

HOW TRADE BENEFITS SMALL BUSINESSES

TOPLINE

Small businesses contributed approximately two-thirds of new private sector job growth over the last 25 years. Many of America's small firms have found that to continue growing, they will need to look outside the U.S.'s borders, where 95 percent of the world's consumers and more than 75 percent of the world's purchasing power reside.

TRADE AND SMALL BUSINESS PERFORMANCE

Small businesses may particularly benefit from trade agreements because they do not have the scale and resources that large companies do to manage the challenges associated with entering new markets. Large multinational companies are often structured in ways that allow them to take advantage of trade. Only 16 percent of small businesses export through a foreign affiliate, which can reduce transaction costs, compared to 38 percent of large companies.

Researchers from Princeton University found that compared to firms of similar size and industry, exporters are able to generate greater sales, pay higher wages, hire more skilled workers, and are more capital-intensive than non-exporters. They are also more likely to survive. A study from the Peterson Institute of International Economics found that businesses that export grow faster and are 8 percent less likely to declare bankruptcy than those that do not.

Importers also tend to perform better across measures like sales, wages, and productivity. The best performing companies are the 40 percent of exporters that also import (or the 80 percent of importers that also export). These export/import firms are able to generate 31 percent greater sales and pay 33 percent higher wages than companies that do not trade.

COMPANIES THAT EXPORT*



10%

More value
per worker



8%

Greater
sales



6%

Higher
wages



4%

More
capital

* Compared to companies of the same size and industry that do not export

SOURCE: BERNARD ET AL. 2007

TRADE ASSISTANCE FOR SMALL BUSINESSES

Federal agencies provide a wide range of resources to help U.S. businesses that are currently exporting or looking to export for the first time, some of which have special mandates for assisting small businesses.

> **U.S. Commercial Service:** As part of the Department of Commerce's International Trade Administration, the USCS is tasked with trade promotion. At the forefront are its *U.S. Export Assistance Centers* located in more than 100 U.S. cities across the country. These centers offer trade counseling, market intelligence, business matchmaking, and other services. Many also house representatives from the SBA and the Ex-Im Bank that can help small businesses obtain export financing. *Learn more at www.trade.gov/cs*

Major U.S. Export Assistance Centers	
Irvine, CA	Minneapolis, MN
Los Angeles, CA	St. Louis, MO
San Francisco, CA	Charlotte, NC
Denver, CO	New York, NY
Miami, FL	Cleveland, OH
Atlanta, GA	Philadelphia, PA
Chicago, IL	Dallas/Fort Worth, TX
New Orleans, LA	Arlington, VA
Boston, MA	Seattle, WA
Detroit, MI	

> **Small Business Administration:** While many of its loan programs can be used to support exporting, the SBA has three loan guaranty programs specifically targeted for exporters: the Export Express loan program, the Export Working Capital loan program, and International Trade loan program. The Export Express program is the simplest to use and offers financing up to \$500,000, while the latter two provide guarantees for loans up to \$5 million. *Learn more at www.sba.gov/content/international-trade-loan*

> **Export-Import Bank:** The Ex-Im Bank helps companies trying to export by providing financing assistance in cases where private-sector lenders would be unwilling to do so alone. The bank offers loan guarantees, export-credit insurance, and working capital guarantees. Nearly 90 percent of the bank's transactions last year involved small businesses. *Learn more at www.exim.gov*

CURRENT STATUS OF INTERNATIONAL TRADE POLICIES

Free trade agreements (FTAs) can open up new markets to exports. FTAs reduce trade barriers while also establishing common standards and protections for U.S. interests and laws. The U.S. has 14 FTAs with 20 countries, which accounted for over 45 percent of the country's exports last year.

Currently, the Administration is negotiating two broad trade agreements: the Transatlantic Trade and Investment Partnership (T-TIP) with members of the European Union and the Trans-Pacific Partnership (TPP) with countries in the Asia-Pacific region. Both T-TIP and TPP—for the first time ever in a U.S. trade agreement—include a negotiations chapter dedicated to small businesses. Before these measures may be completed, Congress must pass Trade Promotion Authority, which gives the President and his advisors the authority to negotiate trade deals that then must be considered by Congress by and up or down vote. *Learn more about international trade policy at businessfwd.org/trade.*