THE STATE OF TRADE FOR AMERICA'S SMALL BUSINESSES

HEARING

BEFORE THE

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THE STATE OF TRADE FOR AMERICA'S SMALL BUSINESSES

WEDNESDAY, APRIL 11, 2018

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

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

Present: Representatives Chabot, Leutkemeyer, Knight, Kelly, Blum, González-Colón, Fitzpatrick, Marshall, Norman, Curtis, Evans, Adams, and Schneider.

Chairman CHABOT. Good morning. The Committee will come to order. We thank everyone for joining with us this morning.

This Committee has held countless hearings on the importance of increasing small business exports, and one thing is clear, we must do more to make it easier for small businesses to engage in foreign markets. About 1 percent of U.S. small businesses export, around 300,000 of them, and in 2016, exports reached $2.2 trillion and supported nearly 11.5 million jobs.

Simply put, trade means opportunity for small business. After all, 95 percent of the world's consumers live outside our borders, and I have long believed that if we tear down trade barriers, we can make it easier for small businesses to participate in the global marketplace and unleash one of the largest sectors of the American economy.

However, that also means we must enforce the trade agreements that we do have. There is little question that we need better trade deals, agreements that not only make America's small businesses more competitive but are also fair to American workers.

For too long, China has exploited weaknesses in the global trading system. Whether China exports products through other countries to skirt tariffs or requires our most innovative and entrepreneurial companies to share their trade secrets in an effort to obtain American technology, American businesses in those cases lose. Stronger and more easily enforceable trade agreements mean small businesses will be able to access international customers and offer their products at a more competitive cost. It also means that businesses will create more and well more, driving up wages and benefits and job creation. In short, increased access to international markets strengthens the American economy.

Trade is also an inherently American value, bolstering the importance of economic freedom and individual liberty across the globe. Furthermore, as we have seen earlier this week, the administration has gone to great lengths to level the economic playing field with China, and it appears to be having at least some impact.

I have said before, and will say it again, that trade is not a choice or luxury in our modern world; it is a necessity. If the United States wants to continue to be a global economic leader, we must ensure that small businesses have every opportunity to engage in global commerce.

Today, we will hear from small exporters, who will be directly impacted by the administration's ongoing trade policy negotiations. Additionally, our small business witnesses will share their stories about entering the world marketplace and the resources and policies that have made this possible.

I want to again thank the witnesses for being here, and I would now like to yield to the acting Ranking Member today, Ms. Adams, for her opening statement.

Ms. ADAMS. Thank you, Mr. Chairman, for holding this timely hearing. And I want to thank all of the witnesses for being here today.

Small and medium-size businesses make up 97 percent of American exporting companies, making exports critical to our nation's overall economic health. Not only are small businesses active in the export market, but many of them rely on important materials to manufacture products and deliver services to consumers.

I am troubled at the President's recent announcements related to tariffs represent an erratic economic policy that could jeopardize small firms' participation in the global economy. The unpredictable and ad hoc nature of President Trump's tariff announcements are raising concerns about how these changes and threats of other changes might harm entrepreneurs.

Instead of creating a thoughtful plan to address some of the harmful effects trade agreements have had on our economy and middle class, the Trump administration has launched retaliatory attack after attack that brings our country perilously close to an international trade ware. And it is necessary to clarify, trade wars are not good and they are not easy to win.

Setting aside recent developments, small businesses already face enormous challenges when attempting to enter foreign markets. These firms often lack the resources to identify opportunities abroad and develop contacts overseas. Moreover, small businesses that export products are often unaware that they are at risk for intellectual property theft. One study even found that only 15 percent of small businesses that conduct business overseas know that they need to file for IP protection abroad.

Perhaps the most prohibitive factors small companies face in exporting are costs and resources. In fact, nearly all small business exporters spend a minimum of a few months preparing to export. Fully one-third spend over 5 percent of their annual operating revenue to start exporting.

The Federal government operates a range of programs aimed at minimizing these barriers and facilitating small firms' entry into world markets. The State Trade and Export Promotion Grant Program administered by SBA are partners with state government organizations to help small companies access tools that they need to begin exporting. It is important that initiatives like these operate as effectively as possible to promote small business growth.

To that end, I look forward to hearing from today's witnesses about how programs like these are meeting the needs of entrepreneurs and what improvements can be made either by the agency or by Congress to better serve small firms. While ensuring the smooth functioning of export promotion initiatives must be a priority for this Committee, it is equally important that we have an open, frank discussion about how the administration's recent tariff announcements are impacting global markets and American small business. Rapid, ill-conceived changes to trade agreements could result in small business supply chain disruptions, price increases, and costs shifted to consumers.

Equally important is the President's economic rhetoric and rattling. Trade wars initiated by tweets certainly cannot be beneficial to small firms, whether they rely on imports or for products made domestically, or if they are hoping to expand their international footprint.

And while our Committee should rightfully focus on ensuring SBA trade-oriented programs are functioning well, I also hope today's discussion takes a meaningful look at what the administration's broad trade action means for small business.

In that regard, I would like to thank our witnesses again in advance for your testimony. I look forward to hearing your perspectives on these timely issues.

Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

If Committee members have opening statements prepared, we ask that they be submitted for the record.

And I would like to take just a moment to explain our timing and lights here. We operate under the 5-minute rule. You will each get 5 minutes. The lighting system will kind of assist you in that effort. The green light will be on for 4 minutes. When the yellow light comes on, it will be on for a minute, and then the red light comes on, which means your 5 minutes is up. So if you can stay within those parameters we would greatly appreciate it.

And I would now like to introduce our very distinguished panel.

Our first witness today is Mr. Charles Wetherington. He is the President of BTE Technologies, Inc., a medical device manufacturer and workers' compensation professional services business. He is an experienced business leader with expertise in global business development, engineering, and manufacturing. He is testifying on behalf of National Association of Manufacturers. We thank you for being here today.

Our next witness will be Mr. Ken Couch, who serves as the Director of Product Management and International Business Development of ComSonics, Inc. He has over 30 years of leadership and business experience, including engineering, information technology, and business development work. Mr. Couch is testifying on behalf of the State International Development Organizations, Inc., and we thank you also for being here.

And I would now like to yield to Ms. Adams for the purpose of introducing our final witness.

Ms. ADAMS. Thank you, Mr. Chairman.

It is my pleasure to introduce Mr. Raymond Keating, Chief Economist at the Small Business and Entrepreneurship Council, a non-partisan small business advocacy research and training organization. He also served as an adjunct professor in the MBA program at Townsend School of Business at Dowling College for over a decade.

Welcome, Mr. Keating, and thank you for testifying today.

Chairman CHABOT. Thank you very much.

And Mr. Wetherington, you are recognized for 5 minutes.

STATEMENTS OF CHARLES WETHERINGTON, PRESIDENT, BTE TECHNOLOGIES, INC.; KEN COUCH, DIRECTOR OF PRODUCT MANAGEMENT AND INTERNATIONAL BUSINESS DEVELOPMENT, COMSONICS, INC.; RAYMOND J. KEATING, CHIEF ECONOMIST, SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL

STATEMENT OF CHARLES WETHERINGTON

Mr. WETHERINGTON. Thank you very much, Chairman Chabot, Acting Ranking Member Adams, and members of the Committee on Small Business. I thank you for the opportunity to testify today.

My name is Chuck Wetherington, and as said, I am the President of BTE Technologies. BTE is based in Hanover, Maryland, and is widely regarded as the leading provider of advanced solutions for physical therapy and rehabilitation, manufacturing advanced physical therapy equipment. In addition, our professional services business provides world-class workplace injury avoidance solution for Fortune 500 companies.

I am pleased to testify today as a member of the board of directors on behalf of the National Association of Manufacturers, the largest manufacturing association in the United States, which represents more than 14,000 manufacturers in every industrial sector and in all 50 states. Manufacturing employs 12.6 million men and women across the country, and contributes over $2 trillion to the U.S. economy annually. More than 90 percent of NAM members are small and medium-sized businesses like BTE.

Our success, like that of many other small businesses, is due in significant part to our ability to sell to foreign consumers. Global economic growth over the past quarter century has created record levels of demand for advanced and high-quality consumer and durable manufactured goods, including the products we manufacture at our facilities in Maryland and Colorado.

Overall the United States quadrupled U.S. manufacturing good exports over the last quarter century, representing more than half of U.S. output and supporting about 6 million American manufacturing jobs. Ninety-six percent of exporting manufacturers are small and medium enterprises.

At BTE, we have consistently focused on expanding into new markets, the latest being our work in the Gulf Cooperation Council of six Middle East countries where in the past 3 years we have been able to grow from virtually no sales at all to over 20 percent of our exports.

However, small manufacturers in the United States face fierce challenges overseas imposed by barriers imposed by foreign countries and by foreign competitors that are advantaged when their home countries ratify more free trade agreements or provide more robust export credit assistance and promotion activities than the United States.

Let me give a couple of examples. When the European Union completed its free trade agreement with Korea before the United States, our company lost significant sales. Once we did negotiate and ratified the FTA with Korea and that went into full force, our sales rebounded and we grew by over 130 percent. FTAs work.

Another example is as a medical device manufacturer, we confront a myriad of regulatory regimes globally, which are often accompanied by conflicting guidelines and requirements. This makes it harder to sell and compete in foreign markets, for example, China, which is just now rolling out brand new or major overhauls in their medical device regime.

Negotiating additional trade agreements to eliminate foreign barriers, including regulatory barriers and providing strong enforcement tools would better enable companies like BTE to expand overseas and thereby help support manufacturing and grow jobs in the United States.

There are other things that would help small businesses like BTE. First, SMEs need a positive outcome on NAFTA talks. The NAM put forth a 10-point plan on June 2017 to modernize NAFTA in a manner that will eliminate barriers, raise standards, and strengthen enforcement to grow manufacturing and jobs in the United States. We simply have to avoid outcomes that would increase uncertainty, raise costs, or undermine enforcement tools.

In addition, we also need the Senate to confirm the pending board nominees for the return of the EXIM Bank, which plays a critical role in the ability of companies like BTE to win foreign contracts and level the playing field. We need the EXIM Bank to be in full functionality. This would help us compete with companies overseas that benefit substantially from their own export credit agencies.

And then finally, more export promotion assistance programs. Over the past 3 years, my company has benefitted directly from the Small Business Administration's STEP program that has helped us offset costs associated with participating in trade events both in Europe and in the Middle East. And we've had very strong returns on those investments.

In summary, many strong and enforceable agreements, export credit and export promotion are critical tools to level the playing field so that our small business manufacturers can compete and succeed in markets around the world. I request and urge the Committee to support these initiatives. Thank you.

Chairman CHABOT. Thank you very much.

Mr. Couch, you are recognized for 5 minutes.

STATEMENT OF KEN COUCH

Mr. COUCH. All right. Thank you, Chairman Chabot and Acting Ranking Member Adams and members of the Committee.

First, I want to thank you for the opportunity to testify. My name is Ken Couch, obviously. I work for a very small company called ComSonics. We manufacture products for the cable TV industry. More specifically, to put it in context, we provide test equipment that actually helps the cable TV industry identify problems in the network in your home to help your Internet actually work better.

We have been in business for about 45 years. We actually helped start the first cable TV industry companies here in the U.S. We have about 250 employees, $47 million in revenue. We actually are located in four states across the U.S., so we are in Virginia, California, Georgia, and Indiana.

To put things in perspective from an international perspective, I started working international about 4 years ago. We had about $100,000 in revenue, which was not much, and in just a couple countries. This year, we predict that we should make about $2.4 million in over 26 different countries. So I wanted to briefly share with you how that came about and what we did to get there.

Basically, we utilized two major programs, the Virginia Economic Development Partnership, as I refer to as VEDP, and the State Trade Expansion Program (STEP). Both are managed by the U.S. Small Business Administration.

When you start out from ground zero, you do not know which country to approach. You do not even know if your product is marketable. You do not know how big the market is. You do not have any contacts. You do not speak the language. You do not know the legal risks. You do not even know how to get paid. So as a small company, how do you overcome these barriers?

What both the VEDP and STEP programs do, they systematically bring all of the experts together for you in kind of a one-stop shop format. So they bring legal counsel that is familiar with international. They bring banking. They bring shipping consultants. They bring in-country consultants. So they bring everyone you need together to answer all of your questions and to get you going.

In addition, STEP helps provide the funding you need. All these resources they bring are not free. Unfortunately you have got to pay them, so the funding comes—it is very useful because a lot of companies that are small either do not have the funding or they are too risk averse. Why would I invest in something that I have no idea if it is going to go anywhere, especially with these huge barriers.

The third thing that they do, which is probably my favorite part is they do something called trade missions, and basically what that is is they have in-country experts that help you target which countries you want to go after and they actually go into the country prior to you going and they find customers for you, they actually set up meetings for you. All you have to do is show up. I mean, there could not be a better way. It is like handing you a customer on a silver platter. So they even provide a translator. They provide transportation, everything you need to get in front of that international customer. So it is just, in my opinion, one of the best programs out there. If you are a small business and you feel like it is too daunting, these programs will significantly help you to get in the game.

