japan, Netherlands, Switzerland, and

United Kingdom. These nations have the largest amount of FDI in America, with continued growth.

10. The U.S. Government has a role to play in ensuring that U.S. businesses and workers have a level playing field on which to compete in an increasingly competitive global marketplace. Government intervention in the marketplace can serve either to correct market imperfections or create them, as in cases of aggressive foreign government support for champion industries or corporations. Many U.S. companies directly compete with foreign enterprises that enjoy greater access to government financing and subsidies, and strong support from their home governments (See Part II, Priority 4: Commercial Advocacy). These competitiveness issues are exacerbated in emerging and developing countries, where lack of transparency, political influence on bid and tender processes, corruption, and institutional favoritism can give competitors significant advantages.

- a. Foreign government procurements offer opportunities for U.S. exporters.** In foreign government procurements, there may be a special role for the Federal Government to play as interlocutor – especially if other foreign governments are involved representing their exporters overseas.
- b. Trade financing support provided by the governments of competing nations, particularly emerging markets, is a growing competitiveness issue.** While export credit agencies (ECAs) around the world played an important role in filling gaps in credit availability during the global economic crisis, U.S. trade financing agencies and exporters see increasing competition from ECAs which do not adhere to fair trade rules established by the Organization of Economic Cooperation and Development (OECD). China, in particular, is noteworthy for offering financing packages outside of the OECD framework observed by Ex-Im Bank and other ECAs. In 2008, the most recent year for which comparable data is available, China's ECA provided \$59.6 billion in new medium and long-term official export credit, compared to \$51 billion for the entire group of G-7 countries.⁴⁹ India's export credit agency provided \$13.7 billion in export credit support in the same year, more than any single G-7 country.⁵⁰
- c. Competitor country governments provide export promotion assistance to their small businesses.** Meeting the needs of U.S. exporters requires examining different approaches taken by foreign competitors. A recent International Trade Commission study comparing U.S. and European Union export activities found that both provide export financing assistance, foreign market information, and a variety of business support services to their SMEs.⁵¹ Both the United States and EU countries provide a wide range of trade financing programs for SMEs, with the United States providing a somewhat wider range of programs than is generally available in EU countries for pre-export financing and short-term credit (particularly beneficial to SMEs at the early exporting stages). However, SMEs from EU countries appear to have access to a larger number of sources and levels of assistance in foreign markets than is available to U.S. SMEs. For instance, EU countries generally provide

more financial support for SMEs to participate in international trade fairs than is available from the U.S. Government. Trade fairs are consistently cited by U.S. SMEs as one of the most effective ways to make contact with potential foreign customers.

- d. Combating foreign unfair trade practices through rigorous enforcement of the U.S. trade remedy laws helps to ensure that U.S. companies and workers can compete fairly on a level playing field.** Demonstrating the Administration's commitment to such enforcement in support of the National Export Initiative, Commerce recently announced a package of 14 proposed changes to its trade remedy practice, especially focused on unfair trade practices by non-market economies. A strong and vibrant manufacturing base at home is an important part of ensuring the global competitiveness of U.S. companies.

11. State and local governments play a critical role in export promotion, and will continue to be valuable partners in meeting the goals of the NEI. State and local governments are also engaged in export promotion, providing support to U.S. businesses through export counseling, trade missions, trade financing, and educational exchanges. Many states also maintain a network of international trade offices worldwide. The NEI has already galvanized some States and cities to take action on their own to support their exporters. The activities and resources dedicated explicitly to promoting exports vary greatly from State to State and city to city, but exporting plays an important role across the country. As part of the NEI, the Administration has sought to provide State and local governments with better data on the impact of trade and exports on their economies. Beyond initiatives focused specifically on exporting, there are many broader State and local government programs that will impact exports, including infrastructure funding and economic development. Coordinating, leveraging, and targeting resources across all levels of government will be crucial to achieving the NEI goals.

II. RECOMMENDATIONS

The Export Promotion Cabinet, through the TPCC, has developed specific recommendations for each of the eight priorities set out in the NEI Executive Order. These eight priorities involve programs of more than one agency. For example, the Department of Commerce (Commerce), the Department of Agriculture (Agriculture), and the U.S. Trade and Development Agency (USTDA) manage trade mission programs that introduce U.S. companies to potential buyers overseas (Priority 3). Similarly, the Export-Import Bank of the United States (Ex-Im Bank), the Small Business Administration (SBA), the Overseas Private Investment Corporation (OPIC), and Agriculture provide export credit and other forms of financing support to SMEs that export (Priority 5), and the United States Trade Representative (USTR), Agriculture, and Commerce work to enforce trade agreements and eliminate market access barriers (Priority 7).

Eight Priorities Identified in the NEI Executive Order

- Priority 1: Exports by Small and Medium-Sized Enterprises (SMEs)
- Priority 2: Federal Export Assistance
- Priority 3: Trade Missions
- Priority 4: Commercial Advocacy
- Priority 5: Increasing Export Credit
- Priority 6: Macroeconomic Rebalancing
- Priority 7: Reducing Barriers to Trade
- Priority 8: Export Promotion of Services

This part explains the importance of each priority and provides a set of recommendations for how the Export Promotion Cabinet, working with the TPCC agencies, will focus on each priority to contribute to doubling U.S. exports and supporting two million additional jobs. When possible, these are divided into short- and long-term recommendations. Short-term recommendations are those that agencies are currently implementing or plan to implement within the next year, using existing resources or resources requested under the President's fiscal year 2011 (FY 2011) Budget. Long-term recommendations could take more than a year and, in some cases, several years to implement. In addition, while some long-term recommendations can be implemented through enhanced management of existing resources and better coordination between NEI stakeholders, others are contingent on future resource expansion and/or reallocation.

Four general themes apply to all eight priority areas:

- a. Strengthen interagency information-sharing and coordination.** Many Federal agencies are actively engaged in export promotion and trade policy, coming into daily contact with current and potential exporters. These agencies include the Departments of Commerce, State, and Agriculture; USTR; Ex-Im Bank; USTDA; and SBA. To achieve the goals of the NEI, it is critical that staff in all these agencies share

up-to-date information on export opportunities and partner agency programs. Such coordination will require ongoing work, and is essential to providing the best Federal export assistance.

- b. Leverage and enhance technology to reach potential exporters and provide U.S. businesses with the tools necessary to export successfully.** The Administration has made expanding technology a core tenet of better Government service. Business leaders have limited time and resources to dedicate to exploring export opportunities. To provide better export assistance, the Export Promotion Cabinet recognizes the importance of providing more Web-based tools. Technology improvements, particularly those related to business outreach and export training activities, would increase business access to timely export-related information and help improve interagency coordination.
- c. Leverage combined efforts of State and local governments and public-private partnerships.** Successful implementation of the NEI and increased U.S. exports is a win-win proposition for both workers and businesses. Working together, the Federal Government, State and local partners, and public-private partnerships will improve outreach to potential U.S. exporters.
- d. Have unified goals for TPCC member agencies to support the NEI's implementation.** An important task is the development of goals and metrics of success for the Federal Government as a whole, as opposed to particular agencies. This will maximize cooperation and coordination between agencies, as well as program impact and delivery.

The Federal Government alone cannot succeed in this initiative; U.S. companies will ultimately be responsible for shipping goods and selling services internationally. Through direct outreach activities, including the NEI Federal Register notice and consultations with members of the President's Export Council, the Export Promotion Cabinet and other TPCC agencies have solicited input from business leaders and other stakeholders on recommendations for implementation of the National Export Initiative. Some of that input is reflected in the recommendations below. The Administration will continue to maintain this dialogue with the business community to help ensure the NEI is addressing their export challenges.

Priority 1: Exports by Small and Medium-Sized Enterprises (SMEs)

As discussed in Part I, it is essential both to the national economic recovery and U.S. global competitiveness that U.S. small businesses – the engines of the U.S. economy – participate more actively and effectively in export markets. The Federal Government can encourage and facilitate SME exports by raising public awareness of export opportunities and available assistance, and by directing export promotion and financing services to address gaps and disparities that arise from market failures or imperfections.⁵² The TPCC agencies are realigning their services, marketing, and outreach to SMEs, as well as their short-term NEI recommendations, along the following four-stage export continuum:⁵³

1. Identify SMEs that can begin or expand exporting,
2. Prepare SMEs to export successfully,
3. Connect SMEs to export opportunities, and
4. Support SMEs once they find export opportunities.

Identify SMEs that can begin or expand exporting.

The Export Promotion Cabinet and TPCC agencies will develop strategies to identify SMEs with export potential and increase SME awareness of exporting opportunities and how to leverage Federal resources to successfully compete in the global marketplace. Proposed strategies are as follows:

- a. Conduct a National Outreach Campaign.** Develop and execute a marketing campaign targeted at SMEs that highlights the benefits of exporting and educates SMEs about Government resources that can facilitate their export growth. The outreach campaign will focus on both why and how to export and will include: a redesigned export.gov web site, which will help “new-to-export” and “new-to-market” businesses navigate through the exporting process; increased national outreach events, such as Ex-Im Bank’s “Exports Live!” which introduced the Federal Government’s export assistance capabilities to small business exporters; creation of a joint fact sheet to promote financial assistance programs for exporters; and an SBA-managed advertising and direct mail campaign to increase awareness among SMEs. In comments submitted in response to the NEI Federal Register notice,⁵⁴ the U.S. Chamber of Commerce stated:

The services, expertise, and dedication of representatives of the U.S. Commercial Service, Export-Import Bank, and the Small Business Administration are world class, but the Chamber has seen first-hand from Bakersfield to Buffalo that many U.S. companies are not aware of the government services that are available to help them break into new markets.

- b. Coordinate, expand, and leverage Federal outreach resources to identify potential exporters.** These resources include the interagency U.S. Export Assistance Centers (USEACs); field offices of the SBA, Commerce, and Agriculture;

State and local governments; and non-government partners that provide services to SMEs. International trade specialists from Commerce, Agriculture, and SBA will team up with business assistance agencies to form local “Export Outreach Teams.”

- c. Increase collaboration with the private sector**, including businesses, trade associations, lenders, District Export Council⁵⁵ members, and local chambers of commerce, to identify both new SME exporters and those with export expansion potential. It is in the interest of these private sector partners to link their clients and members to Government resources that can help them enter and/or grow in international markets.
- d. Analyze existing research to better understand the types of SMEs that become successful exporters.** Profiling the characteristics of these companies can facilitate identification of potential exporters through such means as database analysis and better target export promotion efforts.⁵⁶ Findings can be utilized, for instance, to help mine existing databases, such as the Central Contracting Registration, Bureau of Economic Analysis, and Census Bureau databases, for outreach to prospects for trade facilitation support.

Prepare SMEs to export successfully

SME training and counseling are critical elements for exporting success. In comments submitted in response to the NEI Federal Register notice,⁵⁷ the Irvine Chamber of Commerce stated:

We find that the biggest barrier to getting more companies involved with exporting is a fear of the complexity of the process. The export process admittedly has many more unknowns and requires greater strategic planning but we have found that training (one-on-one or workshops) overcomes the concerns.

An important first step to making Federal Government training programs more accessible is to inventory current export training programs. Next, the Export Promotion Cabinet and TPCC agencies will work to expand the pool of qualified counselors available to train SMEs on exporting, and make training-related information more accessible to SME exporters. Proposed strategies include:

- a. Enhance training resources on www.export.gov**, the Federal Government’s Web portal for U.S. exporters and the first stop for current and potential exporters seeking exporting assistance. The landing page will include navigation links to an export training calendar, archived webinars, and online tutorials relating to financing, market access, and export logistics.⁵⁸
- b. Implement a program to “Train the Trainers.”** Assemble national and regional teams to train, leverage, and align resource partners that work directly with local SMEs.⁵⁹ This networking-oriented initiative is a component of the “Export Outreach Teams” designed to help local resource partners understand international

trade basics, to provide talking points for use with local SME clients, and to facilitate a local referral process.

- c. Promote export opportunities among competitive industry clusters.** Commerce and SBA are promoting regional innovation clusters as a way to help SMEs around the country innovate and compete in a global market. These regional clusters are geographic concentrations of interconnected businesses, suppliers, service providers, and associated institutions in a particular field. By leveraging research, business, and government support, these clusters help SMEs reduce costs, share innovation, and work together to achieve export solutions. SBA is currently piloting a program which provides federal funds to support counseling and training to small businesses in these regional innovation clusters.
- d. Prepare Commerce's Trade Information Center (TIC) to effectively direct prospective exporters to appropriate local resources.** The TIC operates a telephone information and referral service for U.S. businesses interested in exporting, 1 (800) USA-TRADE. USEACs are the primary deliverer of Federal export assistance to export-ready companies. However, a significant percentage of calls to the TIC come from SMEs that are not yet ready to export. Instead of being directed to USEACs, these nascent exporters are being referred to local resource partners that can provide training and counseling appropriate to an SME's level of export readiness.⁶⁰

Connect SMEs to export opportunities

The Export Promotion Cabinet will also broaden SME awareness of and access to U.S. Government trade promotion programs and services. These can include trade shows and matchmaking events, and counseling regarding specific opportunities in potential markets and sectors. Proposed strategies include:

- a. Pilot an Export Intermediary Matchmaker program.** SBA is piloting domestic conferences that match export intermediaries⁶¹ with U.S. manufacturers. Export intermediaries can expedite SME entry into foreign markets by developing an international sales plan, assisting in obtaining financing, and finding sales opportunities.⁶²
- b. Develop export assistance packages** that effectively combine the programs of different agencies. For example, fees for Commerce's Gold Key Service⁶³ or participation in trade missions could be paid for with an SBA Export Express loan. Or, an SME could receive a discounted Ex-Im Bank credit insurance policy in connection with an SBA Export Working Capital Program loan.
- c. Implement bilateral and multilateral SME-to-SME initiatives** to connect U.S. SMEs to international business opportunities. There are a number of bilateral and multilateral international government working groups, forums, and agreements related to trade.⁶⁴ The Export Promotion Cabinet and relevant TPCC agencies should

review these working groups, forums, and trade agreements to address the export needs of SMEs.

