

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

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

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



Washington, D.C.
September 2010

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THE EXPORT PROMOTION CABINET

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

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

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NATIONAL EXPORT INITIATIVE REPORT TO THE PRESIDENT

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

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

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

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

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

Why do we need an NEI?

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

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

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

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

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

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

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

What will the NEI do?

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

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

What is happening already?

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

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

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

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

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

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

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

Recommendations for Future Action

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

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

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

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

Priority 2: Federal Export Assistance

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

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

Priority 3: Trade Missions

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

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

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

Priority 4: Commercial Advocacy

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

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

Priority 5: Increasing Export Credit

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

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

Priority 6: Macroeconomic Rebalancing

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

Priority 7: Reducing Barriers to Trade

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

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

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

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

Priority 8: Export Promotion of Services

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

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

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