ComSonics is just but one of many success stories. Not every company can make it. It does take a lot of dedication on the part of each company. It takes resources that you have to commit. I personally can attest that I have about 700,000 frequent flyer miles now over the last 4 years, so it did take a toll, but we have the results to show for it.

Quickly, with respect to tariffs, with the proposed tariffs, our company would be impacted in three major ways. One is even though our products are made here in the U.S., we proudly say our products are made in the USA, here in Virginia. However, we buy a lot of components overseas. Drone components largely are sourced from Asia, so if they are tariffed and those costs go up, it will impact our ability to compete globally. In the same context, if we have to export and retaliatory tariffs are imposed on our products, that will also impede our ability to compete internationally.

So in summary, there are three thoughts I want to leave with you. One, small businesses typically do not have the resources or expertise to build an international business from ground zero. It is just really tough. Small businesses tend to be risk averse when they have to invest in international markets because they are untested and unknown. Why would I put forward dollars when I have no idea if there is a return? So without the support of programs like VEDP and STEP, the barriers into international markets are almost insurmountable. These programs are vital to cultivate the success of small businesses and to start and grow international sales.

I want to thank you for your time and support and leadership on this issue. I believe that continued funding and support for these programs are crucial to helping small businesses compete in the global marketplace, and in turn, grow our domestic economy.

Thank you again for your time, and I certainly welcome any questions.

Chairman CHABOT. Thank you very much.

Mr. Keating, you are recognized for 5 minutes.

STATEMENT OF RAYMOND J. KEATING

Mr. KEATING. Chairman Chabot, Acting Ranking Member Adams, members of the Committee, thank you for hosting this important hearing on the state of international trade and small business.

I serve as the Chief Economist for the Small Business and Entrepreneurship Council, which is a nonpartisan, nonprofit advocacy, research, and training organization dedicated to protecting small business and promoting entrepreneurship.

In the summary of my written testimony, I would like to highlight some key points on trade, small business, and the economy. A critical foundational point is that free international trade amounts to a significant plus for the economy, for consumers, and for small businesses. This is one of the rare cases where we economists, almost all of us actually agree. Thanks to lower trade barriers, competition has expanded and resources are allocated more efficiently. In turn, consumers experience a wider choice of products and lower prices. The same goes for small businesses regarding acquiring, for example, intermediate and capital goods. Entrepreneurs, businesses, and workers also experience greater opportunity as more markets are opened for their goods and services.

In terms of the overall economy, international trade is deeply integrated in and vital to the U.S. economy. Consider that real total trade exports plus imports in 1955 equal just 6 percent of real U.S. GDP. Today that is almost 30 percent. And growth in trade equals a significant portion of U.S. economic growth, at least 40 percent in recent times.

Combine the importance of trade in the economy with the fact that our economy largely is a small business economy, meaning that most U.S. businesses are small and mid-sized enterprises, then it is still surprising that most people assume that trade is overwhelmingly about large businesses. In reality, in terms of the number of employer firms involved, international trade is largely about smaller businesses. For example, 76 percent of U.S. exporters have fewer than 20 employees; 87 percent fewer than 50 workers.

On the import side, the same thing goes. Seventy-five percent of U.S. employers have fewer than 20 workers, and 86 percent have fewer than 50 workers.

As for the current issues confronting small businesses on trade, the U.S. has benefitted tremendously from NAFTA, which, of course, is now undergoing some renegotiation. The growth in U.S. trade with both Mexico and Canada has been robust, and the role of small business again has been critical with 75 percent of firms exporting to Canada and 73 percent of firms exporting to Mexico have fewer than 50 employees. For good measure, the growth in the number of U.S. firms exporting to both Canada and Mexico has been dramatic.

As for trade with China, which also we know is coming under scrutiny, consider that U.S. goods exports to China from 2001, the year that China was admitted to the WTO, to 2017, they grew by 579 percent. In addition, 54 percent of U.S. exporters to China have less than 20 workers; 69 percent less than 50 workers. So again, this is about small business. Also, from 2001 to 2015, the number of U.S. firms exporting to China grew by over 600 percent.

In my written testimony, I also note the importance of lower governmental barriers and the small business role in trade in key sectors of our economy. I highlight the energy sector, railroads, agriculture. Again, when you look at the businesses involved there in trade, it is overwhelmingly small firms.

Finally, regarding the best trade policy agenda for small business going forward, it should be focused on policymakers working to reduce barriers to trade by entering into and expanding free trade agreements. That includes strengthening, such as via enhanced intellectual property protections and not weakening NAFTA. NAFTA, by the way, was the first trade agreement where you had intellectual property protections in the agreement.

Also, the U.S. needs to lead by example, and hopefully through negotiations with the goal of entering into, ultimately, a trade agreement or trade agreements with China. That, I think, is going to be the real way where we can get in there, roll up our sleeves, and in a constructive way hopefully make some changes and really teach China about the benefits of property rights and free trade and so on.

And, of course, we need to reclaim a global leadership role in advancing free trade. We had that for decades. We need to reclaim that role. It is vital.

Thank you for our time and attention. I look forward to your questions and to further discussion.

Chairman CHABOT. Thank you very much. And we thank all the panel members for their testimony.

And I will recognize myself for 5 minutes to begin the questioning. And Mr. Wetherington, I will start with you.

How can NAFTA be strengthened for America's small businesses? If you have one or two suggestions, or more if you would like.

Mr. WETHERINGTON. Certainly.

As a small business owner, the biggest thing that we need is predictability. So the longer that we drag this out, the more time that it takes to get to solutions creates uncertainty, and with uncertainty creates problems that are very difficult for any business to deal with, let alone a small business. We are not resourced in a way to be able to do that.

So the things that I would personally be a strongest proponent for, and I think ISDS has kind of gotten over the hurdle, but that is a very critical thing for us to make sure that we have methods for remediating problems if problems do occur. It is a very near and dear point to my business because I both import subcomponents from Canada and I sell finished products back to Canada. I also have a Canadian sub on my professional services business. So really for us, the key is let's get it done. It has been very important for us. Let's not throw the baby out with the bathwater, but let's get this through so we can get rid of the uncertainty.

Chairman CHABOT. Thank you very much.

Mr. Couch, I will turn to you next.

Many trade policy experts urge us to improve protections for intellectual property rights and stronger enforcement mechanisms is part of that, of course. Can you discuss the importance of IP for small businesses? And do you believe that a lack of IP protections in other countries has discouraged many small businesses from engaging in trade-related activities there?

Mr. COUCH. I am going to give you a very different perspective on IP based on my experience.

So as a small company, we definitely have IP. When we started to first engage in countries, particularly like Asia and China, we looked into IP protection. Part of the issue is, one, it is difficult to navigate. As a small company, there is a lot involved, and in particular, there are rules like if you have not filed for IP I think a year prior to, you know, going to market, then you are disqualified. So I do not know the exact rules. I just know that they were cumbersome and difficult.

The other issue is that even if we went through the process of getting IP protection, particularly with China, I do not think they would adhere to or honor the policy. So in other words, our ability to protect the IP would be limited. Because we are a small company, we cannot really afford to really put a lot of money into the legal system to protect the IP. So we would just be run over, essentially. So it is a choice that a lot of small businesses need to make, which I think is difficult. One, being the process is difficult, and two, can the IP regulations really be upheld?

So in our case, we chose to forego it mainly because we were in a niche market and we felt like the chances of the IP being exploited was minimal. But that is my experience.

Chairman CHABOT. Thank you very much.

Mr. Keating, let me turn to you then. There is no question that small business trade with China, both imports and exports, have grown significantly over the past, say, 15 years. Do you have any sense of the value small businesses have lost due to China's theft of intellectual property or state-backed firms undercutting America's small manufacturers and service providers? And do you believe that the United States should take a stronger stance on China's predatory trade practices in an effort to strengthen the competitiveness of American small businesses?

Mr. KEATING. Yes. Well, I wrote a book on intellectual property, how important it is to small businesses. So it is vital that we get China pointed in the right direction on this.

I do not have the numbers off the top of my head but I will certainly provide some numbers in terms of estimates on losses. They are significant without a doubt, and understand what we just heard, small firms do not have the legal department. Right? They have got to, you know, this is why having agreements and structures and policies that are enforced are critical for small firms in terms of reaching into these markets.

So this is, if not the number one issue, then in the top two when dealing with China. The question is how do we go about it? And my own view as an economist is not to go the route of tariffs, which ultimately hurt U.S. consumers and small businesses, but you have to engage with them and make it clear to them that if they want the long-term growth in their own economy, you know, they are looking now to move from low cost producer to a high value economy. They are not going to do that, quite frankly, if they do not enforce and protect property rights, including intellectual property.

Chairman CHABOT. Thank you very much. My time is expired.

Ms. Adams is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman.

Free trade agreements inevitably create winners and losers in our economy. Some small businesses are able to recap the benefits of trade through access to new markets and lower prices, yet in other sectors, the textile industry in North Carolina comes to mind, trade leads to displaced jobs from increased competition and offshoring. North Carolina's textile industry lost 82 percent of its workforce since the mid-1990s.

How can we balance these competing needs to maximize the benefits for small business exporters while minimizing harm to important industries? And anyone can answer that if you would like to.

Mr. WETHERINGTON. I will take the first swipe at this.

I believe that free trade agreements—let's start with what trade is and how trade works. And my mind, trade is like water. It is going to find the path of least resistance. It will be there and it will find a way to exist, whether you have tariffs, free trade agreements or not. The beauty of the free trade agreement is you are getting some knowns into the process. You are getting a rule of law. You are getting agreements on how you are going to work together, how you are going to resolve disputes, and I think that the United States is well behind in where we should be as a leader in having these kinds of talks.

And I agree with Mr. Keating. I believe that the most important way that we can work with China, for example, is through the negotiating table and working towards a free trade agreement.

Ms. ADAMS. Okay. Mr. Keating?

Mr. KEATING. I would agree. Mr. Wetherington pointed out that trade is going to find a way, if you will. And he is right. Understand, these free trade agreements that we have entered into—NAFTA. Actually, when you look at the list, in most cases we already had pretty low barriers to trade. It was the other countries that have high barriers. So when you look at these free trade agreements, the big beneficiaries have been U.S. firms in the U.S. because the barriers, you know, tariffs and quotas have come down on the other end. So I think that is part of the answer.

The other thing that you are going to have inevitably in a dynamic economy, you are going to have shifts like this. You know, we saw it in our own country over the years where certain manufacturing went from the northeast to the south and so on and so on. These things are going to happen. While you can certainly address it in terms of education programs and so on that can be beneficial, but also, I think quite frankly, having the best environment for free enterprise to flourish is the best answer. You mentioned North Carolina. North Carolina has lost textile jobs, but it has added so many other areas and become quite a diverse economy, high tech economy to their credit. So this is kind of the dynamic economy that we are dealing with and we always will deal with.

Ms. ADAMS. You know, we frequently hear that small businesses make up more than 9 out of every 10 businesses that export goods from the U.S., but when it comes to the negotiating process for trade agreements, the interests of the small business community often take a back seat to that of large multinational corporations.

So what do you think can be done to alleviate the concerns of small businesses in ongoing trade negotiations?

Mr. Couch?

Mr. COUCH. That is a great question. I wish I had a great answer.

Again, I can only speak from my company's perspective. And we do do business with countries that have extremely high tariffs. I mean, in some cases 300 percent. So you question how can you compete in a market where we have to raise our price 300 percent just to sell into the countries? But again, probably because we are in a niche market, what we see is that everyone pays the tariff. So as long as they do not have in-country competition, everyone pays the duty. Everyone pays the tariff. And so a lot of our customers are just used to paying an exorbitant amount for products from the U.S., for example.

So I do not have a good answer for you in terms of how can we be better represented. It would certainly be nice not to have to pay 300 percent tariffs in these countries, and I do not know how those get lowered.

Ms. ADAMS. Okay. I have got 30 seconds. Anybody else want to take that? Twenty-three now.

Mr. WETHERINGTON. If I could take a swipe at that question as well. I think things like today is a perfect example of how we get our voice across. We come, we talk to you. You can help us carry the voice. My membership in the National Association of Manufacturers, we have a very strong small and medium enterprise membership there and that amplifies our voice. It is one of the key reasons why I do that, so we can get our voice out there.

Ms. ADAMS. Great. Thanks very much, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

And the gentleman from Missouri, Mr. Luetkemeyer, who is the Vice Chairman of this Committee is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. Thank all of you for being here today.

Mr. Wetherington, in your testimony you talk about harmonization of regulations between countries. To me that is very important because it puts everybody on a level playing field. And it would seem to me that you need to do those in trade agreements. Is that basically where you do that or do you have other negotiating opportunities to level that?