Support SMEs once they find export opportunities

The Export Promotion Cabinet and TPCC agencies are focusing on strategies to maximize SME awareness and utilization of Federal Government export finance programs. Proposed strategies include:

- a. Produce trade financing marketing materials** that provide a clear and concise summary of all trade and investment financing programs sponsored by the Federal Government.
- b. Provide trade finance counseling** at major international trade shows. Traditionally, trade shows have been staffed by Commerce and Agriculture, typically without participation by TPCC agencies that are focused on trade finance. Increased participation by all trade finance-oriented agencies (including OPIC and USTDA), will provide a useful, and at times essential, service for participating companies.
- c. Train lenders in U.S. Government export finance programs.** SBA, Ex-Im Bank, and other TPCC agencies will train representatives from financial institutions (including community banks) on international trade finance and encourage them to increase their support for SME exporters.⁶⁵
- d. Open Ex-Im Bank and SBA Export Working Capital loan programs to more non-bank lenders.**⁶⁶ Non-traditional sources of financing, such as forfeiters and finance companies, have become an important source of capital for SMEs.
- e. Explore the feasibility of creating one set of performance measures that would apply to all U. S. Government export financing agencies.** Employees of TPCC agencies often recognize that the best financing option for a particular client may come from another TPCC agency. The Federal Government should encourage, possibly through the use of cross-Government performance measures, a policy whereby employees receive credit for directing exporters to the best financing option, even if such an option is outside the agency providing initial counseling.

Long-Term Recommendation:

The following recommendation is considered a key component of a long-term commitment to effective Federal Government support for SME export promotion:

- a. Technology upgrades.** Technology has a significant role to play in helping companies increase their exports. The current technology and user experience on www.export.gov can be improved and personalized to lead the user to relevant training, matchmaking events, and financing opportunities based on their export

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maturity, industry, and markets of interest. A “My Export.gov” concept reduces the amount of time spent searching for information online. Providing the necessary technological, staffing, and content support for www.export.gov applies to many, if not all, of these recommendations to help SME exporters.

Priority 2: Federal Export Assistance

The Federal Government's export assistance programs are designed, consistent with Federal and international law, to increase the number of U.S. companies, including farmers and ranchers, that export, and to grow the number of markets to which exporters are selling. Since 2004, the number of U.S. exporting companies has increased annually, from about 233,000 to almost 289,000 in 2008.⁶⁷ Although data for 2009 is not yet available, the number of companies exporting will almost certainly decrease from 2008 levels due to the contraction in the global economy.

The record number of exporters in 2008 demonstrates the potential of the U.S. business community, but significant export capacity remains that has yet to be realized. Many companies that could export fail to take the steps necessary to become an exporter. Moreover, of the almost 289,000 companies that exported in 2008, 58 percent exported to only one market.⁶⁸

The Federal Government facilitates foreign market entry through a variety of export assistance programs designed to connect U.S. businesses to market opportunities, and through financing assistance in the form of guarantees, loans, and insurance services to mitigate risk. These programs also leverage opportunities provided through trade agreements that open markets to U.S. exports and reduce barriers to trade. Federal Government agencies also have field-based staff to connect prospective U.S. exporters with potential foreign buyers.⁶⁹

A number of Federal Government export assistance programs are discussed in the portions of this Report covering NEI Priorities 1 (SMEs), 3 (Trade Missions), 7 (Removing Trade Barriers), and 8 (Services). The recommendations below elaborate broader strategies and plans for export assistance programs, including more effective and ambitious utilization of trade shows and client networks, as well as targeting efforts at key markets and industry sectors.

Short-Term Recommendations:

- a. Emphasize the New Market Exporter Initiative.** This program is a national marketing, data mining, and lead generation effort to identify U.S. exporters currently exporting to one or two markets, but capable of expanding into additional markets. The *New Market Exporter Initiative* enhances partnerships with shipping, finance, and other U.S. companies that specialize in providing exporting services. These companies, including but not limited to FedEx, UPS, and the U.S. Postal Service, identify their customers, many of whom are SMEs, who already sell to an international market and direct them to local Commerce trade specialists. The Commerce trade specialists work with these SMEs to help them enter additional international markets. This effort includes mining internal TPCC partner client databases to identify businesses with potential for entering new markets.⁷⁰
- b. Recruit more potential foreign buyers to U.S. trade shows and create additional opportunities for partnerships between foreign buyers and U.S. companies.** Agriculture and Commerce operate programs to recruit potential

foreign buyers to major trade shows in the United States. These programs match foreign buyers with U.S. companies, giving U.S. companies the opportunity to expand business globally. For SMEs with limited resources to travel on trade missions, these programs provide an excellent opportunity to connect directly with foreign buyers and distributors.⁷¹ The TPCC agencies are expanding these programs to recruit more potential foreign buyers to U.S. trade shows,⁷² and are combining funds to create a new interagency pavilion to be used at trade shows for outreach. These agencies will also improve coordination with State economic development agencies, State departments of agriculture, and State regional trade groups. These organizations guide foreign buyers attending trade shows in the United States to other parts of the country, where they will be exposed to more U.S. companies.

- c. Increase the number of U.S. companies attending major trade shows overseas.** One of the fastest ways to increase exports by U.S. companies is to encourage them to attend major trade shows in other countries. International trade shows, like U.S. trade shows, offer significant opportunities for U.S. companies to meet potential buyers. Commerce and Agriculture are taking steps to better market international trade show opportunities to U.S. companies. SBA staff plan to attend more international trade shows to provide trade finance counseling and, potentially, to finance export transactions. European and Asian countries are particularly effective at encouraging and facilitating participation of their respective businesses at major international trade shows. TPCC agencies will benchmark the practices of foreign competitors to better understand their successes.
- d. Increase U.S. Government support for U.S. renewable energy and energy efficiency exports.** As a result of rising energy prices, increasing energy demand, and climate change concerns, many nations around the world are increasing incentives for renewable energy and energy efficiency. The rising demand for goods and services related to clean energy has created export opportunities for U.S. companies. The increased potential in this sector has heightened competition and led to a proliferation of trade barriers. In general, clean energy technologies require significant capital investment and innovative research – two areas that give the United States a competitive advantage. However, more must be done to support U.S. exports in these high-growth, high-technology sectors. The Federal Government must improve interagency coordination and provide additional support to level the playing field for U.S. clean energy companies. The *National Renewable Energy and Energy Efficiency Export Strategy* (RE4S), to be made public this fall, is being developed by the TPCC Working Group on Renewable Energy and Energy Efficiency (RE&EE).⁷³ It will provide a roadmap to facilitate the doubling of RE&EE exports by 2015, consistent with the goals of the NEI.
- e. Expand opportunities for the U.S. nuclear energy industry.** Nuclear energy is also an integral part of a clean energy economy. While nuclear power already provides approximately 20 percent of U.S. electricity, wider deployment of civil

nuclear reactors in the United States and around the world could provide the massive amount of electricity needed to power the global economy, while substantially reducing greenhouse gas emissions. The U.S. nuclear industry can expand its manufacturing base significantly as it takes advantage of the growing global demand for nuclear power. But the nuclear sector also faces substantial obstacles, including difficulties in obtaining new plant financing, workforce gaps, the lack of a global nuclear liability regime, supply chain constraints, licensing and regulatory-related delays, uncertainty with respect to disposal of spent fuel, and formidable state-owned competition.⁷⁴

- f. Leverage the vast capabilities of Minority Business Enterprises (MBEs) in exporting.** MBEs participate at a high rate in global commerce, which provides the U.S. with a unique and compelling opportunity to help increase U.S. exports by MBEs and create sustainable jobs. Between 1997 and 2007, MBEs outpaced non-minority firms in growth of employment, gross receipts, and number of firms.⁷⁵ Studies show that MBEs are twice as likely to export as non-minority firms are.⁷⁶ Of firms operating in 2002, 2.5 percent of minority firms generated at least 10 percent of their sales from exporting, as compared with 1.2 percent from non-minority firms.⁷⁷ Building on the strong export orientation of MBEs, Commerce's Minority Business Development Agency (MBDA)⁷⁸ will work with TPCC partner agencies to design outreach and trade facilitation programs specifically geared to MBEs, to increase their participation on international trade missions and to strengthen their links to international trade centers.
- g. Increase the budget for trade promotion infrastructure.** President Obama's FY11 Budget request would give Commerce the ability to increase staff levels to advance the work of domestic trade specialists and of Commercial Service Officers (CSOs) working internationally. Additional CSOs will provide increased support for trade missions, overseas trade shows, general matchmaking services, and recruiting buyer missions to U.S. trade shows. Similarly, budget increases for the Department of Agriculture's export promotion staff and programs would allow increased support for the U.S. agricultural sector.

Long-term Recommendations:

- a. Increase coordination with State export promotion programs and non-profit associations.** State governors, the National Association of State Departments of Agriculture, State Regional Trade Groups, and the State International Development Organization are key players in this country's trade promotion efforts. Most States have offices devoted to export promotion for in-State companies, and many governors lead at least one trade mission a year. At the local level, the States work very closely with their Federal Government partners. In many States, the offices of the State and Federal export promotion agencies are co-located and work together to develop annual operating plans. Federal agencies should strive to make joint planning the standard procedure in all States that have export

promotion programs. The Administration's proposed FY11 Budget would also provide increased funding for the Market Development Cooperator Program (MDCP). The MDCP grant program provides matching funds for public-private partnerships that expand export opportunities for U.S. businesses.⁷⁹ The Administration has also requested an increase in funding to expand Agriculture's activities to promote exports of U.S. food and agricultural products.

- b. Identify and encourage exports by U.S. companies selling technologies in high-growth sectors.** Many countries are targeting key sectors for economic expansion, and developing plans to make major infrastructure investments in health care, transportation, and energy. In some cases, foreign government officials want evidence that the U.S. Government is supportive of U.S. companies before making any purchasing decisions. TPCC agencies should increase the number and size of trade activities that promote key sector technologies to decision makers in key markets. For example, USTDA is increasing its support for clean energy sector activities by helping countries identify U.S. sources of clean energy technology through clean energy exchange programs.
- c. Increase Federal export assistance for U.S. companies exporting to Brazil, India, and China.** Brazil, India, and China are among the fastest growing emerging markets and offer great opportunities for U.S. exporters. It can be challenging, though, for U.S. companies – especially SMEs – to navigate through complex governmental taxes and regulations. The Export Promotion Cabinet and TPCC agencies have been collaborating to help define how the United States develops its commercial relationship with these markets over the next five years. Market engagement strategies are being developed to identify preferred long-term outcomes in the U.S. commercial relationship with these countries, design initiatives to achieve those outcomes, and present a timeline for results.
- In Brazil, the Administration will focus on commercial promotion initiatives that meet Brazil's economic development needs. Key strategic areas include alternative energy, transportation infrastructure, and aviation. The Administration will continue to focus on major trade promotion initiatives, such as Trade Winds Brazil, that promote economic prosperity for both countries and overcome obstacles to increased trade.
 - In India, priority sectors include energy (renewable, energy efficiency, clean coal, and nuclear); defense and homeland security; civil aviation; health care; consumer goods; franchising; and education. The Administration will continue to participate in export-oriented forums, including those in the U.S.-India Strategic Dialogue, the Trade Policy Forum, and forums not specifically focused on exports to identify trade-related opportunities for U.S. companies and to promote U.S. exports.

- In China, U.S. companies face a complex and often opaque commercial environment, and Chinese government policies favor indigenous development and domestic companies. In that context, the Administration will continue to engage China through bilateral forums such as the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue, and will increase its focus on trade missions and other trade events, expanding the successful two-to-three day “roadshow” trade mission model. Key industry sectors for U.S. businesses include green technology (including clean energy, environmental technology, and green building), health care, transportation, tourism, agriculture, and education. With successful public-private partnerships like the Aviation Cooperation Program and Energy Cooperation Program launched by USTDA, working with other TPCC agencies, China is becoming a model for opening new export opportunities through public-private partnerships.

d. Implement an export promotion strategy for designated “next tier” markets – markets where U.S. companies have increasing opportunities in the next five to ten years. The TPCC agencies have identified six countries – Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam – as having high growth rates, a reasonable business climate, and significant export opportunities. Priority export markets vary across agencies. For example, some markets are well suited for manufactured goods, but not as promising for agriculture. The TPCC agencies identified these six countries as markets where agencies could work closely together to develop a strong trade promotion program, that includes identifying opportunities for U.S. companies, ensuring that U.S. companies are aware of the opportunities, and addressing market access barriers affecting sales. In each of these countries, TPCC agencies have identified a set of priority sectors that present significant opportunities for U.S. businesses. Federal agencies plan to target these sectors with core trade promotion programs. The Export Promotion Cabinet intends to use the Federal Government’s commercial advocacy network to help U.S. companies win major government procurements and to increase the amount and types of financing available to U.S. companies that need support.

