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Small and Medium-Sized Enterprises

The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home. By cutting over 18,000 taxes different countries put on Made-in-America products, TPP makes sure our farmers, ranchers, manufacturers, service suppliers, and small businesses can compete—and win—in some of the fastest growing markets in the world. With more than 95 percent of the world's consumers living outside our borders, TPP will significantly expand the export of Made-in-America goods and services and support American jobs.

EXECUTIVE SUMMARY

Since the launch of the TPP talks, one of the United States' core goals has been to promote and support American small and medium-sized enterprises entering global trade, and to address barriers that pose disproportionate

challenges to small business exports. These include issues such as inaccessible or overly complex trade paperwork, opaque regulatory processes and corruption, inefficiency of customs administration, restrictions on Internet data flows, weak logistics services that raise costs, and slow delivery of small shipments. The Small and Medium-Sized Enterprises (SME) chapter bolsters substantive commitments on these issues in chapters like those on Customs and Trade Facilitation, E-Commerce, and others by providing readily accessible information to small and medium-sized enterprises on the opportunities TPP will offer, and giving them an ongoing means to engage with TPP governments on ways to enhance the functioning of the agreement so as to benefit small- and medium-sized enterprises.

CHAPTER OVERVIEW

Dedicated On-Line Website with SME Information

To ensure that small and medium-sized enterprises have ready access to tailored information that will enable them to fully participate in and benefit from TPP, the Small and Medium-Sized Enterprise chapter includes commitments by each TPP Party to create a website targeted at small and medium-sized enterprise users to provide easily accessible information on the agreement and how they can take advantage of it. These websites will distill all the relevant information spread out over hundreds of pages of the TPP Agreement, plus additional country-specific information, into single user-friendly sites tailored to the needs of small and medium-sized enterprises. This will include a description of the provisions of TPP relevant to small and medium-sized enterprises, contact information for relevant agencies in each TPP country; information on standards and regulations in each TPP country; procedures concerning intellectual property rights; foreign investment regulations; business registration procedures; employment regulations; and taxation procedures.

Establishment of a TPP Small and Medium-Sized Enterprise Committee

To ensure ongoing engagement by TPP Parties on issues related to small and medium-sized enterprises, the chapter establishes a Small and Medium-Sized Enterprises Committee that would meet regularly to review how well small and medium-sized enterprises appear to be availing themselves of the benefits of TPP. This Committee will also consider recommendations

on ways to further enhance the benefits of TPP for small and medium-sized enterprises. We expect its activities also to include cooperation or capacity building activities to support small and medium-sized enterprises, in areas such as export counseling, trade assistance, and training programs for small and medium-sized enterprises; information sharing; and other activities.

NEW FEATURES

TPP is the first U.S. Free Trade Agreement (FTA) to include a separate chapter focusing on issues specific to SMEs. It will ensure easy on-line access to relevant information and provide a means to address issues of particular interest and concern to small and medium-sized enterprises in an ongoing manner. In doing so, we expect the TPP to make it easier for U.S. SMEs—from small specialized manufacturers and small food exporters to independent craftsmen and artisans and small tech start-ups—to take advantage of the opportunities the agreement will create.

IMPACT

The evolution of information technology and logistics makes it easier and cheaper than ever before for small businesses to find customers and sell their products and services all over the world. Small, specialized manufacturers, artists, apps entrepreneurs, immigrant-owned businesses and many others now regularly use websites, email, online auctions, and other new tools to reach foreign customers at low cost, and express delivery services to get their products to buyers all over the world with speed and precision. As a result, their share of American exports is growing. Where in 2006 small and midsize exporters accounted for 29.1 percent of U.S. goods exports, in 2014 they accounted for fully one third.

The enhanced ability of small and medium-sized enterprises to trade internationally promises large future rewards for entrepreneurs and workers alike. Businesses that export tend to hire more and pay more than businesses that do not export. A 2012 study, for example, showed that African-American owned businesses which export employed an average of 33 workers with compensation averaging \$44,016 per worker—four times the eight workers employed on average by non-exporters, at compensation levels nearly 80 percent higher than the \$24,750 per worker for African-American owned businesses that do not export. Hispanic-owned exporting businesses likewise employed an average of 19 people with compensation averaging \$43,880 per worker; non-exporting Hispanic-owned business-

es employed an average of eight workers, with compensation averaging \$27,060 per worker.

Nonetheless, the number of small businesses participating in international trade remains relatively small. Less than 5 percent of U.S. small businesses export, and over half of these do so to only one country (in many cases to Canada or Mexico.) This low rate in part reflects the fact that, because of a series of policy challenges, exporting remains more difficult for small- and medium-sized businesses than it is for large firms and multinationals. Some of these challenges are the same for small firms as for large ones, but the small firms are affected disproportionately because they have fewer resources available to overcome these obstacles. The lack of transparent or easily accessible information on foreign laws, regulations and processes blocks many small businesses from participating in international trade from the start. Small businesses able to overcome this obstacle then face greater relative costs than larger firms in managing foreign regulations, paperwork, and fees and charges. They also may face burdensome customs regulations; lack of efficient express delivery services, on-line auction sites, and/or secure online payment options; intellectual property theft, and differing regulatory regimes in foreign markets—all further discouraging them from exporting.

An agreement that is genuinely effective for smaller businesses accordingly must address many issues that larger firms can view simply as costs of doing business. It also needs to take special care to elicit advice on policy and on implementation from smaller firms, which rarely have offices overseas or government affairs offices to collect and analyze information about trade and regulatory issues. TPP deals with many of these challenges through specific obligations contained in its other chapters, such as Trade in Goods, Customs, E-Commerce, Financial Services, Intellectual Property, Technical Barriers to Trade, Transparency and Anti-Corruption, and others. The Small- and Medium-Sized Enterprise chapter is designed to address the overall challenges smaller businesses face in learning about the opportunities these substantive obligations create for them, and ensuring that they are able to raise concerns about implementation or alert governments to ways small and medium-sized businesses can take advantage of new opportunities as the agreement is implemented.