Mr. WETHERINGTON. I cannot see another place where you would do it other than through free trade agreements. It is critical for us. In the medical world, every single country seems to want to have their own regime, and oftentimes it is used as a barrier to entry. It is a business tariff. It is not a cost directly but it is a cost we have to pay in order to get our products certified for those countries.

Mr. LUETKEMEYER. So when you see an opportunity in another country, when you want to open up another country and you see that there is a barrier there and we do not have a free trade agreement with them or any sort of agreement, do you go to the administration and ask them to help you with breaking down the barriers? And if you do, are they receptive? Do they work with you? Or do you have to do this on your own? How does that work?

Mr. WETHERINGTON. The choice we have to make is an economic choice of what is the cost for entering into that country and do we think there will be a payback? I do not feel like there is a path currently for us to go get our voice heard to say harmonization needs to be a factor here. I have been out staying that for years and years inside the beltway. I still have hope, but within the short term I have got to make the decisions for the company and that is based off of can I get the return after I do the investment to get certified for that country?

Mr. LUETKEMEYER. Okay, great.

One of you, I think Mr. Wetherington, maybe you were the one that talked about the ability to finance stuff that you are going to be able to export. Would you elaborate on that just a little bit more? And if you cannot find financing through the Export-Import Bank, where do you go to get that? Is it available? Do you just not do it? Your competition is getting it and you are not?

Mr. WETHERINGTON. Right.

Mr. LUETKEMEYER. Can you explain a little bit of that, how that works?

Mr. WETHERINGTON. We bought our company in 2001, and at the time we were doing less than 2 percent of our sales in exports. We focused hard. We worked with commerce to try to get through the Gold Key program, identifying ways in countries like your mission, trade missions. Got it up to 15 percent, but we were not able to find financing anyplace. We were having to put our products onto ships or onto airplanes at risk, and we did not want to do that because the value of our products are too great. So we required everybody to pay cash upfront or an irrevocable letter of credit, which is kind of an onerous way to do business. And it was not until we started working with Export-Import Bank with their accounts receivable insurance that we were able to get the financing we need. During the period of time when EXIM lost its certification, we went to our bank. We tried to get financing for those deals and we could not. Fortunately, we had enough experience with most of our distributors we could absorb the risk. But if I was going to new markets, it would have been very difficult at that time.

Mr. LUETKEMEYER. So what kind of impact did that have on your business by not being able to—I mean, did the amount of your sales go down 10 percent, 20 percent?

Mr. WETHERINGTON. It did not last long enough to have an impact on the business, but it certainly impacted our ability to go expand into new markets. So we lost opportunity.

Mr. LUETKEMEYER. Okay. Did that allow other companies from other countries to take your——

Mr. WETHERINGTON. Of course.

Mr. LUETKEMEYER. You get a toehold and keep you out that way?

Mr. WETHERINGTON. Of course. Of course. The world loves American medical devices, but they also love German medical devices or Swiss medical devices. And the vacuum will get filled.

Mr. LUETKEMEYER. We talked about NAFTA a little bit today. I know that it is being renegotiated, and I read something I think Monday where the Canadian Prime Minister was excited about where the agreement is going to go to. Apparently, they are down to one issue, which is Mexico's minimum wage for autoworkers is the hang-up apparently right now. Do any of you know what is in the agreement? Have you seen the agreement or heard things about it? Do you know where it is at? I am just kind of curious if it is a good deal, bad deal, irrelevant?

Mr. Keating?

Mr. KEATING. The only thing that I have heard that concerned me a little bit was that intellectual property, they were kind of getting around to it, so I would have liked to have heard that that was kind of number one on the hit parade, but that is all.

Mr. LUETKEMEYER. Well, it brings up a great question. How do you enforce the laws on intellectual property? I have only got 30 seconds here but if you can.

Mr. KEATING. Extremely difficult when you think about China, what we are talking about here, it is a massive undertaking, and that is where you need——

Mr. LUETKEMEYER. Do you not really have to do it upfront just to make sure they do not get it, period, because you really cannot enforce it on the other end?

Mr. KEATING. Well, you have to make sure it is in the agreement. You get as many checks and balances and everything and resolution mechanisms and so on. You need all of that in there. But you really need to have the other country understand why property rights and intellectual property matters. If they do not, they are going to find ways around it.

Chairman CHABOT. The gentleman's time has expired.

Mr. LUETKEMEYER. I yield back the balance of my time.

Chairman CHABOT. Thank you.

The gentleman from Pennsylvania, Mr. Evans, who is the Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Keating, you stated in your testimony that one of the few points that economists can agree on are the net benefits of free trade. The representative of Pennsylvania Pork Industry just dropped by my office to drive home the point that they are targets of China's retaliation. And since China is Pennsylvania's third largest export market after Canada and Mexico, the pain will be felt. Can you address this?

Mr. KEATING. Well, from an economist's perspective, it is predictable. I mean, when we talk about fears of a trade war, you know, if you are going to down the path of imposing or threatening tariffs, your hope is that it comes out okay in the end, but the real risk, obviously, is that you are going to see retaliation. So this is the standoff that we are at. It is not a productive way to go about trade policy in the end because you are creating such uncertainty. You met with pork people today; right? Go down industry after industry and look at what happens in the market. So it would be much more constructive to sit down at the table and move in the right direction.

I mean, think about if U.S. and China sat down and said, you know what? We are going to start talking with the goal ultimately, we do not know when, of reaching a free trade agreement. Think about how entrepreneurs and markets and so on would react to that? That would be a tremendous positive.

Mr. EVANS. In your testimony you stated that trade deficits are not necessarily economic negatives. Could you talk a little about that, please?

Mr. KEATING. Trade deficits, yes. Well, this is the problem that we run into with trade deficits. We automatically think they are economic negatives, but again, when you look at number one U.S. economic history, when our economy is growing fast, our trade deficit tends to expand. Why does that happen?

Well, number one is we have increased demand for imports, both consumer goods, capital goods, intermediate goods. So that is one side of it. And then the other side of it is we have a current account and a capital account. If the current account is in deficit, the capital account is going to be in surplus. Okay? Now, to understand what is going on here, if you have a trade deficit, it balances out with the capital account. That means people are investing. Foreigners are investing into the United States. That is another plus. That is a positive.

I always tell people, I tell my students, when you look at trade, ignore the deficit or the surplus. Look at what is going on with exports and imports. And if they are both growing, that is good news. That is the bottom line.

Mr. EVANS. Mr. Wetherington, I want to follow up a little bit because I saw you kind of nodding your head, going back to something you said earlier about predictability. So do you want to speak to kind of what Mr. Keating just expressed? Because I think that is the message you were sending to us, and also, you were raising the aspect of this hearing could be helpful to this process.

Mr. WETHERINGTON. Absolutely. I applaud the idea of what it would be like for the markets to have us talking instead of tariffs talking about sitting down and beginning the conversation. I think that, even heading in the right direction, is going to provide a level of predictability and kill the uncertainty that I think is going to help bolster both the markets and bolster those small and medium enterprises that are not trading today for whatever reason, to get them to feel much more comfortable about the idea of going into some of these markets that they may have fears of losing IP today, but I think that would help them in that ability to make the decisions to go.

Mr. EVANS. Interesting you said it because the consulate general from China was in Philadelphia last week and the first thing she said to me is, can you talk to the White House?

So Mr. Chairman, I just want to let you know that is what the consulate general of China said to me as we were talking about as the airport was talking about direct flights to China. So I just want to carry the message there. You may have a hotline phone number there.

I yield back the balance of my time, Mr. Chairman.

Chairman CHABOT. The gentleman yields back. I will make that call right after this meeting.

The gentleman from Utah, Mr. Curtis, is recognized for 5 minutes.

Mr. CURTIS. Thank you, Mr. Chairman.

I feel during your testimonies a lot of pain that I have experience as a small business owner and manufacturer. And I want to go back to a couple of these points that we have kind of gone over and over.

Let me start with you, Mr. Couch. The world of exporting overseas is just what I would call a big gray cloud, right, to most small businesses. Can you look the camera in the eye and give some advice to all those thousands of businesses out there that want to do what you have done and tell them where to start and what you have learned that could be helpful to them.

Mr. COUCH. Sure. Again, I am going to refer back to you need help to do it. It is difficult to do it on your own. So there are in my case the VEDP program and the STEP program are exactly what we needed, and there were many other companies inside Virginia, for example, that leveraged the same programs that got the help they needed to be successful.

So I think the first step is find whatever available help and resources, funding, you can come by to get you going because going it on your own is a tough road. And you may be successful, but I think your chances are severely diminished.

Mr. CURTIS. Does that start with a call to the chamber? A call to the state? Where does that start to tap into those resources?

Mr. COUCH. Well, it does start with a call, obviously. In my case, they called me, so that made it a little easier. But I would encourage them to check into whatever state programs and federal programs are available, and with a little internet search and a few calls you could be able to narrow it down.

Mr. CURTIS. Thank you.

Mr. Wetherington, you look like you are ready to answer that question.

Mr. WETHERINGTON. No, I would just say for us it was commerce and SBA. So those were the two big pushes. We had already had a plan. And that is the key, is to develop a plan. Do not be too shy about the plan, but also make sure that you have got checks and balances and points where you are looking back at it, assessing how you are performing against what your expansion plan was. And recognize that being there is important. You cannot go and export and not go there. You need to go, meet the people, be on the ground.

Mr. CURTIS. I cannot remember if it was you or somebody referred to risk. Can you address just the risk of going into a new market and what they need to be prepared for?

Mr. WETHERINGTON. We have hammered the IP. That is clearly one of the risks. But you have to think, too, the lifeline or the life cycle of your products as well. How am I going to support the product? How am I going to support with training? How am I going to support with service? You know, consider all of the aspects. If you have a serviceable product, it is not a commodity, what would all the aspects of how am I going to go do business in that country, and then start thinking about are there ways I can do it where I am lumping regions together to gain efficiencies.

Mr. CURTIS. You said we have hammered through the IP and I am going to hammer it a little bit more. I once made an international trip and it was to the Mid-East. Visited a facility that had taken my logo, changed the color on it, and manufactured our equipment there and they did not care. They did not care that I was there to visit them, to see them. And I would just like to add my voice to your voice today in this call for help, this call for predictability, and ask you for resources in calming the markets and calming discussions that will help you be successful.

And then finally, I would just like to add my voice of appreciation to those of you who fight the good fight, who provide manufacturing jobs in this country. We do not have enough of them. To those of you who take risk and invest in these markets, I want you to know from my perspective how much that is appreciated.

I yield my time.

Chairman CHABOT. Thank you. The gentleman yields back.

The gentlelady from Puerto Rico, Ms. González-Colón is recognized for 5 minutes.

Ms. GONZÁLEZ-COLÓN. Thank you, Mr. Chairman. And thank you all the panel for being here.

I think this is one of the biggest issues for our whole nation in terms of how do we create more jobs, not just in the mainland but going abroad with our products. In the case of Puerto Rico, it is the same thing. Thirty-two percent of our manufacturing is actually medical devices and pharmaceuticals. So a lot of our products are going abroad. And one of my questions will be to the Association of Manufacturers. Are you either considered to promote the territories as part of the economic development through the inclusion and free trade agreements?

Mr. WETHERINGTON. So I do not know that I am involved enough with the association to know specifics there. I do know I am on the executive committee as well. Pfizer is on the executive committee. I know that the pharmaceutical companies have done a great job not only with placing the plants there but in the support with recent tragedies. So I know that the members of the NAM aver very involved with that process.

Ms. GONZÁLEZ-COLÓN. The reason I make this question is because when NAFTA was approved, a lot of the businesses in areas of Puerto Rico lost a leading source in the Caribbean and the eastern part were not considered at the time. So it was a big impact in the region at that time. So we are now trying to get involved in those trade agreements before, as part of the United States as it should be. But that is the reason I am asking you directly to consider that as part of the promotion of the Manufacturers Association, including all the territories, because I do know that some territories in the Pacific got their own areas to export.

You were talking about to ease access to credit assistance. In our case, I was hearing to go to Small Business and other agencies. We just face the same situation, but add to that we are on an island so it is more difficult to ship those goods. One of the areas that we are looking to have more partnerships is how do we include those imports and exports as part of the U.S. agenda, not just Puerto Rico as a sole territory but as part of a whole agenda. So that will be one of the areas of promotion of Made in USA products, that we do have that seal, that we should include that.

And during your testimony you were saying that the regulations medical devices confront around the world, how can those agreements solve that situation now? Do you have any specific recommendation on those in terms of medical devices? Because that is an industry we are very committed to that.

Mr. WETHERINGTON. Harmonization is the key. You have to come up with agreements on how you are going to provide those regulations. Manufacturers, especially small manufacturers, we are tenacious. We will deal with change. We will figure out a way to survive. But that uncertainty and things moving dramatically and moving rapidly are things that cause problems. I would take a higher level of regulation—please, I almost do not want to go on record with that.

Ms. GONZÁLEZ-COLÓN. Do not say it louder.