Priority 3: Trade Missions

Trade missions offer a proven, cost-effective tool for U.S. companies to learn first-hand about global markets. By participating in trade missions, U.S. companies can meet one-on-one with foreign government decision-makers and business contacts, including potential agents, distributors, and partners. Participating in trade missions is beneficial for U.S. companies and facilitates market entry or expansion. The exports that result from the trade mission increase the company's profit and support U.S. jobs. Also, access to foreign government officials and in-country business contacts can lead to long-term success in those markets. Finally, trade missions receive a great deal of attention from government representatives, business leaders, and media in international markets, and provide U.S. companies the prestige of being part of an official U.S. Government trade delegation.⁸⁰

Short-Term Recommendations:

- a. Expand and better target trade missions.** To help companies seize export opportunities in emerging and expanding markets, Commerce and Agriculture (the two Export Promotion Cabinet agencies with primary responsibility for trade missions) will increase the number of Government-led trade missions during fiscal year 2010 and beyond. Commerce has analyzed countries where growth is likely to increase substantially over the next 12 months, and is targeting its trade missions toward those markets. These include Brazil, India, and China, as well as key "next tier" markets such as Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam. Similarly, the Department of Agriculture is planning agribusiness trade missions in FY 2011 to Peru, Indonesia, and Vietnam. Commerce is also emphasizing trade missions that focus on single or complementary sectors instead of trade missions that focus on multiple – and sometimes unrelated – sectors.⁸¹
- b. Increase the number of trade missions led by senior officials from the Export Promotion Cabinet and TPCC agencies.** The Departments of Commerce and Agriculture will seek to have most trade missions designated "executive trade missions," meaning that the mission is led by a senior-level Administration official. This will facilitate access to key local market government officials and industry executives. Participation of leaders from TPCC agencies traditionally not involved in trade missions – including SBA and the Departments of Energy and Transportation – will help in reaching a broader range of companies, including those in key emerging sectors, such as clean energy.
- c. Expand follow-up with companies participating in trade missions.** Commerce is focused on ensuring that companies participating in trade missions continue to leverage Federal Government export resources. Commerce staff have developed standard procedures to provide regular, additional assistance to trade mission participants to aid their penetration of the targeted market.

- d. Increase the number of reverse trade missions that bring foreign procurement officials to the United States to meet with U.S. suppliers.** The USTDA and Agriculture conduct reverse trade missions that bring foreign procurement officials to the United States to meet with potential suppliers of U.S.-manufactured goods and services. These reverse trade missions are particularly valuable for SMEs that may not have the resources to travel to a large number of countries in search of new markets. Both agencies are working to increase the number and scope of reverse trade missions to support the NEI.
- e. Strengthen the Federal export promotion infrastructure to support trade missions.** The Administration's FY 2011 Budget request includes additional funding for the Departments of Commerce and Agriculture to increase the number and size of trade missions and the number of overseas staff to conduct trade missions. Additional infrastructural support is critical to a trade mission's success. More support will ensure that there are enough in-country resources to link U.S. companies to important contacts and help U.S. companies succeed both prior to and following the trade mission.⁸²
- f. Connect U.S.-led trade missions with key trade shows.** International trade shows provide exhibiting companies a venue to showcase their latest products and services. Attendees may include international agents and distributors, buyers, and potential joint venture partners. Combining trade missions with trade shows provides a larger pool of international distributors, buyers, and potential joint venture partners for U.S. companies than a conventional, country-focused trade mission would.

Priority 4: Commercial Advocacy

The Administration remains committed to an international system that fosters free and fair trade. In certain markets, barriers such as lack of transparency, political influences on bid and tender processes, corruption, and institutional favoritism can give foreign companies a significant advantage.

Commercial advocacy⁸³ is designed to coordinate Federal Government resources and authority to level the playing field on behalf of U.S. business interests as they compete with foreign firms. Many U.S. companies compete directly against foreign enterprises with access to greater foreign government financing, subsidies, and other forms of home government support. This is especially relevant when U.S. companies compete with parastatal companies or “national champions.”⁸⁴ The commercial advocacy process leverages the instruments of U.S. diplomacy on behalf of U.S. companies to ensure fairness and transparency. Coordinating export promotion resources on behalf of important export opportunities allows U.S. leadership to highlight the unique advantages of U.S. products and services. It also ensures that foreign government actions aimed at U.S. exporters, such as trade remedies, are conducted fairly, transparently, and according to international rules. The Department of Commerce’s Advocacy Center (Advocacy Center) helps U.S. companies compete internationally, create and retain U.S. export-related jobs, and ensure that sales of U.S. products and services have the best possible chance to compete abroad. Commercial advocacy efforts are concentrating on opportunities in the key emerging (Brazil, India, and China) and next tier markets (Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam) identified earlier.

Short-Term Recommendations:

- a. **Enhance interagency coordination.** Commercial advocacy can be enhanced by better coordinating the resources of the Federal Government. The Advocacy Center must continue to bring all key resources to bear on specific export transactions to enhance opportunities for success. This means rapidly directing U.S. exporters to appropriate agencies that can assist them with export opportunities and address potential vulnerability to foreign regulatory and trade actions. TPCC agencies will coordinate their leadership’s efforts to provide advocacy on behalf of U.S. exporters. The Secretary of Commerce, at the urging of the President, has requested that senior Government officials consider commercial issues as part of their agenda when communicating with their foreign government counterparts. As noted by the Michigan District Export Council-West in comments submitted in response to the NEI Federal Register notice:⁸⁵

Attention from the President and relevant cabinet-level agencies on aggressively expanding exports will show the world that we plan to compete. Our competitors’ longstanding commitment to trade advocacy begins at the highest levels of government.

This can only occur productively with improved interagency communication. Interagency cooperation on advocacy can be especially effective for SMEs. SMEs

benefit when the full range of Federal Government services are coordinated to enhance their ability to export. Obtaining a key overseas contact through advocacy can have a huge impact. The Department of State's Commercial and Business Affairs Office is working to enhance communication between the State Department and TPCC agencies to ensure that Ambassadors, U.S. officials, and senior leadership at all levels can engage on specific export opportunities. Since January 2010, this overall effort has led to increased activity for the Advocacy Center, and to an increase in advocacy successes that support U.S. jobs.

- b. Promptly bring exceptional commercial advocacy cases to the attention of the White House.** Some commercial advocacy efforts, either due to their value or their strategic impact on the U.S. economy or national interest, are of unique importance that requires elevation beyond the normal interagency commercial advocacy process.⁸⁶ When such transactions are identified, usually by the Advocacy Center in consultation with the Commercial and Business Affairs Office or, in cases involving agricultural opportunities, with Agriculture, they will be escalated to the National Security Council.
- c. Increase U.S. companies' awareness of the benefits of commercial advocacy.** Fully leveraging commercial advocacy, especially in emerging sectors of the U.S. economy, requires that the Advocacy Center increase awareness of the nature of advocacy and assistance available among both U.S. exporters and key Federal Government officials. U.S. companies in certain sectors such as aerospace, defense, civil nuclear, engineering services, and telecommunications frequently avail themselves of the commercial advocacy process. U.S. SMEs and companies in emerging sectors with significant export potential, such as renewable energy, infrastructure, medical technology, and financial services, have not fully utilized commercial advocacy and are potential targets for expanded Advocacy Center outreach.⁸⁷ State and Agriculture are also conducting similar outreach efforts to U.S. Embassies and state-based agricultural entities to heighten awareness of commercial advocacy.⁸⁸
- d. Improve market intelligence on key export opportunities.** The Administration will continue to enhance its tools for intelligence gathering and disseminating project opportunities that might be appropriate for commercial advocacy. Expansions of foreign government spending on major overseas infrastructure projects, clean energy development, and health care delivery can represent significant opportunities for U.S. exporters. Early awareness of trade leads related to increased foreign government spending can position U.S. companies to bid on key aspects of these projects. Enhanced market intelligence also positions the U.S. Government to highlight the value of U.S. technologies and to encourage foreign governments to make the tendering processes fair, open, and transparent.

Long-Term Recommendations:

- a. Collaborate more effectively with major U.S. exporters.** The Advocacy Center and the Commercial and Business Affairs Office will engage with the executive teams of leading U.S. companies to better understand their international business strategies so that the Federal Government can provide more proactive support in facilitating foreign procurements.
- b. Develop and deploy interagency commercial advocacy teams focused on key sectors and international markets.** The Advocacy Center could capitalize on enhanced collaboration throughout the Federal Government by creating interagency teams in key sectors that could benefit from stronger commercial advocacy.⁸⁹ Additional interagency groups could have a regional focus on emerging and next-tier markets.
- c. Review the impact of trade finance and export credit on commercial advocacy.** The Advocacy Center must evaluate whether exporters, especially those competing for major projects, have the necessary trade finance tools to compete in a timely manner on a level playing field. In some cases, foreign export credit agencies finance transactions in countries and/or sectors where the Ex-Im Bank and SBA are unable to make loans, potentially creating a significant disadvantage for U.S. exporters. Although Ex-Im Bank and SBA are moving rapidly to improve their trade finance and export credit strategies, a comprehensive review of how trade finance impacts major projects might provide additional insights that could guide U.S. economic policy in this area. In addition, Agriculture is modifying its Facility Guarantee Program (FGP)⁹⁰ to make it more responsive to exporter needs for project finance, to align the program in compliance with the 2008 Farm Bill, and to streamline the application process.

Priority 5: Increasing Export Credit

For many U.S. exporters, particularly SMEs, trade finance provided by the financial services sector is an essential component of trade. Trade finance enables exporters to obtain working capital and term loans, finances foreign buyers purchasing U.S. goods and services, and provides insurance to exporters wanting to mitigate foreign commercial and political risk. The vast majority of this credit is and will continue to be provided by the private market. There are, however, market gaps that arise because the private market is not willing to provide adequate credit to support certain transactions with greater real or perceived risk. Government-backed export credit agencies (ECAs) can therefore step in to fill these gaps, consistent with international rules governing such financing. The Ex-Im Bank is the U.S. Government's primary source of export credit across industry sectors and firm size, with Agriculture providing support to U.S. agricultural exporters and the SBA supporting SME exporters. For many U.S. exporters, public-sector financing is crucial to being able to effectively compete internationally. Trade financing provided by the U.S. Government helps to level the playing field by matching similar financing provided by foreign ECAs. Also, by removing the commercial credit and political risk for lenders and U.S. exporters, government-backed trade financing can help more U.S. companies to sell abroad, thereby supporting U.S. jobs.

Given the global economic decline over the past two years, the private sector financing gaps for U.S. exporters have widened considerably. Private sector lenders retreated from trade finance by increasing the cost of funds, shortening maturities, and tightening lending standards. The international finance and small business lending markets were hit particularly hard given their higher risk, and U.S. companies began experiencing difficulty in getting trade financing across the spectrum of maturities. As proof of this credit crunch, trade finance agencies around the world, including Ex-Im Bank and Agriculture's Commodity Credit Corporation, experienced a surge of activity.⁹¹

This surge in demand by U.S. companies for trade and export financing may not be temporary. For Ex-Im Bank, the heightened level of activity today may diminish but is likely to be above pre-crisis levels for a few reasons. First, the financial services landscape is in flux and banks are likely to continue to seek ways of obtaining capital relief, e.g. through an Ex-Im Bank guarantee or insurance product. Second, under the NEI, U.S. exports are expected to double. This expected increase in export activity will translate into increased demand for public sector export credit assistance.

Recommendations:

The export finance capabilities of the U.S. Government need to be aligned with the economic realities facing U.S. exporters. Ex-Im Bank, Agriculture, and SBA are all currently or will shortly be implementing the following recommendations to address the export finance challenges of U.S. companies, particularly SMEs.

- a. **Make more credit available through existing credit platforms and through new products.** Ex-Im Bank is increasing its capacity to handle the surge

in export credit demand from U.S. businesses through increased staffing and operational efficiencies. In addition, Ex-Im Bank is launching new products that ensure credit is available to underserved segments of the export value chain, particularly SMEs. These new products are designed to address the shortage in credit capacity in the private sector, and aim to provide up to \$2 billion of credit. A supply chain finance product will enable suppliers to exporters to obtain financing at competitive rates, providing needed liquidity to run their businesses. A reinsurance product will help U.S. exporters obtain credit insurance in a market that has curtailed capacity, enabling these companies to manage political and commercial risk when exporting to markets that are perceived as risky. SBA is also expanding promotion of the Export Express program⁹² – a successful pilot program that helps firms enter or expand in a foreign market. The Administration has proposed legislative changes that would increase the maximum loan amount for this program from \$250,000 to \$500,000.⁹³ The Administration and SBA have also recommended an increase to the Export Working Capital Loan program from \$2 million to \$5 million, which is expected to enable more private sector lenders to participate in SBA's trade finance programs. Agriculture is reviewing its current programs and existing statutory authorities to determine how best to provide incremental support for U.S. agricultural commodity exports.