Mr. WETHERINGTON. I would almost take a higher level of regulation if it were harmonized. Then, we could figure out how to deal with it. But having to deal with different standards in every single country I go to where, again, it is used as a whipping post in many cases, that is what makes that difficult.

Ms. GONZÁLEZ-COLÓN. Mr. Couch, I have to say that you represent what is going on in the whole small business industry. All those challenges. We receive calls from our constituents every time regarding how can we direct them to Small Business or other agencies just to get credit, to get promotion on how to manage those commercial missions to different countries. And that is the most difficult, how to get them together to send them abroad. Which countries are being the most helpful in that commercial missions in your experience?

Mr. COUCH. Well, like I said, we have, in the last 4 years, kind of expanded our portfolio into 26 countries. It is certainly easier to remember the most difficult versus the easiest. The easiest I would say are the European countries just because the shipping and the trade barriers are pretty low there. Methods of payment are pretty standard. So we do business in most of the European countries now, and that was certainly almost like doing business inside the United States. So South America, Latin America would have been my second most easiest. There are some challenges in certain countries within that so it is not across the board, but I would say Asia is by far the most challenging. So if I were to kind of step rank it in that way.

Ms. GONZÁLEZ-COLÓN. With that I yield back the balance.

Chairman CHABOT. Thank you. The gentlelady's time has expired. Thank you very much.

And the gentleman from Iowa, Mr. Blum, who is the Chairman of the Subcommittee on Agriculture, Energy, and Trade is recognized for 5 minutes.

Mr. BLUM. Thank you, Chairman Chabot. Thank you to our panelists for being here today.

I think the statistic is 97 percent of the world's consumers—95 percent, let's say, of the world's consumers are outside the United States. So we need access. We need access to those buyers. And I think we all agree, we do not want it to be a race to the bottom in terms of wages. I would guess that American wages are probably higher. Not probably the highest, but maybe higher than almost all of our trading partners companies' workers' wages. So first question I have, and I particularly am interested in hearing from the economist, Mr. Keating. You know what Harry Truman famously said about economists; right? He said he opined for a one-armed economist because he was tired of economists saying "on the other hand."

Mr. KEATING. Yes. The profession deserved it.

Mr. BLUM. My first question is does the United States need tariffs to compete?

Mr. KEATING. No. Why would we need tariffs to compete? I mean, you mentioned wages. It is almost important to understand that what is income tied to? Income ultimately is about productivity. And the reason that we have among the highest paid workers on the face of the planet is because they are among the most productive workers on the face of the planet. So that is number one. And that is key to keep in mind when we talk about, oh, what are workers making in Mexico compared to the United States, or

China versus the United States? But understand, it is all about productivity now. That is how those wages and incomes are determined.

We do not need tariffs to compete. We need just the opposite. We need to engage in more free trade agreements so that other countries lower their tariffs and we can get out there and do business.

Mr. BLUM. I agree with you about productivity. I have two questions on that.

First of all, what types of things lead to increased productivity?

Mr. KEATING. Private sector investment and entrepreneurship. Those are the two critical things. And right, private sector investment and entrepreneurship lead to innovation. This is the package. And we are usually pretty darn good at that. You know, entrepreneurship has suffered in recent times. It is something that we are concerned about at the Small Business and Entrepreneurship Council, not just because they are our members but because that is the lifeblood of our economy. When you go into the international marketplace, one of the big edges, if you will, that the United States has is our entrepreneurship. So, and we have also had, you know, until the past year or so coming out of the last recession, our private sector investment lagged terribly. So we are still trying to catch up on that front.

Mr. BLUM. What can government do on that front? On both those fronts, private sector investment and entrepreneurship? Are we helping or are we hurting?

Mr. KEATING. I always talk about five steps. Tax relief. So we had some good business tax reform. Regulatory relief. We have seen that happening, and at the very least we put the brakes on a more egregious regulation. Free trade, that is critical, so we have to be lowering barriers to trade. And then, of course, sound money and, you know, reigning in the size of government, other things like property rights that we have talked about and so on. But that is the package. So if you get all that moving in the right direction, we are going to do a heck of a lot better.

Mr. BLUM. So are we moving in the right direction in your opinion over the last 18 months?

Mr. KEATING. We are moving in the right direction in taxes. I think we are moving in the right direction on regulation. I am very concerned, obviously, on the trade front in terms of what we are doing there. And I think we still have a lot of work to do in terms of reigning in government. And we will see what the new Fed Chairman does in terms of sound money. So there you go.

Mr. BLUM. Gentlemen, answer to can we compete without tariffs? And if we can, how can we encourage increased productivity, entrepreneurship, private sector capital investment?

Mr. WETHERINGTON. I agree that tariffs are a hindrance to our growth and improvement, not an assist. My company, we were ready to open up a new market in Vietnam when TPP was going through. My products receive about a 23 percent tariff when we go there. My German competitors have none. The tariffs on products from Vietnam coming to the United States were miniscule, you know, 2 percent maybe. So that is the example of we do not have very high barriers for doing trade in the United States. Most of the free trade agreements that we would be looking at are lowering other countries' barriers, which are only going to help with the exports.

Mr. BLUM. Mr. Couch?

Mr. COUCH. I am trying to think through what we could do to spur innovation entrepreneurship. That is obviously something a lot of small businesses—it is high on their list and it is a struggle. I wish I had a good answer. We, as a small company, just prioritize it. I do not know if additional funding or some sort of, again, external help would be of value, but it is one of the highest priorities a company can have because that is their longevity. That is how you move forward in the future. So I do not have a good answer, but if somebody does, please let me know.

Mr. BLUM. I am a small businessman myself.

Mr. COUCH. We are trying to figure that out.

Mr. BLUM. My answer to that would be get off my back with excessive regulations so I am not spending time and money on that. Get out of my back pocket with excessive taxes so I am not spending time and money on that. And we would have some time and money to spend then on innovating being creative would be my answer to it.

But thank you so much. My time is expired and I yield back.

Chairman CHABOT. Thank you very much. The gentleman's time has expired.

And we want to thank all the members here. We want to thank our distinguished panel here this morning and now into this afternoon for your testimony and your response to all the questions.

There is no question that strong trade agreements make America's small businesses more competitive and they just continue to be a fundamental component of the United States' trade agenda. And so thank you for helping us to better understand this and to act on this in all different ways that we have the ability to do that and to talk to other members who are involved in this and the administration as well. So thank you.

With that, I would like to ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned.

We are adjourned. Thank you very much.

[Whereupon, at 12:06 p.m., the Committee was adjourned.]

APPENDIX

NATIONAL ASSOCIATION OF
Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Chuck Wetherington
President, BTE Technologies, Inc.
on behalf of the National Association of Manufacturers

for the Hearing of the House Committee on Small Business

on "The State of Trade for America's Small Businesses"

April 11, 2018

Testimony of Chuck Wetherington,
President, BTE Technologies, Inc.
on behalf of the National Association of Manufacturers

Before the

U.S. House of Representatives
Committee on Small Business

April 11, 2018

Chairman Chabot, Ranking Member Velázquez and members of the Committee on Small Business, thank you for the opportunity to testify today about the state of trade for America's small businesses.

My name is Chuck Wetherington, and I am the president of BTE Technologies, which is based in Hanover, Maryland. BTE Technologies is widely regarded as the leading provider of advanced solutions for physical testing and rehabilitation. My company's advanced physical therapy equipment improves clinical decision-making, generates measurable outcomes and enhances the success of the modern orthopedic hospital and physical therapy clinic. In addition, our professional services business provides world-class workplace injury avoidance solutions for Fortune 500 companies.

I am pleased to testify today as a member of the Board of Directors and on behalf of the National Association of Manufacturers (NAM), the largest manufacturing association in the United States, representing more than 14,000 manufacturers small and large in every industrial sector and in all 50 states. Manufacturing employs nearly 12.6 million women and men across the country, contributing $2.25 trillion to the U.S. economy annually. If manufacturing in the United States were a separate country, it would be the ninth-largest economy in the world. More than 90 percent of NAM members are small and medium-sized businesses like BTE Technologies.

I. Global Trade Is Important to Small Manufacturers in the United States

Global economic growth over the past quarter century has created record levels of demand for advanced and high-quality consumer and durable manufactured goods, including the products manufactured by BTE Technologies at our facilities in Maryland and Colorado, as well as many other small businesses. Thanks to global, bilateral and regional trade agreements that have lowered barriers and set basic rules of commerce—and thanks to improved telecommunications and transportation services that better connect global customers and suppliers—small manufacturers in the United States have already been able to benefit substantially from this growth beyond our borders.

U.S. goods exports have quadrupled since 1980 (as shown in Figure 1), and they've more than doubled since the 1990s, reaching nearly $1.3 trillion in 2017. Overall, U.S.-manufactured goods exports comprised 9.4 percent of global exports of manufactured goods in 2016.[1]

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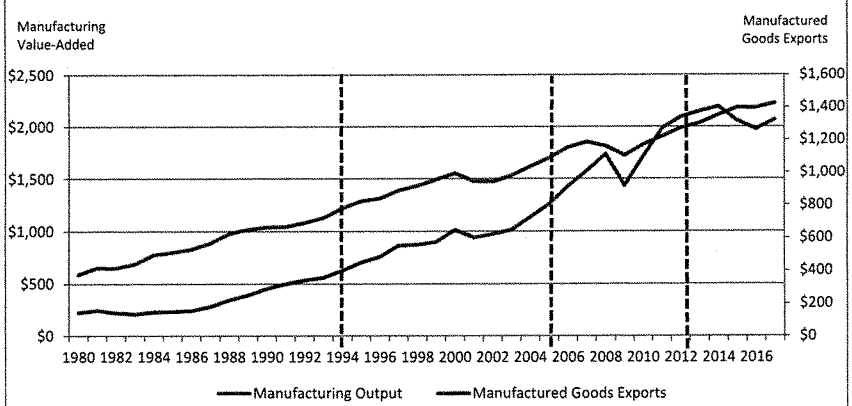
[1] World Trade Organization, Statistic Database, accessed at http://stat.wto.org/Home/WSDBHome.aspx?Language=E.

Figure 1: U.S. Manufacturing Output and Exports, in Billions of U.S. Dollars, 1980–2017



Sources: Bureau of Economic Analysis, U.S. Commerce Department (2017 data through Q3), United Nations Database (for output data before 1997), World Trade Organization (for export data before 2002)

This growth in U.S.-manufactured goods exports is not just important to large companies but also to the small and medium-sized companies that make up the vast majority of manufacturing firms in the United States. Of the nearly 73,000 manufacturing firms in the United States that exported in 2015, more than 70,000 (or 96.4 percent) were categorized as small or medium-sized manufacturers, of which more than 44,000 (or nearly 61 percent) were manufacturers with fewer than 100 employees.[2]

Overall, the United States exports more than half of its total manufacturing output, supporting about half of all—in other words, 6 million—U.S. manufacturing jobs and contributing directly to the success of local communities. On average, manufacturing jobs pay $82,023 annually, including pay and benefits, 27 percent higher than the average wages of $64,609 in all nonfarm industries in 2016.[3] Manufacturing in the United States provides rewarding and meaningful careers and supports communities throughout all 50 states, although it is also transforming as it adapts to a changing world at home and abroad. Notably, export-related jobs have also been demonstrated to pay on average 18 to 20 percent more than jobs not related to exports.[4]

[2] U.S. Department of Commerce, compiled from data accessed at http://tse.export.gov/EDB/SelectReports.aspx?DATA=ExporterDB.

[3] NAM, Top 20 Facts About Manufacturing, accessed at http://www.nam.org/Newsroom/Facts-About-Manufacturing/.

[4] See *e.g.*, U.S. Department of Commerce, "The Role of Exports in the U.S. Economy" (May 13, 2014); Bernard, A. and J.B. Jensen, "Exceptional Exporter Performance: Cause, Effect, or Both?" *Journal of International Economics* 47: 1–25 (1999); Riker, David, "Do Jobs In Export Industries Still Pay More? And Why?" Manufacturing and Services Economics Brief, International Trade Administration, U.S. Department of Commerce (July 2010), accessed at http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf.

II. Small Business Trade Challenges Are Both Distinct and Similar

While trade is important to many small businesses, less than 1 percent of America's 30 million companies (large and small) export—a percentage that is significantly lower than all other developed countries. Of U.S. companies that do export, 58 percent export to only one country. Many manufacturers, as well as other businesses, would benefit from broadening the scope of their exports to new markets. At BTE, we have consistently focused on expanding to new markets every two to four years, the latest being the Gulf Cooperation Council of six Middle Eastern countries, to which exports in three years have grown from virtually nothing to 20 percent of our exports, or 9 percent of our total product revenues.

Some of the challenges small businesses face are similar to larger businesses, including tariffs and other market access barriers, lack of transparency, discriminatory policies and weak protection of intellectual property. As discussed below, many of these issues can be addressed through well-crafted trade agreements that consider in their negotiation and implementation ways to address the needs of small businesses more directly.