- b. Expand the eligibility criteria for lending to SMEs.** The Ex-Im Bank can facilitate the extension of credit by lenders to firms by providing these lenders with a guarantee that partially protects them from default by the borrower. Ex-Im Bank also provides credit insurance directly to exporters. There are criteria that borrowers must meet in order to participate in an Ex-Im Bank guaranteed loan or in the credit insurance program. The Ex-Im Bank recently expanded these eligibility criteria for SMEs, enabling more of these firms to access financing.
- c. Focus lending activities and outreach on priority international markets.** Ex-Im Bank is most active in emerging markets of the world, areas where private-sector lenders are less inclined to operate without some Government guarantee. Over the next five to ten years, many of these markets are expected to make substantial infrastructure investments. The needs of these economies, which range from hospitals to roads to energy infrastructure, align well with the technological and productive capacities of the United States. Ex-Im Bank is open for business in approximately 175 countries, but given its limited international business development resources, the Bank has decided to focus its outreach efforts in those parts of the world with the greatest potential to support U.S. exports. The Bank has selected nine high-potential countries – Mexico, Brazil, Colombia, Turkey, India, Indonesia, Vietnam, Nigeria, and South Africa – on which to focus its outreach efforts. The projected investment in infrastructure alone by these countries in the next five years is over \$3 trillion, which suggests enormous opportunities for U.S. exporters. The country-specific efforts will help increase awareness for credit products that enable foreign buyers to purchase U.S. goods and services, and will also

match U.S. exporters with opportunities abroad. In the long term, Ex-Im Bank should explore the possibility of international expansion, with staff located at key embassies across the world.

- d. Increase and focus outreach efforts to globally competitive industries and underserved sectors of the economy with incremental export potential.** In order for U.S. exporters and foreign buyers to avail themselves of Federal Government financing services, they need to know that such services exist. Informal surveys suggest that awareness of U.S. Government export finance assistance is modest at best, particularly with SMEs. Therefore, in parallel to the country focus noted above, the Bank will also focus its efforts in industries where there is potential to support greater levels of exports and build further awareness of Federal Government financing assistance. These industries include medical technology, industrial machinery (such as construction and agricultural equipment), renewable and conventional power, and transportation. Traditionally, Ex-Im Bank's financing supported primarily manufactured goods and services associated with those goods, such as engineering, procurement, and construction services for an infrastructure project. Ex-Im Bank will explore the service sector more broadly, since this area has been an important driver of growth and job creation and one that could benefit from Ex-Im Bank financing. In addition to an industry and sector focus, Ex-Im Bank will conduct aggressive outreach with SMEs. In the fall of 2009, Ex-Im Bank initiated an intergovernmental effort to build awareness of export assistance in the small business community. The Bank organized "Exports Live" events in eight major metropolitan areas, reaching over 2,000 small business exporters. Other agencies, such as Commerce, SBA, and USTDA, were integral partners and facilitators of these events. This program will be extended to another 16 key markets across the country in the next year.
- e. Increase the number and scope of public-private partnerships.** Partnerships are essential to building awareness of export finance assistance, and originating and underwriting transactions on behalf of Ex-Im Bank and the SBA. Ex-Im Bank, the main conduit for Government export credit, has a staff of fewer than 400. SBA and Agriculture's export finance-related staff are relatively modest in numbers as well. On the other hand, there are an estimated 289,000 exporters in the United States, 97 percent of which are SMEs. Clearly, the Federal Government must use partnerships to reach these exporters. To help develop these partnerships with financial intermediaries (lenders, insurers, and brokers), city-State economic development entities, and trade associations, the Bank intends to substantially increase its outreach and build its presence outside of Washington, D.C. For instance, both Ex-Im Bank and SBA are actively seeking lenders who will participate in their guarantee programs by originating and, in some cases, underwriting transactions on their behalf. Both agencies conduct Lender Roundtables and other lender outreach efforts to enlist lenders in their programs. In addition, SBA is

working to improve the usability of its community bank programs with an aggressive outreach and training effort, in partnership with the Federal Reserve District Banks.

- f. Streamline the application and review process for U.S. exporters, particularly SMEs.** In addition to making more credit available and building awareness of Federal Government trade finance assistance, agencies must make it easier for exporters and other customers to use Federal services. Simplification can take one of two forms—streamlining applications, including reporting and other compliance requirements, and streamlining internal processes so agencies can serve their customers faster. In the fall, Ex-Im Bank will launch a simplified application for small businesses seeking credit insurance. This product will cut down the paperwork and reporting requirements by 50 percent, making it substantially easier for small businesses to obtain credit insurance through Ex-Im Bank. To improve SME customer service, SBA and Ex-Im Bank both use the same Export Working Capital loan application. Ex-Im Bank is also streamlining internal processes, particularly the application review and underwriting process. Ex-Im Bank is implementing “deal teams” with increased approval authority so all applications have one point of accountability. These changes are designed to decrease turnaround times (faster credit decisions often lead to increased sales) and increase capacity to handle higher volumes through operational efficiencies.⁹⁴ The Department of Agriculture is currently modifying its Facility Guarantee Program (FGP) regulations to incorporate the statutory changes in the 2008 Farm Bill, as well as to streamline the operations of the program. The new FGP will help ensure availability of credit to improve agricultural facilities in emerging markets that will, in turn, create additional opportunities for U.S. agricultural exports.

Priority 6: Macroeconomic *Rebalancing*

Complementing the efforts of the Export Promotion Cabinet and TPCC agencies to make U.S. goods and services more competitive, Treasury and the Administration more broadly have been working to make the international economic climate more conducive to dynamic growth in U.S. exports. The Administration, at the bilateral and multilateral levels, has been encouraging policy changes in countries with large external surpluses to boost domestic demand and provide the global economy with multiple engines of growth to create stronger, more sustainable, and more balanced global demand.

For too long, the global economy has relied heavily on the United States to act, effectively, as the “consumer of last resort.” A successful rebalancing of global demand will necessarily involve the United States saving more as a nation, reforming its financial system, and reorienting its economy toward job-creating investment and exports. At the same time, rebalancing will require countries with large trade surpluses to pursue policies geared toward creating greater domestic demand growth, especially consumption growth. These actions can have a significant impact on the prospects for the U.S. economy, specifically through enhanced export growth and job creation.

In April 2009, the global economy was experiencing the worst downturn since the Great Depression, and there was a danger that it might deteriorate further. Global exports in nominal terms had plunged by over 35 percent since mid-summer 2008, global output was contracting at an annual rate of six percent, and financial markets were frozen. In the United States during the first quarter of 2009, average job losses exceeded 750,000 per month, and real GDP was declining at an increasingly rapid pace, dropping 6.4 percent (annualized). At the time, the International Monetary Fund (IMF) was forecasting world output would decline by 1.3 percent in 2009 and only grow by 1.9 percent in 2010, with output in the advanced economies falling by 3.8 percent in 2009 and zero output growth expected in 2010.

In order to pull the global economy out of recession, the Administration and its G-20 counterparts responded to the crisis with an unprecedented level of cooperation and rapid action, injecting \$5 trillion of global fiscal stimulus, ensuring the availability of \$250 billion for trade finance, and mobilizing an additional \$1 trillion for international financial institutions. These unprecedented efforts by the United States and its G-20 partners have brought the global economy back from the brink. In fact, the IMF in its July 2010 *World Economic Outlook* raised its global growth projection for 2010 to a rate of 4.6 percent, up from its previous 2010 projection of 1.9 percent, forecast in April 2009. The return of global growth is having a dramatic impact on global trade volumes and prices. The IMF now expects global exports of goods and services to exceed \$18 trillion in 2010, a \$2.7 trillion increase, compared with its previous 2010 projection of \$15.3 trillion, also forecast in April 2009.

This improved global outlook, provided that it can be sustained and strengthened, will provide a much more supportive setting for U.S. export growth. The IMF now expects global exports of goods and services in 2010 to return to over 90 percent of their 2008 peak level, and projects a full recovery by 2011.

There are three key challenges to sustaining, strengthening, and rebalancing the global economic recovery. First, governments must take care to withdraw fiscal stimulus gradually, so that private-sector demand growth can gain momentum, while devising plans to put public finances on a long-term sustainable path. Second, financial systems must be strengthened and appropriate regulatory structures established so that these systems can provide sufficient lending to support the economic recovery, including trade finance, and reduce the risk of future financial crises. Third, as U.S. public finances improve and the U.S. economy gradually increases national saving, surplus economies will need to provide alternative sources of global demand.

Recent Treasury and Administration Engagement on Global Rebalancing

In September 2009, the G-20 established the *Framework for Strong, Sustainable, and Balanced Growth* (the Framework). It outlines a process for economic cooperation among the G-20 nations to discuss, examine, and implement policies supportive of strong, sustainable, and balanced economic growth. The initiative was President Obama's, and Treasury played a key role in establishing the Framework and its mutual assessment process as a way to sustain and strengthen the economic recovery. The benefits of the Framework can be seen in subsequent improvements in U.S. and global trade data. This Framework will help stimulate more U.S. exports, and has highlighted the importance of the global trade recovery to U.S. job creation.

The Framework provides a forum for the United States to encourage both emerging market and advanced economies with large trade surpluses to boost their domestic demand growth, thereby facilitating a rebalancing of global demand. In June 2010, the G-20 economies agreed that the highest priority was to sustain and strengthen the economic recovery, and that if they worked together by implementing structural reforms, ensuring flexible exchange rates, and strengthening private sector demand, significant growth and demand rebalancing benefits would follow. In this regard, reforms in China, Germany, and Japan, each of which has a large current account surplus, will be needed to foster new sources of domestic-led growth and contribute to a rebalancing of global demand over time. Additionally, China must move much more quickly to allow market forces to correct the undervaluation of the renminbi. The United States also has used the G-20 gathering to emphasize that policies to gradually withdraw the extraordinary public support provided in response to the crisis should be tailored to national circumstances, the needs of the global economy, and the strength of private sector demand.

The Administration, led by Treasury, has started a reform effort to ensure a more resilient financial system in the United States, one without excessive and destabilizing risk-taking. The U.S. financial system can then provide a more balanced and robust environment for investment and growth. The recent passage of U.S. financial regulatory reform legislation will aid in ensuring that the U.S. financial system provides more sustainable consumer and businesses financing, including private-sector trade finance. Because trade finance was seriously disrupted during the financial crisis, reforms should yield better capitalized, more liquid banks that reduce the chances of damaging crises and future interruptions to trade finance lifelines for U.S. exporters, particularly SMEs. Internationally, a more sustainable and balanced approach to

lending will promote confidence, and create stronger and steadier global growth over the long-term.

Short-term Objective – Sustain and Strengthen the Global Economic Recovery

Other than U.S. productivity growth and export competitiveness, the most significant determinant of U.S. export growth over the next few years will be the pace of domestic demand growth by the United States' principal trading partners. In the short term, working to sustain a strong global economic recovery is likely to deliver the biggest contribution to U.S. export growth. However, this will require concerted and continued efforts by the United States and its G-20 partners to ensure that the global economy shifts smoothly to more diversified sources of economic growth, where consumption and demand growth come from multiple sources. As stated in the June 2010 G-20 communiqué, "the G-20's highest priority is to safeguard and strengthen the recovery and lay the foundation for strong, sustainable, and balanced growth, and strengthen our financial systems against risks."

Long-term Objective – Rebalance Global Demand

Over the medium and longer term, the economic growth composition of the United States' trading partners will also be crucial to U.S. export growth. While the export focus is often on the most populated emerging market countries like China and India, rebalancing global demand successfully will require a broad range of countries with large trade and current account surpluses to take policy actions to stimulate domestic demand (especially the largest component of demand, consumption), thereby increasing their demand for imports. For this reason, countries like Germany and Japan also have a role to play in global rebalancing because they have large surpluses and weak rates of domestic demand growth. Over 95 percent of global consumers live outside the United States, and the greatest demand potential for the global economy (and by definition U.S. exporters) lies outside the United States. Strong, sustainable, and more balanced global growth is crucial to U.S. export growth.

Priority 7: Reducing Barriers to Trade

An effective trade policy helps create the market opportunities necessary to expand U.S. exports and support additional American jobs. To advance NEI goals, the United States Trade Representative (USTR), working with the Export Promotion Cabinet and other TPCC agencies, is focusing on three areas to improve market access overseas for U.S. manufacturers, farmers, ranchers, and service providers: opening new markets, identifying and reducing significant barriers to exports, and robustly enforcing trade agreements. Priority market access negotiations and activities, coupled with vigorous enforcement of U.S. trade agreements and WTO rules, can substantially expand U.S. export opportunities and respond to growing competition from other countries.

To open new markets and minimize competitive disadvantage for U.S. exporters, it is important to conclude the WTO Doha Round and the Trans-Pacific Partnership (TPP) Agreement, and resolve remaining issues with pending FTAs. The Government is also leveraging the broad array of bilateral trade policy mechanisms and dialogues with numerous trade partners. The Government's goals are to identify new U.S. export opportunities and resolve market access issues when they arise.

Addressing foreign trade barriers, especially significant non-tariff barriers, through all available trade policy tools is a priority for obtaining enhanced market access. As the U.S. has successfully lowered tariffs over the years through global trade negotiations, FTAs and other policy tools, non-tariff barriers are increasingly emerging as important factors limiting the growth of key U.S. exports in certain markets. The Administration is using new trade barrier reports, long-standing trade barrier investigation programs, and other tools to facilitate negotiations aimed at reducing or eliminating barriers to U.S. exports.