Other challenges are more specific to small businesses, such as access to export credit, payment and receipt guarantees, foreign market intelligence, identification and development of foreign customers and navigating foreign government regulatory approvals and procedures.

As a medical device manufacturer, I find it easy to identify the largest hurdle we face in exports—the myriad regulatory regimes we confront around the world, which often have conflicting guidelines and requirements. As one example, I just returned from China, where the government recently undertook major overhauls to its medical device regulations—but is now rolling those updates out piecemeal, without any clear path to follow toward compliance. Regulatory harmonization needs to be an important part of any trade agreement negotiation and U.S. trade strategy now and in the future.

III. Global Competition Is Fierce

Just as U.S. manufacturing and trade have grown, so too has world manufacturing production and trade in manufactured goods. Global manufacturing value-added production has grown substantially over the past 25 years, as has global trade in manufactured goods annually. The United States continues to occupy a strong share of global trade in manufactured goods, even as other countries have continued to grow. Even though we represent only 5 percent of the world's population and 10 percent of the global economy, U.S. value-added manufacturing production accounts for 16.9 percent of global manufacturing value-added output.[5]

Countries such as Germany, Mexico and China, however—along with others across Asia, Europe and the Western Hemisphere—have undertaken much more active programs to spur their industries' exports and entry into foreign markets, particularly aiding small businesses, which typically face the largest barriers to exports and sales overseas. These activities include the following:

- Free Trade Agreements: Of the more than 270 free trade agreements (FTAs) worldwide, the United States is party to only 14 FTAs with 20 countries. Notably, every member of the European Union (EU) has tariff and barrier-free access to all other 27 EU nations, as well as

[5] World Bank, World Development Indicators, accessed at http://wdi.worldbank.org/table/4.3.

being part of FTAs with more than 40 countries. The EU is also actively negotiating trade agreements with many markets critical for U.S. exports, including an updated agreement with Mexico and a new agreement with Japan, and recently concluded negotiations with Vietnam. Mexico has FTAs with more than 40 countries, while China has FTAs with 20 countries, partial FTAs with another four countries and is in numerous active negotiations.[6] The United States is only currently in active negotiations to modernize the North American Free Trade Agreement (NAFTA) and has not initiated any new trade agreement negotiations with countries beyond existing FTA partners.

- Export Credit Assistance: More than 90 countries back export credit agencies (ECAs) that work overtime every day to support the success of their own domestic industries in foreign markets. The ECAs of our top-nine trading partners provided nearly half a trillion dollars in official annual export support, and countries like China, South Korea, Canada and Brazil have increased their ECA export support massively. At the same time, our own Export-Import (Ex-Im) Bank has been hobbled since 2015, lacking a sufficient quorum of members, which—among other problems—prevents the bank from implementing Congress' reforms or approving loans greater than $10 million.

- Other Forms of Export Assistance: Countries in Europe, Asia and throughout the Western Hemisphere provide other forms of assistance to their industries to enter into foreign markets. Some of the programs are similar to those offered by the U.S. Department of Commerce, the Small Business Administration (SBA), the Overseas Private Investment Corporation, the Trade and Development Agency and other U.S. programs, although many other countries provide more resources, staff, services and emphasis on export promotion than in the United States and easier access to export financing.

IV. Proposals to Improve the Trade Landscape for Small Manufacturers

As this committee considers initiatives that would help grow small businesses through greater trade engagement, let me propose three key approaches:

1. Negotiate and Implement Market-Opening, High-Standard and Enforceable Trade Agreements

BTE, like many other small business manufacturers, has benefitted significantly from market-opening agreements, including NAFTA and the U.S.–Korea Free Trade Agreement (KORUS FTA).

For BTE alone, we saw growth in exports to South Korea of 130 percent once the United States ratified the KORUS FTA. Negotiating additional trade agreements to eliminate foreign barriers, raise standards, address regulatory barriers and provide strong enforcement tools to hold other countries accountable will better enable companies like BTE to expand overseas sales and thereby help support manufacturing and grow jobs here in the United States. We look forward to learning more about updates to the KORUS FTA that have been announced.

Of top importance is maintaining and growing strong commercial engagement throughout North America given that the North American[7] commercial market is the most important market in

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[6] Data compiled from World Trade Organization, Regional Trade Agreements database, accessed at http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx.

[7] For purposes of this submission, North America will refer only to Canada, Mexico and the United States unless stated otherwise.

the world. For that reason, manufacturers are seeking a successful NAFTA modernization. Canada and Mexico are the two largest foreign purchasers of U.S.-manufactured goods, purchasing one-third of all U.S.-manufactured goods exports in 2017, more than the next 10 U.S. trading partners combined. AT BTE, NAFTA is critical for trade in both directions, as we import manufactured subcomponents for our assembly operations in the United States and export finished goods back to Canada. In addition, our workplace safety business has a Canadian subsidiary, which could be greatly affected—positively or negatively—by the modernization of NAFTA depending on the outcomes achieved.

The deep North American commercial relationship has grown with partnerships that manufacturers in the United States have built with businesses in Mexico and Canada, enabling manufacturing in the United States to be more competitive globally than if those partnerships did not exist. U.S. manufacturing output has nearly doubled since NAFTA was negotiated, and U.S.-manufactured goods exports to Canada and Mexico alone support the jobs of more than 2 million men and women in the United States. Most U.S. manufacturing sectors (36 out of 42) count Canada or Mexico as their top foreign purchasers, and Canada or Mexico are also the largest or second-largest export market for manufacturers in 46 U.S. states.

NAFTA was negotiated more than 24 years ago, before many of the major technological and energy innovations that have helped change what and how the United States manufactures here and currently can be updated. To that end, the NAM put forward a 10-point plan in June 2017 to modernize NAFTA in a manner that will eliminate barriers, raise standards and strengthen enforcement to grow manufacturing and jobs in the United States. In particular, the NAM is seeking a modernized and improved NAFTA that will:

- Eliminate remaining distortions and barriers in Canada and Mexico;
- Raise standards to U.S. levels, including with respect to science-based regulatory practices, transparency, competition, the protection of private property and investment overseas and intellectual property;
- Include new digital trade provisions important to small manufacturers and those creating and relying on new technologies;
- Remove unnecessary red tape at the border and duplicative regulations that hold manufacturers back;
- Seek greater collaboration by the United States, Canada and Mexico to take action to stop trade cheating from third countries; and
- Maintain and enhance neutral and strong enforcement mechanisms, including investor-state dispute settlement, so-called ISDS.

Any outcomes from the ongoing NAFTA modernization negotiations must sustain and grow higher-paying American jobs and fuel U.S. manufacturing production, exports and competitiveness. To be successful, a renegotiated NAFTA must also be fully consistent with the substantive Trade Promotion Authority trade-negotiating objectives contained in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. At the same time, it is vital to ensure that any renegotiation does not set back U.S. manufacturing or manufacturing jobs. Changes to NAFTA that would increase red tape and complexity, substitute government decision-making for the free market or raise taxes, tariffs, merchandise processing fees and other cost barriers—including with respect to rules of origin or concerning restricted access to foreign procurement markets—will undermine, rather than incentivize, manufacturing in the United States and North America more broadly.

The NAM is working with the Trump administration and Congress to support outcomes that will meet these objectives and, in turn, grow manufacturing, improve competitiveness and secure more well-paying jobs across the United States.

Beyond NAFTA, manufacturers are interested in opening markets in Europe, Asia, the Western Hemisphere and beyond.

2. Restore the Ex-Im Bank to Full Functionality and Provide Other Export Credit Opportunities

Export credit remains a real and significant issue for small business exports. For companies like BTE that sell to foreign government-run hospitals, the Ex-Im Bank has played a critical role in our ability to win foreign contracts. Unfortunately, since mid-2015, the Ex-Im Bank has been operating well below capacity, unable to consider loans greater than $10 million. As a result, manufacturers in the United States have lost billions of dollars in deals, and tens of thousands of American workers have lost opportunities for well-paying jobs supported by the exports that the Ex-Im Bank could have helped secure. Currently, we are pressing the Senate to move forward on the four board nominees awaiting confirmation so that the Ex-Im Bank can be returned to full functionality.

In addition, we support programs like the SBA's State Trade and Export Promotion (STEP) program and other mechanisms that will provide small manufacturers greater access to credit for overseas sales and domestic expansions.

3. Tailor and Improve U.S. Market and Export Promotion Assistance

Manufacturers like BTE Technologies greatly benefit from coordinated commercial advocacy across the U.S. government, improved trade promotion coordination between state and federal governments and better access to user-friendly market data to help promote small business access to overseas markets. Many small manufacturers are, for instance, working with the NAM in its efforts with the Department of Commerce and other U.S. government agencies to heighten the U.S. strategy for addressing differential, discriminatory and nontransparent regulatory regimes and technical standards overseas. More focus on this type of work is needed.

In the past three years, BTE has benefited directly from the SBA's STEP program, receiving grants to offset costs of participating in trade events in Europe and the Middle East. Conservatively, we have seen a return on these endeavors in excess of 100 to 1 for every grant dollar put to work in our company.

V. Conclusion

Trade is vital for our nation's small business manufacturers. We need open markets and strong, enforceable agreements that eliminate barriers and set in place strong rules to promote fairness. Small manufacturers also need to be on a level playing field with our competitors overseas when it comes to export financing and the range of export promotion activities so that our manufacturers can compete and succeed in markets around the world.

Chairman Chabot, Ranking Member Velázquez and members of the committee, thank you for your work on global trade and competitiveness issues on behalf of small businesses and for holding this hearing.

STATE INTERNATIONAL DEVELOPMENT ORGANIZATIONS

Testimony of Ken Couch

Director of Product Management
ComSonics, Inc.
On behalf of the State International Development Organizations (SIDO)
House Small Business Committee

April 11, 2018

11:00 a.m. EST

Chairmen Chabot, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to testify before you today.

My name is Ken Couch; I am the Director of Product Management for ComSonics and have also been the International Business Development Director for the past four years. My objectives as the Director of International Business Development was to identify and cultivate new international business opportunities for ComSonics.

ComSonics is a test equipment provider to the cable TV industry. We helped start the first cable TV network in the United States some 45 years ago. More specifically, our equipment is focused on a sector called "Proactive Network Maintenance" which can be summarized as equipment and services that help cable TV operators proactively find network and in-home cable faults that cause your TV and Internet services to perform poorly. Our primary customers in the United States are companies like Comcast, Charter, and Altice. In addition to test equipment sales, ComSonics also has several other business units. These include contract manufacturing which enables ComSonics to produce our own equipment as well as products for a multitude of other industries. We are proud to say that our products are "Made in America". We are also a leading services provider to the cable TV operators by providing repair services for all types of equipment that make up the cable TV network. ComSonics currently employs about 250 employees across the United States with locations in Virginia, Georgia, Indiana, and California.

ComSonics annual revenue for 2017 was $47 million. Our revenue for international sales four years ago was hovering around $100,000. In 2018, we expect to generate about $2.4 million in international sales. This is a 2,300% increase. Over the last four years, we have grown our international customer base from a few countries to over 26 countries spanning Latin America, Europe, and Asia.

I would like to take this opportunity to testify about the vital role that international trade programs of the Virginia Economic Development Partnership (VEDP) and the State Trade and Expansion Program (STEP) managed by the U.S. Small Business Administration (SBA) have played in helping ComSonics and many other companies achieve success in growing our international business.

As a typical representative of a small business and one who has been through the process, I feel like I have a very good understanding of the barriers to starting international business. I would summarize these barriers into the following categories:

1. Where to start? Is there a market for our products? How big?
2. Which countries should I target? How many? Which ones?
3. How can I uncover business contacts in other countries?
4. Are there any cultural differences that can impact the business relationship?
5. What are the risks and investment requirements for our company?
6. What are the trade barriers such as shipping and customs?
7. What are the legal risks associated with exporting?
8. What are best practices for getting paid, especially from Asian companies?
9. What level of financial resources are necessary to be successful in international business development?

Each of these barriers are specifically and systematically addressed through the VEDP and STEP programs. Once our company was prepared to travel based on research provided by the VEDP, our company then was funded to be able to travel through the STEP grant. ComSonics is proof of what can be achieved if all of the resources are effectively used. Without the assistance of the VEDP and STEP, I would venture to say that ComSonics would not have been successful. The barriers listed above would have been insurmountable if ComSonics attempted to build our international business without governmental help.