Robust monitoring and enforcement of WTO trade rules and other U.S. trade agreements is a crucial component of the Administration's strategy to expand exports and to ensure fair competition with global trading partners. The Administration will continue to strengthen its capacity to monitor and enforce U.S. rights.

To employ these policy activities in pursuit of NEI goals, the Administration is identifying and expanding export opportunities with a range of partners. The Government is focusing on large established export markets such as the European Union, Canada, Mexico, and Japan – as well as key emerging markets like China, Brazil, India, and others.

The Administration's efforts include:

Negotiate new market access

- a. Conclude an ambitious and balanced WTO Doha Round agreement** that achieves meaningful new market access in three core areas – agriculture, goods, and services – including from key players such as China, Brazil, and India. With 153 members, the Doha Round provides the most comprehensive venue for liberalizing trade and obtaining meaningful new market access for U.S. exporters.

- b. Conclude the TPP Agreement** to enhance access to key markets in the dynamic Asia-Pacific region, and then expand the Agreement to include other countries throughout the region. The TPP Agreement will create a potential platform for economic integration across the Asia-Pacific region, a means to advance U.S. economic interests, and a tool to expand U.S. exports.
- c. Resolve remaining issues with, and seek Congressional approval and implementation of, the pending FTAs with Korea, Panama, and Colombia.**⁹⁵ These agreements will help to open markets and expand opportunities for American workers and businesses by including commitments on reducing and eliminating tariffs and non-tariff barriers to trade.
- d. Create market opportunities for environmental goods and services** through tariff reduction, tariff elimination, and other policy initiatives. Continue to show leadership in advancing a robust outcome in the WTO environmental goods and services negotiations. Explore fast-tracking action in the WTO's work on liberalizing trade in climate-friendly technologies. Implement and build on the Asia-Pacific Economic Cooperation (APEC) Forum's plan to address barriers to trade and investment in environmental goods and services.
- e. Level the playing field for U.S. companies competing in key emerging markets** by concluding bilateral investment treaties that ensure fair and non-discriminatory treatment consistent with international law.

Utilize existing trade agreements and trade policy forums

- a. Strengthen trade policy engagement with major established partners** such as Canada, Mexico, Japan, and the European Union. The Administration is seeking to maximize market access opportunities and the returns on existing agreements and other policy mechanisms. Addressing non-tariff barriers such as standards that impact high-growth technology sectors will continue to be a major focus of engagement with these partners.
- b. Maximize results of APEC in 2011, when the United States will host APEC**, by reinvigorating APEC's core agenda of promoting open trade and investment in the Asia-Pacific region. Specifically, the United States will seek significant outcomes that will strengthen regional economic integration and improve market access for U.S. goods and services; address next-generation trade issues like transparency, innovation, and competitiveness; and make it cheaper, faster, and easier to trade in the Asia-Pacific region.
- c. Deepen engagement with major emerging markets, such as China, India, Brazil**, and others, to create new market access opportunities for American exporters through a variety of bilateral mechanisms. For China, under the U.S.-China Joint Commission on Commerce and Trade (JCCT), the United States is emphasizing resolution of key trade concerns, including concerns about market

barriers, discrimination, intellectual property, and trade and investment problems arising from “indigenous innovation” policies. The Administration is also continuing to pursue key issues through the economic track of the United States-China Strategic and Economic Dialogue (S&ED). In India, through the U.S.-India Trade Policy Forum, the U.S.-India Commercial Dialogue, and other relevant bilateral dialogues, the United States is addressing key bilateral trade irritants and developing cooperative initiatives – especially relating to innovation, services, and market access for industrial, consumer, and agricultural goods. In Brazil, the United States seeks new areas of cooperation across a range of sectors, and is engaged in discussions to deepen the bilateral trade and investment relationship, including through the U.S.-Brazil CEO Forum, the U.S.-Brazil Consultative Committee on Agriculture, and the U.S.-Brazil Bilateral Consultative Mechanism.

- d. Expand trade policy engagement with key emerging markets, such as Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam** – the next-tier markets identified by the TPCC – to better address trade policy issues and market access opportunities in these fast-growing markets. The Government has identified sectors in these markets where there are major opportunities for U.S. companies, and will develop strategies to address policy barriers that U.S. firms encounter in these sectors.
- e. Use bilateral trade policy mechanisms to expand market-opening opportunities.** Bilateral trade policy mechanisms, such as FTAs, Trade and Investment Framework Agreements, Joint Committees on Trade and Investment, and Bilateral Consultative Mechanisms, can be used to create new market opportunities with other key trading partners.
- f. Address key non-tariff barriers applied to industrial and agricultural goods.** Pursue reduction or elimination of bilateral market access barriers identified in the National Trade Estimates Report (trade barriers); China WTO Compliance Report; Special 301 Report (IPR); Section 1377 Report (Telecommunications); Report on Sanitary and Phytosanitary Barriers; and Report on Technical Barriers to Trade. Expand and sustain engagement in the development of standards in international standards organizations to ensure that the results facilitate trade.
- g. Enhance efforts to address SME export challenges and priorities** in the development and implementation of U.S. trade policy. Establish, as appropriate, working groups on SMEs under FTAs and other trade initiatives.
- h. Pursue active engagement in trade capacity building with emerging markets** to address significant barriers to U.S. industrial and agricultural exports. USTR, USTDA, the United States Agency for International Development, the Department of Agriculture and other Government agencies are deepening work with

host country governments and private sector partners in key markets to reduce policy and regulatory barriers that impede trade.

Pursue robust enforcement

- a. Strengthen monitoring and enforcement** by working to identify trading partners' barriers to U.S. exports, identifying foreign government subsidies and other support measures that diminish U.S. exporters' competitiveness in global markets, increasing cooperative efforts among relevant U.S. Government agencies, focusing on barriers both at and beyond the border, seeking solutions through dialogue and negotiation where possible, and bringing disputes under the WTO, or other trade agreements, as necessary and appropriate.
- b. Redouble efforts to rigorously monitor and enforce existing FTAs**, including labor and environment obligations in U.S. trade agreements, to help ensure a level playing field for U.S. exporters. Use FTA consultative mechanisms to monitor the implementation of these agreements and ensure that FTA partners are fully meeting their obligations, and pursue dispute settlement where necessary and appropriate. Work with partner countries and U.S. Customs and Border Protection to ensure the FTA rules are fully understood and enforced. Work collaboratively with industries to promote export opportunities provided by FTAs and preference programs.
- c. Use trade policy tools to seek strong protection and enforcement of intellectual property rights.** Examples include bilateral trade dialogues, communicating U.S. concerns clearly through reports such as the annual Special 301 Report and action plans, committing trading partners to protect intellectual property through existing trade agreements and ongoing negotiations, such as the Anti-Counterfeiting Trade Agreement (ACTA) and the TPP, and, when necessary, asserting U.S. rights through formal dispute settlement.
- d. Address corruption through trade agreements and capacity building.** In many countries, bribery and corruption affect customs practices, licensing decisions, and the awarding of government procurement contracts. If left unchecked, bribery and corruption can negate market access gained through trade negotiations, undermine the foundations of the international trading system, and frustrate broader reforms and economic stabilization programs. As appropriate, the United States Government is addressing corruption in international trade and investment through anticorruption and transparency obligations in existing and new trade agreements, multilateral anti-corruption initiatives, capacity building programs focused on transparency and anti-corruption, and private-public partnerships.

Strengthen the rules-based multilateral trading system

- a. The WTO continues to serve as the multilateral foundation of U.S. trade policy**, playing a vital role as a vehicle for ensuring the ability of U.S. farmers,

ranchers, manufacturers, and service providers to pursue new export opportunities around the globe.

- **Continue the U.S. leadership role in the WTO's day-to-day activities**, buttressing the WTO's role as a bulwark against protectionism and as a means to provide new market opportunities for American farmers, ranchers, manufacturers and service providers, while also enabling global growth and development;
- **Support Russia's and other countries' accessions to the WTO**, obtaining new commitments and market access for American exporters; and
- **Continue to strengthen U.S. efforts in the standing committees of the WTO** to ensure these bodies deliver on their mandates to facilitate implementation of Members' rights and obligations under the WTO agreements, particularly in areas such as technical barriers to trade, sanitary and phytosanitary measures, trade remedies, and subsidies disciplines.

Priority 8: Export Promotion of Services

The services sector⁹⁶ provides the essential infrastructure of a modern, increasingly digital economy, enhancing growth and increasing productivity across all other sectors. Key infrastructure services such as information and communication technology services, financial services, and distribution services connect the world. Services provided by these industries, as well as those in energy and environmental services, professional services, travel and tourism, and others, lower costs for consumers and businesses, enhance competition and innovation, improve choice and quality, attract investment, spread knowledge and technology, and allow for the efficient allocation of resources.

The United States is the world's largest services market and the leading services-exporting country, with exports of \$502 billion in 2009, or 14 percent of all global services exports. Because its services sector exporters are so highly competitive, the United States has enjoyed a consistent surplus in services trade; its current surplus of \$132 billion is larger than that of any other country.⁹⁷

Despite the services sector's major contribution to U.S. GDP, services exports only accounted for 32 percent of total U.S. exports in 2009. Market access and national treatment barriers often hamper U.S. services exports and foreign investment by U.S. service providers; economists estimate these barriers to be several times the value of current barriers to merchandise trade.⁹⁸ In addition, other factors help account for the relatively low services share of exports compared to GDP. Some services, including government services, utilities and on-site consumer services, cannot be exported in the traditional sense. Additionally, a significant portion of U.S. services revenue is generated via affiliate sales in foreign markets, which are not counted as U.S. exports. Finally, excluding the travel and tourism sector, data regarding trade in services is substantially less robust than data about trade in manufactured goods.⁹⁹

Services exports also increase as services firms expand their international footprint. As the Coalition of Services Industries stated in comments submitted in response to the NEI Federal Register notice,

When U.S. companies expand their employment abroad, they generally tend to expand domestically; it is not a simplistic matter of "exporting jobs" as is often assumed. Viewed over the longer term, the data demonstrates that rather than being substitutes for one another, the domestic and foreign operations of U.S. companies have been complementary, and can generate exports from the U.S. to the foreign subsidiary. U.S. companies' presence in foreign markets has contributed strongly to productivity growth in the United States and thus to higher living standards.¹⁰⁰

To ensure the continued expansion of U.S. services exports, the TPCC agencies will pursue a three-pronged strategy that integrates and builds upon the activities and initiatives already outlined in Priorities 1 through 7. Specifically, the Administration will:

- a. Ensure that there is better data and measurement of the U.S. services economy.** Experts have called for additional resources to cover more industries, provide greater industry and geographic detail, improve timeliness, reduce reporting thresholds, increase response rates, and capture new entrants more quickly. The lack of robust services data may cause underreporting in the number of jobs that the services economy supports, as well as the size and full extent of services exports. Commerce, through the TPCC, is focused on strengthening the measurement of services activity and trade to assist in commercial decision-making and policy planning.
- b. Continue to assess and focus on key growth priority sectors and markets to better coordinate export promotion efforts aimed at the services sector.** The TPCC agencies will continue to work closely with industry and key stakeholders to identify and assess the services sectors which hold significant growth potential for the United States, and match those sectors with growing sales opportunities in key overseas markets. In concert, the TPCC agencies will heighten focus on U.S. services exports by deploying the full range of trade promotion tools, including targeted trade missions (See Priority 3), bringing foreign buyers to the United States, and participating in services-oriented trade shows.
- c. Eliminate barriers inhibiting the export of U.S. services.** International trade in services is critically important to continued economic expansion. To increase the exports of the U.S. services across all sectors, the Federal Government will expand its trade promotion efforts and related initiatives to help U.S. services firms penetrate key global markets. To accomplish these goals, TPCC agencies, led by USTR, will continue to work to address barriers to U.S. services trade through the negotiation and implementation of trade agreements and other vehicles such as trade dialogues in order to ensure the continued expansion of U.S. services exports. Rules-based trade agreements create a level playing field for U.S. service suppliers by eliminating trade barriers such as local presence requirements, overly prescriptive or discriminatory technology requirements, foreign equity restrictions, limitations on the form of establishment, and nationality requirements. In addition, these agreements provide unique opportunities to address special challenges in certain sectors, like express delivery, telecommunications and financial services. Bilateral dialogues with key trading partners, such as the U.S.-China JCCT and the S&ED, the India Trade Policy Forum, and the U.S.-EU Transatlantic Economic Council, provide other venues for trade consultations on specific services-related issues. For additional information on U.S. efforts to address foreign market access barriers, please see Priority 7.

Travel and Tourism – a services export strategy case study

An example of the new services export strategy already in action is the Administration's work on increasing travel and tourism to the United States. As all of the revenues from international travelers consuming goods and services in the United States are reported as U.S. exports of travel and tourism services, the work underway in this sector serves to highlight the kinds of strategies that TPCC agencies can take to increase services exports.

Travel and tourism is one of the nation's leading services sectors, employing more than 8 million Americans and accounting for 2.6 percent of GDP on the strength of \$1.25 trillion in total sales in 2009. Exports, in the form of foreign visitors to the United States, help drive the industry, with \$120 billion in annual sales and a surplus of more than \$21 billion in 2009, ranking ahead of agricultural goods and motor vehicles. In fact, travel and tourism receipts make up about one-fourth (24 percent) of all services exports.

Among the key reasons for the success of U.S. travel and tourism exports are strong global demand, a strong national brand, a well-developed statistical system providing insightful data, ongoing promotional activities by state and local governments, and a well-coordinated Federal interagency policy team.