How specifically does VEDP and STEP help a company overcome these barriers? The general answer is that they bring all of the needed experts and resources together in the context of regular meetings to assist, in our case, a Virginia company seeking to enter foreign markets. In addition, through STEP, they provide the funding needed to help pay for these resources that a company could otherwise not afford or would consider too high of an investment risk. However, I believe the most meaningful form of support comes in the form of the trade missions that are offered to small and medium enterprises (SMEs). These missions are the cornerstone that provide companies with a chance to meet with perspective international customers. While the VEDP coordinates the mission itself, STEP is an essential part by providing funds for travel on these missions. The VEDP international trade missions help companies by:

- Identifying prospective target markets
- Providing access to in-country experts and consultants
- Identifying prospective customers within those targeted countries
- Setting up meetings with the prospective customers
- Providing translation services if needed
- Arranging in country transportation
- Providing funding needed for the trip

All a company must do is show up and pitch its products and/or services to the prospective customers. I could not conceive of a better program to help companies jump start their international business. It is highly unlikely that any small business could overcome these barriers without the assistance that is provided through the VEDP program and STEP grant.

The other strength of these programs is that they bring all of the need resources together and make them available to companies in a one-stop shopping fashion. VEDP brings experts and resources together that cover all aspects of trade barriers: legal, banking, shipping, consulting. I have also learned from other companies enrolled in these programs as they share their experiences. Each company is assigned a VEDP advisor who consults with them on a regular basis and helps track their progress.

One of the most significant barriers to success in international business is the investment of resources without any known return. Companies often do not have the needed funds or they are unwilling to take the investment risk. This is where both the VEDP and

STEP programs play a crucial role. For example, China has the lure of being a very large market. However, it is also one of the most challenging markets to enter. Without the funding and in-country resources made available to ComSonics, we would have never attempted to enter this untapped market. We now have in roads to many of the cable TV operators in China and have developed a very strong relationship with local distributors.

The STEP grant program is also valuable in the assistance it provided in funding companies' participation in international trade shows. This has helped ComSonics continue our international market growth. It is my understanding that Virginia has been able to assist hundreds of SME's via the STEP grants that it has received over the past five (5) years.

I do not want to leave you with the impression that every company who works with the VEDP and STEP will be successful. One of the key ingredients for success is that a company must be willing to dedicate full time resources to international business development. I have seen companies fail because they were unwilling to ante up to compete in a global market. It takes dedication and perseverance. I can attest that after flying some 700,000 miles around the globe, it does take extra effort to succeed. These elements are not under the direct control of VEDP and STEP as they cannot do everything to help a company be successful. However, if a company is willing to invest dedicated resources to exporting, success can certainly be attained. Of course, it also helps if you have a product or service that has demand in other countries.

With respect to the changes to NAFTA and trade tariffs, ComSonics' concerns are twofold:

- While our products are manufactured in Virginia and do not contain large amounts of steel or aluminum, many of our electrical components are sourced from China and other parts of Asia. If import tariffs are placed on these electrical components, this will increase the cost of our products and potentially impact our ability to compete in a global market.

- If Asia or Europe decide to raise import tariffs on electronic equipment in response to our tariff policy, this will also decrease our ability to compete with international competitors.

In addition, some of our new product lines could be affected. Much of the telecommunications and cable TV industry are moving towards a fiber optic type infrastructure. In order to be competitive in the fiber optics test equipment arena, ComSonics has elected to OEM products from China for both time-to-market and cost reasons. Our primary competitive advantage to enter this new market is price. However, if import and reciprocal export tariffs are imposed on these products, it is unclear as to whether we can maintain a pricing competitive advantage.

In summary, I would like to leave the Committee with the following key points to consider:

1. Small businesses typically do not have the resources or expertise to build an international business from ground zero.

2. Small businesses tend to be risk adverse to invest money into international markets that are untested and unknown.

3. Without the support of programs like the VEDP and STEP, the barriers to entry into international markets are almost insurmountable. These programs are vital to cultivate the success of small business to start and grow international sales.

I want to thank the Committee again for your time, support, and leadership on this issue. I believe that continued funding and support of these programs are a crucial part of helping small businesses compete in the global marketplace and, in turn, grow our domestic economy.

Again, thank you and the Committee for the opportunity to appear before you today, and I look forward to your questions.

SBE COUNCIL
Small Business & Entrepreneurship Council

The State of Trade and Small Business

Testimony by
Raymond J. Keating
Chief Economist
Small Business & Entrepreneurship Council

Before the
Committee on Small Business
U.S. House of Representatives

The Honorable Steve Chabot, Chairman
The Honorable Nydia Velazquez, Ranking Member

April 11, 2018

Chairman Chabot, Ranking Member Velazquez, and Members of the Committee, thank you for hosting this important hearing today on the state of international trade and small business. The Small Business & Entrepreneurship Council (SBE Council) is pleased to submit this testimony.

My name is Raymond J. Keating, and I am the chief economist for SBE Council, and the author of assorted studies and books, including *Unleashing Small Business Through IP: The Role of Intellectual Property in Driving Entrepreneurship, Innovation and Investment*. Also, for a decade, I taught a variety of courses to MBA students, including, for example, advanced innovation and entrepreneurship.

SBE Council is a nonpartisan, nonprofit advocacy, research and training organization dedicated to protecting small business and promoting entrepreneurship. With some 100,000 members and 250,000 small business activists nationwide, SBE Council is engaged at the local, state, federal and international levels on policies that enhance competitiveness, and improve the environment for business start-up and expansion, and economic growth. For nearly 25 years, SBE Council has focused its work on private initiatives and policies that strengthen the ecosystem for startup activity and small business growth.

International Trade and the U.S. Economy

It is important to start out on a foundational point, i.e., that free international trade amounts to a significant plus for the economy, consumers and small businesses. In fact, the net benefits of free trade are one of the very few points upon which most economists agree.

As for the main points supporting freer trade, they include the following:

First, it is important to keep in mind that governments do not trade; rather, individuals and businesses do. There's no difference between trading across town, across the nation or around the globe. Trade occurs between individuals, between businesses, and between individuals and businesses. And parties would not trade – that is, would not buy and sell products – if they were not made better off by such voluntary transactions. Therefore, trade, by definition, makes people better off.

Second, thanks to lower barriers to trade, competition is expanded and resources are allocated more efficiently. In turn, consumers experience a wider choice of products and lower prices.

Third, entrepreneurs, businesses and workers experience greater opportunity, as more markets are open to their goods and services. Of course, just over 95 percent of the world's population reside outside the United States.

Fourth, as individuals and businesses specialize in those areas where they have a comparative advantage – that is, their largest advantage – and then trade with others, economic, productivity and income growth are boosted.

Fifth, international trade is deeply integrated in and vital to the U.S. economy. Consider, for example, that real total trade (exports plus imports) in 1955 equaled 6.1 percent of real U.S. GDP. That grew to 29.3 percent in 2017. U.S. exports as a share of the economy jumped from 2.7 percent of GDP to 12.8 percent over this period, and imports from 3.4 percent of GDP to 16.5 percent.

Indeed, growth in trade equals or accounts for a significant portion of U.S. economic growth, at least 40 percent in recent times, as noted in Tables 1 and 2.

Table 1: Growth in Trade as Share of GDP Growth, 1980 to 2017

Growth in...	Share of Real GDP Growth
Exports	17.1%
Imports	23.0%
Total Trade	40.0%

Data Source: U.S. Bureau of Economic Analysis. Author's calculations.

Table 2: Growth in Trade as Share of GDP Growth, 2000 to 2017

Growth in...	Share of Real GDP Growth
Exports	20.6%
Imports	23.8%
Total Trade	44.3%

Data Source: U.S. Bureau of Economic Analysis. Author's calculations.

To sum up, free trade reduces costs through enhanced competition and lower trade barriers; expands choices and lowers prices for consumers; keeps U.S. firms competitive; opens new markets and opportunities for U.S. goods and services; expands economic freedom; and feeds economic growth.

On Imports and Trade Deficits. Given the current debate on trade, including policy decisions working against free trade, it is important to quickly point out that imports are not economic negatives, nor are trade deficits.

On the imports front, growing imports correspond with expanding domestic production. That is, when the U.S. economy is growing, it is natural that imports of consumer, intermediate and capital goods commensurately increase. Also, imports aid the economy by boosting competition, which drives domestic businesses to be more innovative and to improve productivity. Again, consumers and domestic business, including small firms, wind up with increased choices and lower prices. In turn, those lower prices free up resources for saving, investing and making other purchases.

Meanwhile, an expanding U.S. trade deficit usually signals strong U.S. economic growth. That is, periods of higher U.S. economic growth generally coincide with shrinking trade surpluses or mounting trade deficits, and economic slowdowns and recessions line up with declines in trade deficits. The U.S. trade deficit shrank dramatically during the most recent recession. The deficit also declined during the poor economy of 1990-91. And during the economic woes of 1979 to 1982, the trade deficit again declined notably, even moving to a trade surplus for two of those years. In contrast, periods of solid growth have seen the trade deficit expand, such as during 1982 to 1986, 1996 to 2000, and 2002 to 2006.

Why is this? First, as noted previously, strong economic growth naturally drives demand for imports by both consumers and businesses. Second, a current account trade deficit (that is, a deficit in terms of goods and services) means there must be a capital account surplus (that is, a surplus in terms of investment moving into and out of the U.S.). That is, foreigners are viewing the U.S. favorably in terms of investment opportunities.

Economist Richard Rahn, in a recent column for *The Washington Times* ("Destructive Information," March 26, 2018), offered an illuminating analysis on why the trade deficit basically is, in effect, irrelevant: "The trade deficit is of little importance, but as we now see, a focus on that number is causing the president and others to impose destructive tariffs and other harmful trade restrictions. The trade deficit, which is officially known as the 'current account balance,' is merely the residual of many other policies by both the U.S. and foreign governments."

Rahn looked at data for 13 countries, and reported that "there is no obvious relationship between a country's trade deficit, level of prosperity, growth in GDP per capita or tariff rate." He clarified, "Some rich jurisdictions, like Singapore, Switzerland and Hong Kong, have zero tariffs (free trade) and run large trade surpluses. Some high-tariff countries, like Mexico, have run trade deficits, while having had low growth rates, coupled with a low per capita income. China has had a very high rate of per capita economic growth over the last 25 years, and high tariff rates, but still has a relatively low per capita income. Japan and Italy have had relatively low tariff rates, and low growth, but substantial trade surpluses. Italy and Ireland have had the same relatively low average tariff rate (both being members of the European Union), and both run trade surpluses."

Another point from Rahn must be noted: "The U.S. government has been keeping foreign trade statistics since 1790. In the majority of years, the U.S. ran a trade deficit and an offsetting capital surplus (meaning more money was invested in the U.S. than U.S. companies and individuals invested in the rest of the world). The U.S., by productively using inexpensive foreign capital, was able to create the world's biggest and wealthiest economy."

In fact, a growing U.S. economy is fed by investment, including from foreigners, and by expanding exports, with economic growth also reflecting and being further fed by being open to imports. In the end, when U.S. exports and imports are both growing, that's good news for the U.S. economy, no matter what the trade deficit might be.

Small Business and International Trade

Combine the importance of trade in the U.S. economy with the fact that our economy largely is a small business economy – meaning that most U.S. businesses are small and mid-sized enterprises – then it is surprising that most people still seem to assume that trade is overwhelmingly about large businesses.

In reality, though, in terms of the number of firms involved, international trade is largely about small and mid-sized businesses. In fact, the overwhelming majority of businesses involved in international trade are small firms. For example, as noted in Table 3, 76.2 percent of U.S. exporter have fewer than 20 employees, and 86.7 percent fewer than 50 workers.

Table 3: U.S. Exporters 2015:
Percent of Firms by Number of Employees

# of Employees	Percent
Less than 20	76.2%
Less than 50	86.7%
Less than 100	91.9%
Less than 500	97.6%

Data Source: U.S. Census Bureau

The story largely is the same for U.S. importers. As noted in Table 4, 75.2 percent of importers have fewer than 20 workers, and 85.5 percent fewer than 50 workers.

Table 4: U.S. Importers 2015:
Percent of Firms by Number of Employees

# of Employees	Percent
Less than 20	75.2%
Less than 50	85.5%
Less than 100	90.8%
Less than 500	97.2%

Data Source: U.S. Census Bureau

Therefore, policymaking that lowers governmental barriers to trade is unmistakably pro-small business. And in contrast, measures that raise the costs of or limit trade amount to real negatives for the entrepreneurial sector of our economy.

Just as there are clear positives derived from free trade, there are clear negatives from protectionist measures that increase governmental costs and barriers to trade. Consumers, of course, are confronted by fewer choices and higher costs due to the fact that protectionism shields companies from competition, which reduces efficiency, diminishes quality, and limits innovation. For good measure, protectionism not only limits opportunities in the international marketplace for U.S. entrepreneurs, businesses and workers as other nations inevitably retaliate, as we are seeing now, but U.S. businesses and workers pay more for whatever product is being shielded from competition thanks to protectionist policies.

As *The Wall Street Journal* observed ("How to Punish American Workers," February 19, 2018) regarding U.S. proposed tariffs on steel and aluminum imports:

> "Each option would raise prices for U.S. industries such as construction, transportation and mining. About 16 times more workers are employed today in U.S. steel-consuming industries than the 140,000 American steelworkers. Economists Joseph Francois and Laura Baughman found that more U.S. workers lost jobs (200,000) due to George W. Bush's 2002 steel tariffs than were employed by the entire steel industry (187,500) at the time. Job losses hit Ohio (10,553 jobs lost), Michigan (9,829) and Pennsylvania (8,400).
>
> "About a quarter of a car's cost is tied to steel, which is also a key component of domestically-produced wood chipper knives used in lumber, sawmills and landscaping. The oil-and-gas industry uses steel in drilling equipment, pipelines, production facilities, terminals and refineries. Aluminum inputs make up nearly half of the cost of a beer can.
>
> "Raising the cost of steel and aluminum inputs would impel many manufacturers to move production abroad to stay competitive globally."

Keep in mind that more than 55 percent of all U.S. goods imports in 2017 were inputs for U.S. businesses, that is, they were intermediate goods or capital goods. So, increasing tariffs or establishing quotas on imports is in effect imposing a tax increase on a wide array of U.S. small businesses, such as manufacturers. In turn, among U.S. manufacturing employer firms, 74.6 percent have less than 20 employees, 93.5 percent less than 100 workers, and 98.5 percent less than 550 employees. It then follows that workers and consumers suffer accordingly.

Small Business and NAFTA

Let's zero in on one trade agreement still generating unwarranted controversy nearly a quarter century after taking effect – the North American Free Trade Agreement (NAFTA).

The U.S. has benefited tremendously from NAFTA. Canada is the U.S. top partner in terms of total trade, including ranking as the top U.S. export market, and Mexico is number three, including being the second largest U.S. export market. For good measure, as estimated in a study for the U.S. Chamber of Commerce, 14 million jobs in the U.S. depend on trade with Canada and Mexico, with 5 million of those net jobs supported by increased trade under NAFTA.

Since free trade accords went into effect with Canada, Mexico and the U.S., export growth from the U.S. to both nations has been strong. The U.S. entered in a free trade agreement with Canada first, taking effect in 1989. From 1988 to 2017, U.S. goods exports to our neighbor to the north increased by 294.3 percent. (Over the same period, inflation (as measured by the GDP price index) increased by 82.8 percent.)

Export growth has been particularly strong with Mexico since NAFTA took effect in 1994. U.S. goods exports to Mexico grew by 484.4 percent from 1993 to 2017. That was more than double the growth in U.S. exports to the world, which registered a 239.5 percent increase over the same period. (Inflation increased by only 56.9 percent over this period.)

Import growth was even more robust. Goods imports from Canada grew by 268.6 percent from 1988 to 2017, and goods imports from Mexico expanded by 686.7 percent from 1993 to 2017. Again, those imports include consumption goods as well as intermediate and capital goods, with U.S. consumers and businesses benefiting from the expanded choices and lower costs that come with lower barriers to imports.

Given the role that small businesses play in trade, NAFTA clearly has been good news for the entrepreneurial sector. In 2015, there were 89,106 firms that were exporters to Canada, as well as 59,428 firms exporting to Mexico. In each case, as noted in Table 5, these overwhelmingly are small and mid-sized businesses. For example, 75.4 percent of firms exporting to Canada and 72.7 percent of firms exporting to Mexico have fewer than 50 employees.

Table 5: U.S. Exporters 2015:
Percent of Firms by Number of Employees

# of Employees	Canada	Mexico
Less than 20	60.1%	58.1%
Less than 50	75.4%	72.7%
Less than 100	83.9%	81.7%
Less than 500	94.6%	93.8%

Data Source: U.S. Census Bureau

For good measure, the growth in the number of U.S. firms exporting to both Canada and Mexico has been dramatic. From 1992 to 2015, there was an 81.4 percent increase in the number of U.S. exporters to Canada and a dramatic 365.5 percent increase in those exporting to Mexico. NAFTA has been a growth engine for small business.

As for imports, in 2015, there were 16,799 U.S. firms that were importers related to Canada, and 15,290 U.S. firms were importers related to Mexico. Once more, the vast majority were small and mid-sized businesses, as noted in Table 6. For example, 54.8 percent of Canada importers and 67.5 percent of Mexico importers have fewer than 50 employees.

Table 6: U.S. Importers 2015:
Percent of Firms by Number of Employees

# of Employees	Canada	Mexico
Less than 20	42.0%	57.4%
Less than 50	54.8%	67.5%
Less than 100	64.4%	74.3%
Less than 500	82.7%	86.7%

Data Source: U.S. Census Bureau

Small Business and Trade with China

As for trade with China – also under fire currently – consider that U.S. goods exports to China from 2001 (the year that China was admitted to the WTO) to 2017 grew by 579 percent. And over the same period, U.S. imports from China – goods for consumers, and intermediate and capital goods for businesses, including for small businesses – grew by 394 percent. That's strong growth – far outdistancing the rise in overall U.S. trade and economic growth.

And growing trade with China has direct positives for the many small businesses involved. As noted in Table 7, in terms of the role of small business and exports, it turns out that 53.6 percent of U.S. exporters to China in 2015 had fewer than 20 workers, 68.6 percent fewer than 50 workers, and 78.3 percent fewer than 100 workers.

Table 7: U.S. Exporters 2015:
Percent of Firms by Number of Employees

# of Employees	China
Less than 20	53.6%
Less than 50	68.6%
Less than 100	78.3%
Less than 500	92.1%

Data Source: U.S. Census Bureau

And regarding the role of small business and imports, as noted in Table 8, 73.2 percent of U.S. importers relating to China had fewer than 20 workers, 84.0 percent fewer than 50 workers, and 89.6 percent fewer than 100 workers.

Table 8: U.S. Importers 2015:
Percent of Firms by Number of Employees

# of Employees	China
Less than 20	73.2%
Less than 50	84.0%
Less than 100	89.6%
Less than 500	96.4%

Data Source: U.S. Census Bureau

Trade with China very much is about American small business. For good measure, from 2001 to 2015, the number of U.S. firms exporting to China grew from 15,054 to 116,115 – a breathtaking expansion of 671 percent.

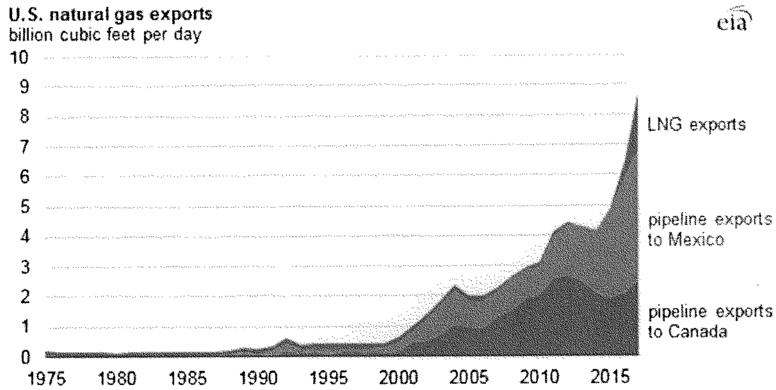
Small Business and Trade in Energy

Beyond looking at trade between U.S. individuals and businesses and those in another country, it pays to also take note of trade in certain sectors of our economy. Let's consider energy, which has been a good news story for more than a dozen years now thanks to entrepreneurship and private investment driving innovation forward. Specifically, we'll take note of four major trends relating to production, trade and small business.

First, U.S. natural gas production continued its dozen years of growth in 2017 (up 1 percent over 2016 and just slightly below the 2015 record level). Natural gas production in 2017 was up 52.4 percent compared to 2005. Also, recall that the U.S. surpassed Russia as the world's top natural gas producer in 2009.

As noted in the following Chart 1 (courtesy of the U.S. Energy Information Administration (EIA)), U.S. natural gas exports have grown dramatically.

Chart 1



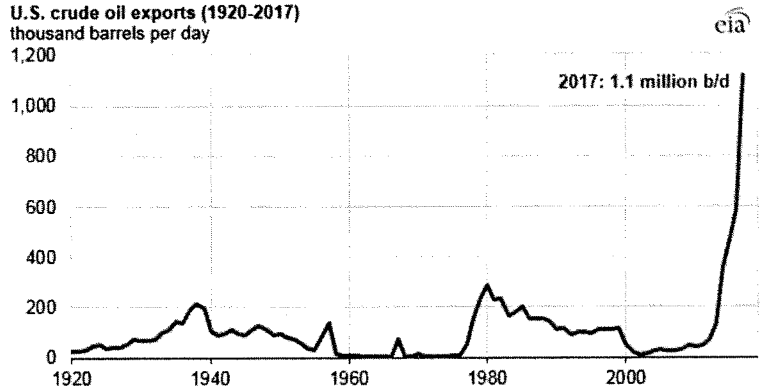
On natural gas exports, the EIA reported:

> "U.S. natural gas pipeline capacity into Mexico has also increased over the past few years, driven by growth in demand for natural gas from Mexico's power sector and favorable prices compared with natural gas supplied by LNG shipments. U.S.-Mexico natural gas pipeline capacity is currently 11.2 Bcf/d, with another 3.2 Bcf/d of capacity scheduled to be added later in 2018. Pipeline exports to Mexico have grown along with pipeline capacity, more than doubling since 2014 and averaging 4.2 Bcf/d in 2017.
>
> "U.S. LNG exports increased dramatically over the past two years as new liquefaction capacity has come online. The only liquefaction terminal previously operating in the United States—the Kenai LNG terminal in Alaska—ceased operations in 2015. In 2016, as the Sabine Pass LNG terminal in Louisiana began to ramp up operations, U.S. LNG exports increased. Sabine Pass now has four operating liquefaction units, with a fifth currently under construction.
>
> "The Cove Point LNG facility in Maryland exported its first LNG cargo on March 1, 2018. Cove Point is the second currently operating LNG export facility in the United States, after Sabine Pass. Four other LNG projects are under construction and expected to increase U.S. liquefaction capacity from 3.6 Bcf/d to 9.6 Bcf/d by the end of 2019, further increasing U.S. natural gas exports."

The approval and building of LNG export facilities have been big economic plusses for the U.S.

Second, U.S. crude oil production skyrocketed by 86 percent from 2008 to 2017. That included crude oil exports having jumped dramatically since limits of crude exports were lifted in December 2015 (see Chart 2 from the EIA). In fact, crude oil exports nearly doubled in 2017 compared to 2016.

Chart 2



In terms of destinations, the EIA noted, "U.S. crude oil exports went to 37 destinations in 2017, compared with 27 destinations in 2016. Similar to previous years, Canada remained the largest destination for U.S. crude oil exports, but Canada's share of total U.S. crude oil exports continued to decrease, down from 61% in 2016 to 29% in 2017. U.S. crude oil exports to China accounted for 202,000 b/d (20%) of the 527,000 b/d total increase. China surpassed the United Kingdom and the Netherlands to become the second-largest destination for U.S. crude oil exports in 2017."

Regarding crude production and the ability to export, the EIA reported, "Increasing U.S. crude oil production and expansions of U.S. pipeline capacity and export infrastructure facilitated increased crude oil exports. U.S. crude oil production reached 9.3 million b/d in 2017, a 0.5 million b/d increase from 2016."

Third, an EIA analysis zeroed in on U.S. energy exports to Mexico exceeding imports for the third year in a row. But the level of exports relative to imports is not the key economic point. Instead, the standout point in this analysis is the dramatic recent growth in U.S. energy exports to Mexico, with a particular big jump higher in 2017 over 2016.

The key factor is petroleum products, as explained by the EIA: "Petroleum products such as finished motor gasoline, distillate fuel oil, and propane account for most of the value of energy exports from the United States to Mexico. In 2017, Mexico was the destination for more than 1 million b/d of petroleum products, up from 880,000 b/d in 2016. This level was 24% of all petroleum products exported from the United States. These exports were valued at more than $23 billion dollars in 2017. In 2017, petroleum product exports to Mexico rose in both amount and value. Changes in Mexico's utilization of petroleum refineries have created a widening gap between its domestic supply and demand, and U.S. gasoline exports now make up more than half of Mexico's gasoline consumption."

A second significant factor is on the natural gas front: "Natural gas exports to Mexico from the United States—either shipments by pipeline or liquefied natural gas (LNG) cargoes—were 4.6 billion cubic feet per day (Bcf/d) in 2017. This natural gas trade is dominated by pipeline shipments to Mexico, which made up about half of total U.S. natural gas exports in 2017. Increasing shipments of natural gas by pipeline to Mexico are contributing to the United States' emerging status as a net natural gas exporter. Natural gas pipelines currently under construction or in planning stages are expected to nearly double the pipeline natural gas exporting capacity from the United States to Mexico by 2018. Much of this natural gas will likely be used to generate electricity, as Mexico's energy ministry expects to add significant natural gas-fired electricity generating capacity through 2029."

For good measure, Mexico ranks as the top destination for U.S. LNG exports.