The United States could capture a greater share of the growth in global demand for travel services. But the U.S. travel and tourism industry faces many challenges, including competition from emerging destinations, shifts in source markets, market barriers in China, fragmented marketing efforts among the players, enhanced border security requirements, limited access for applicants to apply for visas, the global economic crisis, pandemics, and man-made and natural disasters, among others. A key opportunity to enhance travel and tourism exports was the passage of the Travel Promotion Act of 2009, which, among other things, creates and provides funding for a non-profit corporation, the Corporation for Travel Promotion, to promote travel to the United States.

- a. Continuing to improve data and measurement.** The travel and tourism statistical system produced by Commerce is a model for service industries. The system allows for the measure of exports, imports, contribution to the economy, consumer behaviors, employment, and others. The Travel Promotion Act calls for increased data collection to provide relevant data at the State level.
- b. Increasing demand by promoting travel to the United States.** The Travel Promotion Act of 2009 creates the Corporation for Travel Promotion, which will be funded through fees on travelers from Visa Waiver Countries and matched by the private sector. The Corporation will play a key role in promoting travel to the United States and in coordinating travel promotion activities by States and localities and by the private sector.
- c. Eliminating barriers inhibiting travel and tourism to the United States.** The Departments of Commerce and State, DHS, and the USTR will continue to work to lower market barriers in key markets such as China, Brazil, and India through bilateral agreements and dialogue through frameworks such as the JCCT. A key element in the success of this strategy is increasing access to the visa application process for potential travelers in these countries.

The Government's efforts to reduce barriers are strengthened by private sector input and strong interagency policy coordination. The U.S. Travel and Tourism Advisory Board (TTAB) provides advice to the Secretary of Commerce on issues relevant to the competitiveness of the industry. The TTAB has been expanded to include 29 representatives of travel and tourism companies and destinations. The Tourism Policy Council (TPC) is the interagency council designed to enhance coordination among federal agencies with respect to travel and tourism. The members of the TPC, including State and DHS, will work together to improve traveler's experiences in the United States, while providing for safety. Interagency collaboration will extend to events impacting the industry such as natural and man-made threats and disasters (e.g., the Deepwater Horizon Gulf oil spill and pandemic influenza).

These strategies form a comprehensive framework that provides for policy development, market access, international marketing, and promotion to help foster the growth of travel and tourism exports and job creation in the United States. The Export Promotion Cabinet and relevant TPCC agencies will utilize this model to develop similar strategies for increasing exports of important services sectors.

III. CONCLUSION

For the first time, the United States has a Government-wide export-promotion strategy with focused attention from the President and his Cabinet. Many of the recommendations in this Report that pertain specifically to the workings of the Federal Government, such as fostering closer collaboration between the TPCC export promotion agencies, are already being implemented. The key to success in increasing exports, however, lies in American workers, farmers, ranchers, businesses, and entrepreneurs, with the Federal Government playing a supporting role by improving conditions that affect the private sector's ability to export and by creating a more level playing field for U.S. companies.

Over 170 members of the private sector, trade associations, academic institutions, and State and local trade organizations provided useful comments and suggestions on the NEI in response to the NEI Federal Register notice issued by the TPCC.¹⁰¹ Members of the President's Export Council also provided the type of useful insight on a portion of this Report best supplied by private sector companies engaged in exporting. The TPCC agencies look forward to additional input from members of the Council as they draft the National Export Strategy. The Export Promotion Cabinet thanks all respondents and members of the Council for their insights. As the NEI moves forward, the TPCC and its agencies will continue to review submissions received and consider stakeholder input.

Many of the recommendations in this Report highlighted the need for increased coordination between Government agencies and collaboration with the private sector. There has already been significant progress toward implementing the recommendations contained in this Report in the nine months since the NEI was launched. During the first six months of 2010, exports increased nearly 18 percent from the same period last year.¹⁰² This puts the United States on track to reach the President's goal of doubling exports over five years.

The plan to double exports by 2015 outlined in this Report is meant to be a starting point. Although it outlines recommendations to be implemented over the five years, a necessary and valuable part of the process will be to periodically reevaluate these recommendations, measuring progress toward them, checking performance along the way, and constantly looking for new ways that the Federal Government can support U.S. exporters. This process of ongoing self-evaluation will be reflected in the day-to-day workings of the TPCC. As noted in the Executive Order, the *National Export Strategy* will describe the steps that the Export Promotion Cabinet and TPCC agencies are taking to implement the recommendations of this Report. The next *National Export Strategy* is scheduled to be published in late 2010.

As U.S. Government agencies take steps to work more closely together to make the NEI goal a reality, the Export Promotion Cabinet and TPCC agencies will work with the private sector to help U.S. exporters. The Export Promotion Cabinet recognizes that opportunities exist for the private and public sectors to leverage each other's expertise and resources through partnerships. Several Government agencies, including the Departments of Commerce, State, and Agriculture,

the Office of the United States Trade Representative, and the U.S. Trade and Development Agency, are leading public-private partnerships to increase U.S. exports.

Although the NEI establishes the ambitious goal of doubling exports by 2015 and sets priorities for the Government, the Export Promotion Cabinet recognizes there are limits to what the Government can do alone. State and local trade development organizations play a valuable role in facilitating the success of U.S. exporters. Many states are major users of Federal trade promotion services and have robust State trade promotion programs of their own. While the TPCC agencies already coordinate with local and State entities, opportunity exists for further collaboration and leveraging of resources. In particular, partnerships with State and local trade organizations will allow the Federal Government to assist the large volume of potential and current exporters required to meet the NEI's goal. As the State International Development Organizations (SIDO) observed in comments submitted in response to the NEI Federal Register notice,¹⁰³ "A collaborative approach that combines all resources at the Federal and State levels in a systematic and efficient way is the only way the NEI will be successful." The Export Promotion Cabinet and TPCC agencies look forward to working more closely with State and local partners.

Lastly, as this Report went to print, Congress had not yet enacted a FY 2011 Budget, and Federal agencies were in the process of developing the President's 2012 Budget. As noted in Part II, the short-term recommendations in this Report can be implemented either within current resources or with resources requested in the President's FY 2011 Budget. Some long-term recommendations can be achieved through enhanced agency coordination and realignment of existing resources, but others may require additional resources to be determined through the annual budget process. The plan laid out in this Report is achievable and provides a strong foundation for meeting the NEI's goal.

Despite the growing competition faced by U.S. exporters in the global marketplace, the NEI demonstrates the Administration's commitment to help America's exporters sell more of their goods, products, and services in more global markets, and to ensure that they're being treated fairly when they do.

APPENDIX: NEI COORDINATION PROCESS AND PARTIES

Sources and Methodology

The content, recommendations, and conclusions of this Report are based on input from a number of different sources. The first source is the Export Promotion Cabinet, which was constituted specifically to provide advice to the President on the implementation of the NEI. Three agencies within the Export Promotion Cabinet, namely the Ex-Im Bank, the Department of the Treasury, and the Office of the United States Trade Representative, have had direct responsibility for developing plans for three of the eight NEI Priorities. The second source, the TPCC, is tasked with helping to implement the NEI and serves as the secretariat for the Export Promotion Cabinet. The third source, collectively, is the seven working groups within the TPCC – these are interagency task forces that have been meeting to discuss the NEI and develop recommendations for the Export Promotion Cabinet. The fourth source is the private sector members of the President’s Export Council (PEC), a group of twenty business and labor leaders from outside the Administration, based across the United States, who are working together with leaders from the House and Senate and the Export Promotion Cabinet to develop recommendations on how to increase exports. The TPCC published a notice in the Federal Register in June, 2010, soliciting input from the business, academic, and policy communities on the NEI. Over 170 responses were received within the 30-day comment period, and these responses have helped shape the recommendations and conclusions contained herein.

Planning and Outreach

In order to develop and coordinate the implementation of the NEI, members of the Export Promotion Cabinet and the TPCC, along with the TPCC Secretariat, have met regularly; consulted with SMEs, trade associations and other stakeholders throughout the United States; and traveled across the country to talk with businesses and communities about the NEI.

- **Export Promotion Cabinet Meetings.** The President has announced that Export Promotion Cabinet meetings will be held quarterly to ensure that the NEI is properly implemented. The inaugural meeting of the Export Promotion Cabinet took place on July 6, 2010.
- **President’s Export Council Meetings.** The President announced the members of the PEC on July 7, 2010, with the inaugural meeting to be held in mid-September 2010. An international fact-finding trip will also be planned.
- **TPCC Principals and Deputies Meetings.** The TPCC Principals and Deputies met in October 2009 and January, March, June, and July 2010 to discuss the progress of the NEI and the interim recommendations of the Working Groups.
- **TPCC Working Group Meetings.** The seven TPCC Working Groups have met regularly since early November 2009.

- **NEI Rollout.** On March 22, 2010, principals from five TPCC member agencies traveled to eight cities across the United States, from Middletown, Connecticut to Los Angeles, California. The Principals spoke with local exporters about the NEI and solicited input and feedback about the Executive Order and the NEI Priorities.
- **NEI Joint Marketing Strategy.** There is a significant need for a Federal Government marketing campaign to promote greater interest in exporting and awareness of government assistance for exporters. To help promote the NEI, TPCC agencies have agreed to a joint marketing strategy and are closely coordinating their marketing efforts and outreach to U.S. businesses. Clear and consistent messaging on the NEI will improve awareness of the Federal Government's export-related programs and initiatives across the Government. For example, www.export.gov, the Federal Government's export assistance portal, features Government-wide NEI business opportunities and initiatives.
- **SME Outreach and Business Roundtables.** Since January 2010, the Secretaries of Commerce, State, and Agriculture, the United States Trade Representative, the President of Ex-Im Bank, the Director of the U.S. Trade and Development Agency, and the Administrator of SBA, have held numerous events across the country with SMEs to dialogue directly with U.S. businesses, extolling the virtues of exporting and encouraging more small businesses to increase their exports to additional markets. For example, on May 23, 2010, the Secretary of State addressed a group of U.S. businesses at the Boeing Maintenance Facility at Shanghai's Pudong Airport. The appearance was praised by the business community as a signal that the Secretary cares about promoting U.S. exports. On July 16, 2010, Secretaries Clinton and Locke held a business roundtable with 16 CEOs of multinational corporations and SMEs to discuss exports. Also, in 2009, the Ex-Im Bank hosted and promoted an eight-city speaker series, *Exports Live!*, which reached over 2,000 SMEs. The program is expected to continue in 2010. In October 2009, Ambassador Kirk commissioned from the U.S. International Trade Commission a series of reports detailing American SME export performance to better inform the development and implementation of U.S. trade policy focusing on the particular trade challenges and opportunities facing these companies.
- **Strategic Messaging to U.S. Embassies.** In January 2010, Secretary of State Clinton sent a message to all U.S. Embassy Chiefs of Mission immediately following the announcement of the NEI. Her "Message on 21st Century Diplomacy" emphasized the need to prioritize commercial diplomacy and advocacy for U.S. business overseas.
- **Federal Register Notice.** On June 30, 2010, the TPCC published a Federal Register notice soliciting input on the NEI from exporters, other private businesses, trade associations, academia, labor organizations, non-governmental organizations, and other interested parties. Over 170 submissions were received and reviewed for inclusion in this Report. The Export Promotion Cabinet will continue to seek direct input from the public to better guide the NEI.

Export Promotion Cabinet

The Export Promotion Cabinet is a subset of members of the President's Cabinet and representatives from other Federal Government agencies that traditionally assist U.S. companies in promoting their exports, whether through export counseling, developing and implementing trade policy, or commercial diplomacy. The Export Promotion Cabinet also includes heads of certain government agencies with an expertise in political risk insurance and investment, trade financing, international trade and economic development, and providing loans and business counseling services to SMEs.¹⁰⁴ The following individuals serve as members of the President's Export Promotion Cabinet:

- the Secretary of State;
- the Secretary of the Treasury;
- the Secretary of Agriculture;
- the Secretary of Commerce;
- the Secretary of Labor;
- the Secretary of Energy;
- the Secretary of Transportation;
- the Director of the Office of Management and Budget;
- the United States Trade Representative;
- the Assistant to the President for Economic Policy;
- the National Security Advisor;
- the Chair of the Council of Economic Advisers;
- the President of the Export-Import Bank of the United States;
- the Administrator of the Small Business Administration;
- the President of the Overseas Private Investment Corporation; and
- the Director of the United States Trade and Development Agency

The Export Promotion Cabinet first met on July 6, 2010, and is set to meet again on September 16, 2010.

Trade Promotion Coordinating Committee

The TPCC is an interagency group mandated by Congress and chaired by the Secretary of Commerce. It was established pursuant to the Export Enhancement Act of 1992 to provide a unifying framework to coordinate the export promotion and financing activities of the U.S. Government, as well as to develop a comprehensive plan for implementing strategic priorities. Unlike many other countries in Europe and Asia, the United States does not have a single agency or government department responsible for creating a unified approach to governing export promotion. Instead, 20 different departments and agencies approach exports with differing mandates. The TPCC serves as the coordinating body designed to ensure that these agencies and departments act together and work to implement the Administration's export promotion agenda, through quarterly principals meetings and more frequent working group meetings on a variety of subjects.