Fourth, as we reflect on these energy trade numbers, it must be noted that contrary to many assumptions, the energy business again is overwhelmingly populated by small businesses. Consider the share of employer firms in key sectors (according to the U.S. Census Bureau (2015)):

• 89.6% of employer firms among oil and gas extraction businesses have fewer than 20 employees;

• 77.3% of employer firms among drilling oil and gas wells businesses have fewer than 20 workers;

• 80.7% of employer firms among support activities for oil and gas operations businesses have fewer than 20 employees;

• 58.2% of employer firms among oil and gas pipeline and related structures construction businesses have fewer than 20 workers;

• and 51.5% of employer firms among oil and gas field machinery and equipment manufacturing businesses have fewer than 20 employees.

Increased energy production, thanks in part to expanding export markets and opportunities, is great news for small business.

Railroads, Trade and Small Business

The importance of trade to America's railroads also is worth highlighting.

As noted in a recent SBE Council study ("All Aboard! Entrepreneurs and Small Business Power America's Freight Railroads," March 2018), which I authored, "America's freight railroad system, widely recognized as one of the leading systems in the world, is critical for the health and growth of our economy, including the well-being of U.S. small businesses."

Regarding small business and railroads, we reported that small businesses made up the majority of employer firms in the sectors directly and indirectly impacted by freight railroads:

• "In all but one of the 13 industries highlighted, the majority of employer firms were small businesses with fewer than 20 employees – ranging from 51.2 percent of firms in the warehousing and storage sector to 93.2 percent in the agricultural sector."

• "In all 13 sectors, firms with fewer than 100 employees made up at least 69 percent of employer firms – ranging from 69.7 percent in warehousing and storage to 99.0 percent in construction."

• "And among all 13 sectors, the percentage of firms with fewer than 500 workers ranged from 83.3 percent again in warehousing and storage to 99.8 percent in construction."

In turn, robust international trade is vital to freight railroad. In a March 2017 study ("Freight Railroads & International Trade") from the Association of American Railroads, it was pointed out, "Privately owned freight railroads — an industry that connects and serves nearly every industrial, wholesale, retail and resource-based sector of the economy — offers a distinct perspective on how trade powers our economy." Among the key findings were:

• "42% of rail carloads and intermodal units are directly associated with international trade."

• "35% of annual rail revenue is directly associated with international trade."

• "50,000 rail jobs, worth over $5.5 billion in annual wages and benefits, depend directly on international trade."

It also was noted that due to various data limitations, the "share of rail traffic associated with international trade" actually is "considerably higher."

Among the industries highlighted by the AAR that benefit from rail transportation were steel and steel-related commodities, farm and food products, crude oil, coal, chemicals, forest products, automotive products and much more. AAR correctly concluded: "Robust international trade means more jobs for U.S. railroaders. The rail trade data discussed above implies that approximately 50,000 rail jobs, worth over $5.5 billion in annual wages and benefits, depend directly on international trade. This does not include other significant job-related impacts, including employees at ports who handle shipments moving by rail, jobs at firms that supply goods and services to railroads and others in support of trade-related rail movements, and secondary and tertiary job impacts derived from the expenditures of railroad employees, port employees and their suppliers."

Free trade is good news for freight railroads, and that means it's good news for small business.

Agriculture, Trade and Small Business

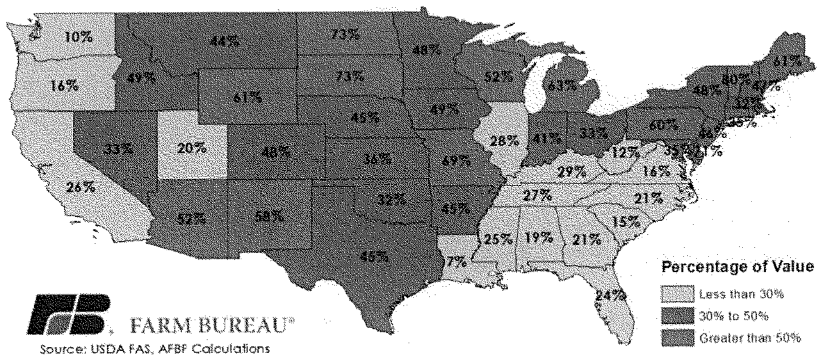
American agriculture benefits enormously from free trade, as do, of course, American consumers who, as a result, can choose among a wide assortment of agricultural products from around the globe. That includes, of course, reduced barriers to trade between the U.S., Mexico and Canada thanks to NAFTA.

Consider what Kevin Skunes, the president of the National Corn Growers Association and North Dakota farmer, wrote in a January 23, 2018, article ("NAFTA has helped grow American agriculture for two decades") in The Hill:

> "[I]t is hard to imagine that anything has been as important to America's agricultural community over the last two decades than the sustained success provided by the North American Free Trade Agreement (NAFTA). In 2016 alone, this resulted in $43 billion worth of food and agricultural goods being exported to Mexico and Canada, making those countries the largest export markets for American agriculture.
>
> "The growth driven by NAFTA has been nothing short of amazing. Agricultural exports from the United States to these two countries have grown by 450 percent since 1994 and Mexico is now the top export destination for a long list of U.S.-grown products, including beef, rice, soybean meal, corn sweeteners and apples. With record yields being produced across the United States, we've needed access to export markets more than ever and NAFTA has met the challenge.
>
> "The benefits of NAFTA are seen across various sectors within the American economy, however. For example, post-NAFTA, the U.S. food and agriculture industries have flourished and now support more than 43 million jobs and economists say NAFTA has boosted the U.S. economy by $127 billion annually."

A November 2017 analysis ("Importance of NAFTA to Agriculture in Each State for 2016") by the Farm Bureau looked at agricultural exports state by state, highlighting how devastating a withdrawal from NAFTA would be for assorted states. The Bureau reported: "Viewing NAFTA through the lens of what it means in terms of total agricultural exports will help policymakers, industry stakeholders and Farm Bureau members better understand how much our export markets, and U.S. farm income, relies on an integrated North American agricultural market... On average, 30 percent of U.S. agricultural exports are delivered to our NAFTA partners. However, during 2016 two-thirds of states had a higher export percentage to NAFTA than the U.S. average. An additional 13 states had more than 50 percent of their agricultural exports go to NAFTA partners." (See the following Figure from the Farm Bureau's analysis.)

Figure 1. Share of Total Agricultural Exports to NAFTA, 2016



Of course, the agricultural sector of our economy is overwhelmingly about small businesses. If we look at the agriculture, forestry, fishing and hunting sector, as reported by U.S. Census Bureau data (2015):

• 93.2 percent of employer firms had fewer than 20 employees;

• and 98.6 percent fewer than 100 employees.

Once again, free international trade is vital to the agricultural sector of our economy, and that sector is dominated by small businesses.

Free Trade Works Best for the Economy and Small Business

U.S. policymakers should be working to reduce barriers to trade by entering into and expanding free trade agreements. The platform-based economy provides entrepreneurs and small businesses the opportunity to easily extend their products and service offerings to the world, and efforts to lower barriers, reduce costs and complexity would leverage new technologies that help small firms successfully grow their businesses.

Strengthen, Don't Undermine, NAFTA. That includes strengthening and not undermining NAFTA. If NAFTA were to go away, the resulting higher tariffs and other trade barriers would mean reduced U.S. economic, small business, income and employment growth. The same applies to trade policy toward other nations, including recent U.S. decisions for tariffs on steel, aluminum, dishwasher and solar-panel imports; tariffs on goods from China; steel quotas on and extending tariffs on truck imports from South Korea; and leaving behind multilateral free trade accords, such as exiting the Trans Pacific Partnership (TPP).

If the U.S. imposes tariffs and quotas on other nations, it is U.S. consumers and small businesses that pay the price in terms of increased costs, with added burdens and reduced opportunity when trading partners retaliate.

Therefore, on NAFTA, the U.S. should be focused on strengthening the many positives of the agreement, such as the fact that NAFTA was the first international trade agreement obliging parties to protect intellectual property.

Dr. Kristina Lybecker, an associate professor of economics at Colorado College in Colorado Springs, correctly argued in favor of the following ("Renegotiate NAFTA to Make it the Gold Standard in IP Protection," IPWatchdog.com, October 16, 2017) regarding NAFTA renegotiations and IP:

• "The link between international trade agreements and strong intellectual property provisions is a natural one: ensuring that intellectual property rights enforcement corresponds to free trade principles of market access and nondiscrimination. Member countries must protect the intellectual property of other member countries in order to facilitate and encourage trade. NAFTA's Chapter 17 does this and should be strengthened to continue to do so."

• "The renegotiation of NAFTA must: enforce intellectual property rights provisions, strengthen and uphold strong patent law, and demonize illegal trade barriers. Failure to do so creates uncertainty and instability, increasing risk and inhibiting innovation... Accordingly, the renegotiation of NAFTA should include strong patents and regulatory data protection (RDP), in combination with explicit mechanisms to expeditiously remedy disputes."

• "In addition, the renegotiation of NAFTA should reinforce the obligations of member states to eliminate discriminatory and egregious localization barriers. Local content or production requirements violate international trade rules, impair market access, discourage innovation, and deny patients access to medicines."

• "A renegotiation of NAFTA should also prohibit price controls, both explicit and de facto restrictions, a practice that amounts to a backdoor means of eviscerating intellectual property rights protections."

Return to Leadership on Free Trade Accords. As for other multilateral trade agreement, the U.S. needs to return to a leadership role in advancing such accords. Consider that the Trans-Pacific Partnership trade accord with 11 Asia-Pacific countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) would have, for example, eliminated some 18,000 tariffs imposed on U.S. goods and services, and enhanced IP protections. However, upon taking office, President Donald Trump signed an executive order ending U.S. participation in the TPP. That means that U.S. small businesses and farmers, for example, will have a more difficult time competing in those 11 markets once the TPP is finalized due to facing higher trade barriers than those in effect for trade among the 11 TPP nations. By the way, the 11 participants signed the TPP on the same day that the Trump administration announced new tariffs on steel and aluminum imports in March of this year.

Lead by Example with China. Meanwhile, the answer to dealing with China and its violations of intellectual property, along with other governmental abuses, is not to impose tariffs and quotas that will only hurt U.S. consumers and small businesses.

From a certain perspective, given that China technically remains a communist country, it has made notable advances in opening markets – as illustrated by the tremendous growth in U.S. exports to China and small businesses involved in China trade – but much more, to say the least, is needed.

In the midst of this debate, it is important to understand that China is no longer the world's low-cost manufacturer, and the country is looking to shift to more value-added endeavors. However, that will not be accomplished by government dictates, protectionism, and/or intellectual property theft. Instead, it will require further economic freedom and stronger IP protections. Rather than playing tit-for-tat protectionism, the U.S. would be far better off in standing up clearly for free markets, free trade and property rights, and showing other countries, like China, what the real path to economic growth is. It is critical, and far more constructive, to make clear to China that its intellectual property violations only serve to undermine its own investment and economic growth.

Rather than raising costs to trade with China, the best path forward would be to enter into serious discussions that lay the groundwork for a China-U.S. free trade agreement. Through that process, the U.S. would be able to constructively advance the cause for open markets and property rights in China. And a free trade accord between the world's two largest economies would considerably expand opportunities for entrepreneurs, small businesses and workers in both nations.

In the SBE Council book *Unleashing Small Business Through IP*, I noted that a "free trade agenda must include treaties and other joint efforts at improving IP rights, protections and enforcement in other nations. Not only will such improvements in other nations benefit U.S. businesses and workers competing internationally, but it also will improve economic growth in those nations."

In the end, recent moves by the U.S. toward protectionism are deeply troubling for small businesses. A change in policy direction to advancing a free trade agenda would be a clear positive for entrepreneurs, small business, workers and consumers, and complement the pro-growth accomplishments regarding business tax reform and reining in regulation.

Thank you for your time and attention. I look forward to your questions and further discussion.

About Raymond J. Keating

Raymond J. Keating is chief economist for the Small Business & Entrepreneurship Council. Keating is the author of several books, including *Unleashing Small Business Through IP: Protecting Intellectual Property, Driving Entrepreneurship*, *"Chuck" vs. the Business World: Business Tips on TV*, and a series of thrillers. He also is a regular columnist with RealClearMarkets.com, and for more than two decades was a weekly newspaper columnist with *Long Island Business News*, *Newsday*, and the *New York City Tribune*. For a decade, Keating also was an adjunct professor in the MBA program at the Townsend School of Business at Dowling College. His work has appeared in a wide range of additional periodicals, including *The New York Times, The Wall Street Journal, The Washington Post, New York Post, Los Angeles Daily News, The Boston Globe, National Review, The Washington Times, Investor's Business Daily, New York Daily News, Detroit Free Press, Chicago Tribune, Providence Journal Bulletin,* and *Cincinnati Enquirer*.

Small Business & Entrepreneurship Council
301 Maple Ave. West
Suite 100
Vienna, VA 22180
703-242-5840
www.sbecouncil.org
Twitter: @SBECouncil