TPCC Working Groups

In addition to the Export Promotion Cabinet and the TPCC, seven new TPCC Working Groups created during the Administration have contributed many of the recommendations contained in this Report. The seven TPCC Working Groups chaired by TPCC member agencies are focused on the following areas:

1. Analytics and Data
2. Brazil, India, and China
3. Commercial Advocacy
4. Next Tier Markets
5. Renewable Energy and Energy Efficiency
6. Services Exports
7. Small Business

Each of the working groups has met numerous times to discuss the NEI priorities and generate recommendations for this Report.

President's Export Council

The President's Export Council was rechartered in 2009, and its members were appointed on July 7, 2010. The current President's Export Council consists of 20 business and labor leaders, who will serve together with Congressional leaders and senior members of the Administration, including members of the Export Promotion Cabinet. The business leaders come from companies with success in increasing exports of their products and services, and they have convened to offer their unfiltered advice and expertise to the Administration on how best to promote exports. Serving as Chairman of the Council is James McNerney, Chairman, President and CEO of the Boeing Company. The Vice-Chair is Ursula Burns, CEO of Xerox, Inc.

The PEC consists of the following members:

Presidential Appointees

James McNerney (Chair)	Chairman, President & CEO of The Boeing Company
Ursula Burns (Vice Chair)	Chairman and CEO of Xerox Corporation
Mary Vermeer Andringa	President and CEO of Vermeer Corporation
Stephanie A. Burns	Chairman, President & CEO of Dow Corning Corporation
Scott Davis	Chairman & CEO of UPS
Richard L. Friedman	President & CEO of Carpenter & Company, Inc.
Gene Hale	President & Founder of G&C Equipment Corporation
C. Robert Henrikson	Chairman, President & CEO of MetLife, Inc.
William Hite	General President of United Association
Robert A. Iger	President & CEO of The Walt Disney Company
Charles Kaye	Co-President of Warburg Pincus
Jeffrey Kindler	Chairman and CEO of Pfizer
Andrew Liveris	President, Chairman & CEO of The Dow Chemical Company
Bobby Mandell	Chairman, Meritage Homes of Florida, Inc.
Alan Mulally	President and CEO of Ford Motor Company

EMBARGOED UNTIL THURSDAY, 9/16/10, 6:00 AM

Raul Pedraza	Founder and President of Magno International L.P.
Ivan Seidenberg	Chairman and CEO of Verizon
Glenn Tilton	Chairman, President and CEO of United Airlines
James S. Turley	Chairman and CEO of Ernst & Young
Patricia Woertz	Chairman of the Board, CEO & President of Archer Daniels Midland Company

Senate Appointees

Sherrod Brown, D-Ohio
Mike Crapo, R-Idaho
Byron Dorgan, D-North Dakota
Ron Wyden, D-Oregon
Debbie Stabenow, D-Michigan

House Appointees

Linda Sanchez, D-CA
Mark Schauer, D-MI
David Wu, D-OR
Dave Reichert, R-WA
Pat Tiberi, R-OH

Ex Officio

Secretaries of Commerce, Agriculture, Energy, Homeland Security, Labor, State, and the Treasury; the United States Trade Representative; the Chairman of the Ex-Im Bank; and the Administrator of the U.S. SBA.

ENDNOTES

¹ Annex I of the President's 2010 *Trade Policy Agenda* also contains a fulsome overview of 2009 U.S. trade data, including a discussion of the U.S. trade deficit.

² Tschetter, U.S. Department of Commerce, "Exports Support American Jobs," 2010, p. 4.

³ *Ibid.*, p. 5 (text), p. 3 (Figure 3).

⁴ U.S. Department of Commerce, U.S. Census Bureau/Bureau of Economic Analysis, *U.S. International Trade in Goods and Services: Annual Revision for 2009*, June 10, 2010, p. 1.

⁵ Tschetter, p. 4.

⁶ Goods exports include agricultural products, raw materials, and manufactured goods.

⁷ Tschetter, Table 1, p. 2.

⁸ Jobs supported by exports represent the workers required to produce U.S. exports. Since few jobs are purely export oriented, the labor input is in fact spread over many millions more workers than the summary statistic indicates.

⁹ U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=2&Freq=Qtr&FirstYear=2008&LastYear=2010

¹⁰ *Economic Report of the President*, February 2010, p. 275.

¹¹ *Ibid.*, p. 278.

¹² *Ibid.*, p. 260.

¹³ In September 2009, the Administration proposed a national innovation strategy that would provide the foundation for the innovation economy of the future. The President's *Strategy for American Innovation: Driving Towards Sustainable Growth and Quality Jobs* presents a plan for encouraging investment in pillars of American prosperity ignored in the period of bubble-driven growth.

¹⁴ David Riker, U.S. Department of Commerce, "Do Jobs in Export Industries Still Pay More? And Why?," May 2010, p. 2.

¹⁵ SBA's Office of Advocacy defines an SME for research purposes as an independent business having fewer than 500 employees.

¹⁶ SBA Office of Advocacy, *Frequently Asked Questions*, September 2009.

¹⁷ U.S. Department of Commerce, U.S. Census Bureau, "A Profile of U.S. Exporting Companies, 2007-2008," April 2010, p. 3.

¹⁸ *Ibid.* The data cover wholesalers as well as manufacturing companies. Small businesses that supply components that go into a large company's product are not counted as exporters, so more SMEs may be involved in exporting, but not as the exporter of record.

¹⁹ International Trade Commission, *Small and Medium-Sized Enterprises: Overview of Participation in U.S. Exports*, January 2010, p. 1-1.

²⁰ Understanding of the role of U.S. SMEs in trade is being considerably advanced by a series of International Trade Commission reports requested by U.S. Trade Representative Kirk in October 2009. The first report, released in January 2010, focused on the role of SMEs in U.S. trade. The second report, released in July, provides a comparison of U.S. SME performance with SMEs in the European Union. The final report, due this fall, will examine SME services trade, key tariff and non-tariff barriers that may disproportionately affect SMEs, and the role of indirect exports (*i.e.*, SMEs that provide inputs to larger firms that export the final product).

²¹ U.S. Department of Labor, Bureau of Labor Statistics, Business Employment Dynamics, Table F: Distribution of private sector employment by firm size class, not seasonally adjusted. www.bls.gov/bdm/bdmfirmsize.htm.

²² International Trade Commission, *Small and Medium-Sized Enterprises: Overview of Participation in U.S. Exports*, January 2010, p. 2-7.

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- ²³ U.S. Department of Commerce, U.S. Census Bureau, "A Profile of U.S. Exporting Companies, 2007-2008," April 13, 2010, p. 3.
- ²⁴ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010.
- ²⁵ International Trade Commission, "Small and Medium-Sized Enterprises: Overview of Participation in U.S. Exports," January 2010, pp. 2-15 and 2-16.
- ²⁶ United States Trade Representative, President's 2010 *Trade Policy Agenda*, March 2010, p. 2.
- ²⁷ IMF, "World Economic Outlook Update: Restoring Confidence without Harming Recovery," July 7, 2010, Table 1.
- ²⁸ Ibid.
- ²⁹ IMF, *World Economic Outlook: Rebalancing Growth*, April 2010, p. 7-8.
- ³⁰ IMF, "World Recovery Continues, But Risks Increase, Says IMF," July 8, 2010, p. 2.
- ³¹ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010. Figures compiled by NAM from the U.S. International Trade Commission Dataweb, for import consumption of manufactured goods, using the NAICS definition.
- ³² The NEI also supports and reinforces the Administration's agenda for reinventing domestic manufacturing. The *Framework for Revitalizing American Manufacturing* (Executive Office of the President, December 2009) recognizes that American manufacturers cannot thrive without opening up markets abroad, given the role of exporting in helping manufacturers realize the scales of economy that boost their productivity. The *Framework* highlights the important role the Federal Government plays in negotiating to open foreign markets, promoting American exports, enforcing trade agreements, and preventing products made elsewhere from unfairly competing in the domestic market.
- ³³ Based on 2008 data, every \$1 billion in agricultural exports supports approximately 8,000 jobs.
- ³⁴ Note: professional and business services include leasing of non-financial intangible assets, management of companies, and architectural, engineering, and related services.
- ³⁵ Tschetter, pp. 5, 6.
- ³⁶ Executive Office of the President, *A Strategy for American Innovation*, September 2009, p. 6.
- ³⁷ 68.8 percent of U.S. GDP in 2009. Source: U.S. Department of Commerce, Bureau of Economic Analysis, 6/10/2010.
- ³⁸ U.S. Department of Commerce, U.S. Census Bureau/Bureau of Economic Analysis, *U.S. International Trade in Goods and Services: Annual Revision for 2009*, June 10, 2010, p. 1.
- ³⁹ WTO, "World Trade 2009, Prospects for 2010: Trade to expand by 9.5% in 2010 after a dismal 2009, WTO reports," March 26, 2010, Table 2.
- ⁴⁰ Export promotion agencies are closely coordinating their efforts on these markets through both the TPCC Working Group on China, India, and Brazil and the USTR-led Trade Policy Staff Committee (TPSC) policy development process. Given the unique prospects and challenges presented by each of these countries, the TPCC Working Group's day-to-day efforts are driven by country-focused interagency task forces that are identifying priority sectors, advocacy projects, and market access issues. Additionally, the USTR-led TPSC process is continuing to engage in interagency evaluation and implementation of U.S. Government policies and is taking action on key market access and enforcement issues. The work of these groups plays a major role as described further in Part II, particularly in areas such as advocacy and reducing barriers to trade.
- ⁴¹ IMF, "World Economic Outlook Update: Restoring Confidence without Harming Recovery," July 7, 2010, Table 1.
- ⁴² Given the intersection of trade promotion, trade policy, and economic development issues in such markets, closer interagency coordination is essential. Therefore, the TPCC has worked through a Next Tier Working Group to identify priority markets. The initial six markets identified by this group are: Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, and Vietnam. Each market meets a set of criteria including population, GDP and projected GDP, inflation, ease of doing business, diversity of market sectors, and U.S. market penetration and room for

expansion. At the same time, the Next Tier Working Group will continue to periodically review strategies and the priority markets themselves as the global marketplace evolves.

⁴³ IMF, *World Economic Outlook Database*, April 2010, pp. 49, 54, 61, 65, 67.

⁴⁴ As used in this paragraph, the Asia-Pacific region includes TPP members Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam, as well as China, Indonesia, Japan, Korea, Malaysia, and Thailand.

⁴⁵ USTR, *The President's 2010 Trade Policy Agenda*, March 2010, pp. 7-9.

⁴⁶ These countries are Canada, Mexico, Costa Rica, Dominican Republic, Guatemala, Honduras, Nicaragua, El Salvador, Australia, Bahrain, Chile, Israel, Jordan, Morocco, Oman, Peru, and Singapore. See www.export.gov/fta/ for more information on each FTA.

⁴⁷ For example, since implementation of the U.S.-Singapore FTA in 2004, two-way trade with that country has increased 20 percent, and U.S. exports to Singapore have increased 35 percent. In 2009, total trade with Singapore reached \$38 billion.

⁴⁸ The USPTO has PPH agreements with Japan, South Korea, Australia, Canada, Denmark, Finland, Germany, Singapore, Hungary, the European Patent Office, and the United Kingdom. To ensure that the program achieves efficiency and increases global competitiveness, the USPTO has established ambitious numerical targets for increasing PPH cases. The goals call for the doubling of PPH cases year over year for the next three years.

⁴⁹ G-7 includes: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

⁵⁰ Export-Import Bank of the United States, *Report to the Congress on Export Credit Competition and the Export-Import Bank of the United States*, June 2010, p. 11-13.

⁵¹ International Trade Commission, *Small and Medium-Sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms*, July 2010, p. xiv.

⁵² Federal Government programs are based on this commitment to address clear public needs without creating new market distortions. For example, companies just beginning to export receive help and guidance from the Federal Government on the basics of exporting, including export mechanics, such as the proper way to fill out shipping documentation and the logistics involved in moving product internationally. Many banks are reluctant to extend loans to SME exporters, perceiving these loans as too risky, time-consuming, or administratively costly. The Federal Government can fill gaps in export financing for SMEs that the private sector is unwilling or unable to provide.

⁵³ These recommendations were generated by four multi-agency task forces, convened by the TPCC Small Business Working Group, and chaired by the SBA. Representatives from numerous TPCC agencies, including the Departments of Commerce, State, Defense, Labor, and Agriculture; the Ex-Im Bank; OPIC; and USTR participated in the task forces.

⁵⁴ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010.

⁵⁵ District Export Councils are 56 organizations nationwide comprised of leaders from the local business community and closely affiliated with the U.S. Department of Commerce's U.S. and Foreign Commercial Service. DEC members include more than 1,500 exporters and export service providers throughout the United States who volunteer their time to promote numerous trade related activities and to act as consultants to SMEs (see www.districtexportcouncil.com/).

⁵⁶ The TPCC has a standing working group on Data and Analysis that will be leveraged to conduct this research, working closely with the Bureau of the Census and other relevant agencies.

⁵⁷ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010.

⁵⁸ Improved collaboration with State and local governments will be necessary to increase training opportunities and identify gaps. This includes sharing best practices and encouraging State governments to ensure that effective training opportunities are available and publicized on export.gov.

⁵⁹ SBA's Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small business. It is SBA's technical assistance arm, with resource partners located throughout the country. There are nearly 400 offices of SCORE (the Service Corps of Retired Executives), more than

950 Small Business Development centers primarily located on college campuses, and more than 110 Women's Business Centers located across the country. Other resource partners include state and local government resources, trade associations, local chambers that provide services to the small business community, often in collaboration with SBA.

⁶⁰ There are three export prospect categories used by the SBA and the Department of Commerce: (1) Not-ready-to-export – an individual or firm with no clear exportable product, track record of domestic sales, or resources to commit to exporting; (2) New-to-Export (NTE) – a firm that has not exported recently, but has an exportable product, a solid record of domestic sales, and resources to commit to exporting; and (3) New-to-Market (NTM) – a firm currently exporting with the potential to deepen sales in an export market or to expand to new export markets.

⁶¹ Export intermediaries are companies such as export management and trading companies, agents, distributors, and brokers that help SMEs gain access to foreign markets, without the SME needing to staff an export department.

⁶² However, little information exists on the extent to which SMEs use export intermediaries. International Trade Commission, *Small and Medium-Sized Enterprises: Overview of Participation in U.S. Exports*, January 2010, p. 2-3.

⁶³ Gold Key Service offers customized appointments for U.S. exporters with pre-screened, prospective trade partners in a targeted foreign market.

⁶⁴ For example, the Transatlantic Economic Commission, Trans-Pacific Partnership, APEC, OECD, Partnership for Prosperity, and individual memorandums of understanding between the SBA and countries such as Bahrain, Oman and Qatar.

⁶⁵ SMEs often find that because of the lack of an international backroom, community banks typically do not finance international trade transactions. As such, these banks have not supported SME exports. By training these banks on the basics of international trade and the variety of Government export loan guarantees and insurance that is available, the banks' risk/exposure can be significantly reduced. As a result, SMEs will be more apt to maintain and take advantage of long-standing community bank relationships to support their growth through exports. The U.S. Departments of Commerce and Agriculture, the Ex-Im Bank, and SBA have partnered with Federal Reserve District Banks and the Office of the Comptroller of the Currency to train some 160 senior lending officers from approximately 60 community banks in trade finance. A pilot program, launched in Denver in February 2010, demonstrated the ability of the Federal Reserve Bank to gather an attentive audience of community bankers. The Department of Commerce's U.S. and Foreign Commercial Service has a number of public-private partnerships with regional banks including PNC Bank, City National, Comerica, TD Bank, and M&T Bank that help with direct marketing of trade shows and trade missions. Commerce is examining how to further leverage these partnerships to help connect SMEs with export opportunities and access to trade financing.

⁶⁶ A non-bank lender does not take in deposits and usually does not offer traditional retail banking products. Non-bank lenders also are not regulated by the Office of the Comptroller of the Currency (OCC) or Federal Deposit Insurance Corporation (FDIC).

⁶⁷ U.S. Department of Commerce, U.S. Census Bureau, "A Profile of U.S. Exporting Companies: 2004-2005," January 10, 2007, p.1. U.S. Department of Commerce, U.S. Census Bureau, "A Profile of U.S. Exporting Companies: 2007-2008," April 13, 2010, p.1.

⁶⁸ U.S. Department of Commerce, U.S. Census Bureau, "A Profile of U.S. Exporting Companies: 2007-2008," April 13, 2010, p. 3.

⁶⁹ Four Export Promotion Cabinet agencies operate extensive international and/or domestic field networks to deliver export promotion services to U.S. companies. Internationally, the Department of Agriculture has 98 offices in 75 countries, with coverage extending to more than 150 countries. The Commerce Department has offices in 77 countries, and works closely with the State Department to provide coverage in an additional 110 countries. In countries that do not have Commerce Department staff, overseas Economic officers actively recruit foreign buyer delegations on behalf of Commerce. Domestically, the Commerce Department has 107 offices in 48 of the 50 states. In 18 of these offices, international trade finance specialists employed by the SBA are co-located with Commerce Department staff, and representatives from the Ex-Im Bank are in six of these locations. In addition, there are Washington, DC-based staffs at OPIC, USTDA, and the Departments of Commerce, Agriculture, Energy, and Transportation who assist U.S. companies in their interaction with foreign buyers.

⁷⁰ A number of Federal Government databases, for example the Central Contracting Database, could identify potential SME exporters. To date, outreach efforts have been made to more than 80,000 U.S. companies through the Census Bureau.

⁷¹ An office staffed by the Department of Commerce will be opened in Las Vegas, a major trade show hub, to help facilitate meetings between foreign buyers and U.S. companies attending the major trade shows.

⁷² The Department of Agriculture is also increasing its focus on reverse trade missions. In 2010, the Department of Agriculture's support for reverse trade missions reached over 1,000 foreign buyers of agricultural and food products through more than 150 missions. Please see www.fas.usda.gov/agx/trade_events/trade_events.asp for more information.

⁷³ The TPCC Working Group on Renewable Energy and Energy Efficiency has identified four strategic priorities, which form the basis of the Strategy: (1) tailor financing programs to RE&EE companies, (2) enhance the market access enjoyed by RE&EE companies in foreign markets, (3) improve information sharing to link foreign buyers with U.S. technologies and services, and (4) realign U.S. Government services to better facilitate a doubling of RE&EE exports over the next five years. Agency commitments will enable additional access to financing and credit for RE&EE companies, enhanced market access, increased export competitiveness, and more efficient U.S. Government export promotion services.

⁷⁴ The Department of Commerce launched a Civil Nuclear Trade Initiative to identify the industry's most pressing trade challenges and most promising commercial opportunities, and to coordinate public and private sector efforts to address them. The Initiative involves five areas of work: (1) a coordinating interagency civil nuclear working group under the TPCC; (2) a Civil Nuclear Trade Advisory Committee providing consensus industry advice; (3) trade policy and promotion activities, including conferences, trade missions, and project advocacy support; (4) stakeholder resources, including an on-line nuclear export controls guide; and (5) supply chain sustainability activities, including workshops and a capability assessment and database.

⁷⁵ U.S. Department of Commerce's MBDA, *Disparities in Capital Access between Minority and Non-Minority Businesses*, 2010; and *The State of Minority Businesses* (fact sheet), 2010. Data derived from U.S. Census Bureau's *2002 Survey of Business Owners*.

⁷⁶ U.S. Department of Commerce's MBDA, *Characteristics of Minority Businesses and Entrepreneurs*, 2008. Data derived from U.S. Census Bureau's *2002 Survey of Business Owners*.

⁷⁷ Ibid.

⁷⁸ The U.S. Department of Commerce's MBDA has 46 business development centers in 25 states, the District of Columbia, and Puerto Rico.

⁷⁹ The non-profit industry groups eligible to receive MDCP awards include trade associations, standards developing organizations, State Departments of Trade, regional economic development entities, World Trade Centers, and Chambers of Commerce. Groups that receive MDCP awards must put up at least two dollars of their own as a match for every MDCP award dollar received. Between 1997 and 2009, MDCP projects generated \$2.85 billion in exports, or an average of \$219 million per year. From 1993 to 2005, the average annual total for MDCP awards was \$2.3 million. In FY 2006, no funds were available for an MDCP competition. From 2007 to 2010, the average annual total of MDCP awards was \$1.1 million.

⁸⁰ The Department of Commerce leads two types of trade missions for U.S. businesses – certified and Commerce-led. The fundamental difference between certified and Commerce-led trade missions is that with certified trade missions, the Department of Commerce does not recruit and select the participating companies for the mission. Instead, Federal Government resources are used to help set up the briefings, receptions, and appointments on location for U.S. companies that participate. This framework enables the Commerce Department to fully encourage and support missions organized and led by governors, trade associations, and other public-private partners. In both types of missions, U.S. companies travel together as a delegation, attend market briefings and networking receptions, participate in site visits, and have one-on-one business matchmaking appointments with pre-screened potential buyers, agents, distributors, and potential joint venture partners in the local market.

⁸¹ For example, the Department of Commerce is working on a Safety and Security Equipment and Services Mission to Brazil (September 2010); a Clean Technology Trade and Investment Mission to France & Belgium (November 2010); a Ports and Maritime Logistics Mission to Mexico (December 2010); and, an Educational Services Mission to Vietnam and Indonesia (April 2011).

⁸² Although resources based in the United States can help recruiting and business matchmaking, they lack the detailed in-country knowledge that overseas staff provide.

⁸³ For purposes of this Report, commercial advocacy, also referred to as trade advocacy, encompasses export transactions involving commercial and defense articles.

⁸⁴ In many industries, such as nuclear power, foreign state-owned companies and “national champions” are able to leverage the full economic, financial, and diplomatic support of their host country government to a distinct advantage over U.S. privately-owned competitors in the pursuit of major international contracts.

⁸⁵ U.S. Department of Commerce, “Request for Public Comment To Inform Development of National Export Initiative Plan,” Docket Number 100624279-0279-01, June 30, 2010.

⁸⁶ In a general sense, these are cases where the commercial advocacy opportunity extends beyond the realm of economic policy alone.

⁸⁷ The Advocacy Center intends to use the interagency domestic network of U.S. Export Assistance Center one stop shops, as well as other TPCC partner agencies, to ensure Government-wide outreach regarding commercial advocacy.

⁸⁸ The State Department’s Commercial and Business Affairs office is reaching out to U.S. Embassies and improving Embassy awareness of all commercial issues, including advocacy. This effort will serve to ensure that U.S. and Foreign Commercial Service Officers, as well as the Department of State’s Foreign Service Officers in the Economic section of overseas posts, are proactively supporting strategic economic opportunities on behalf of U.S. companies. Similarly, the Department of Agriculture works closely with State Departments of Agriculture and with State Regional Trade Groups to educate agricultural goods and service companies that have not historically sought advocacy. The Agriculture Department also ensures that Foreign Agricultural Service staff and their Foreign Commercial Service and Department of State counterparts are proactively supporting opportunities on behalf of U.S. agricultural exporters.

⁸⁹ A good example is the TPCC Civil Nuclear Working Group, which frequently helps coordinate key commercial advocacy campaigns on civil nuclear projects.

⁹⁰ The FGP, run by the Commodity Credit Corporation (CCC), provides payment guarantees to facilitate the financing of manufactured goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, the FGP is designed to enhance sales of U.S. agricultural commodities and products to emerging markets where the demand for such commodities and products may be constricted due to inadequate storage, processing, or handling capabilities for such products.

⁹¹ The Export-Import Bank experienced a 50-percent increase in lending activity from FY 2008 to FY 2009. Another substantial increase in lending activity is projected for FY 2010. Similarly, the U.S. Department of Agriculture’s CCC saw a 70-percent increase in its lending activity from FY 2008 to FY 2009 through its GSM-102 Export Credit Guarantee Program (GSM).

⁹² The SBA Export Express program provides exporters and lenders a streamlined method to obtain SBA-backed financing for loans and lines of credit up to \$250,000. SBA offers an expedited eligibility review and provides a response in less than 24 hours, so exporters get access to funds faster. Loan proceeds may be used to finance a wide variety of export development activity, from standby letters of credit to translation of product brochures or catalogs for use in overseas markets.

⁹³ This will close a funding gap for smaller, early-stage exporters who need to build their international markets, since some loan proceeds can be used for market development expenses, unlike SBA/Ex-Im Bank’s Working Capital Loan programs, which are limited to transactional financing needs.

⁹⁴ There are other examples of process improvements. For example, project finance applications to the Ex-Im Bank require extensive due diligence, often requiring costly external financial advisors to produce the necessary financial models. This process is almost always too expensive for small projects to bear. The Bank recently started developing the necessary expertise in-house to support these smaller projects. “Solar Express” enables small renewable-energy project developers to use the Bank’s services through a streamlined, cost-effective due diligence process done entirely in-house.

⁹⁵ For Korea, USTR will develop a package of proposals to address outstanding concerns with the objective of leveling the playing field and improving our access to Korean automotive and beef markets. For Panama, USTR will work to address concerns with certain aspects of Panama’s labor regime and its tax transparency rules. For Colombia, USTR will work to improve the labor code and to enhance measures to address violence against labor union officials to ensure that union rights can be fully and freely exercised.

⁹⁶ As defined in Part II, the services sector includes financial (banking, securities, and insurance), telecommunications, computer, energy, environmental, express delivery, distribution services, audiovisual, construction, professional (architecture, engineering, accounting and legal), health care, education, and travel and tourism services.

⁹⁷ Other major services exporters include the United Kingdom, Germany, France, Italy, Japan, and China. These major exporters are also the largest importers of U.S. services exports, and while Europe is the largest importer of U.S. services exports, there are more than twenty individual country markets, in Asia, Africa, the Middle East and Latin America, that import over \$1 billion in U.S. services each year.

⁹⁸ Bernard Hoekman and Aaditya Mattoo (2008), "Services Trade and Growth," World Bank Policy Research Working Paper 4461.

⁹⁹ Available data on services trade is inadequate in scope, is too general, and is not disaggregated enough to enable detailed analysis of trade flows.

¹⁰⁰ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010.

¹⁰¹ Ibid.

¹⁰² U.S. Department of Commerce, U.S. Census Bureau, "U.S. International Trade in Goods and Services," June 2010, p. 1 (Exhibit 1)

¹⁰³ U.S. Department of Commerce, "Request for Public Comment To Inform Development of National Export Initiative Plan," Docket Number 100624279-0279-01, June 30, 2010.

¹⁰⁴ Note: Section 2 of the Executive Order also enables the addition of "the heads of other executive branch departments, agencies, and offices as the President may, from time to time, designate."