

Testimony of
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Director General of the U.S. and Foreign Commercial Service Suresh Kumar
before the Senate Committee on Commerce, Science and Transportation
West Virginia Field Hearing on the Promotion of Manufacturing Exports
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Chairman Rockefeller, thank you for the opportunity to appear today to discuss manufacturing and export promotion. I am delighted to be in West Virginia.

America's long-term goal to out-educate the competition and spark a new wave of American innovation will create jobs for the next generation and guarantee that America can win the future. This not only helps create greater sustainable employment but also helps us become more competitive around the world.

Of those companies that export, 58 percent export to only one country. With 95% of consumers living outside our borders, we must help companies expand their global footprint to reach more customers worldwide. In 2010, West Virginia companies exported to a total of 132 countries. Recent statistics show exports of manufactured goods support an estimated 18,000 jobs in West Virginia and over 17 percent of all manufacturing workers here depend on exports for these jobs. Of the companies exporting goods from West Virginia, Small and Medium sized companies generate more than one-quarter (27 percent) of the total exports. There is a world of opportunity for West Virginia manufacturers and businesses particularly for export growth in areas like chemical manufacturing, primary metals manufacturing and the machinery sectors.

As Secretary Locke stated in his March 2nd testimony before this committee, the Obama administration believes that manufacturing is essential to America's economic competitiveness. Manufacturing is a vital source of good middle-class jobs. The manufacturing sector makes up 11.7% of the overall U.S. GDP. In 2010, more than one in ten private sector jobs were in the manufacturing sector with 11.5 million Americans employed directly in manufacturing. And it is a key driver of innovation, with 70 percent of all private sector R&D spending done by manufacturing companies.

The United States is the world's largest and most productive manufacturer but competitors abroad are increasingly producing quality goods at less cost. Our companies and workers must have access to programs that will help us out-innovate the competition to "win the future." We must install programs that help American workers constructively engage in global markets. Companies win by exporting higher value manufactured goods that the world's consumers demand and by leading the development of new industries. Workers win because U.S. manufacturing jobs supported by exports pay 18% more on average.

Clearly we can, and must, do more to ensure that U.S. businesses capture the full potential of economic opportunities that exist internationally.

The National Export Initiative (NEI) is at the forefront of the Obama Administration's short and long term economic strategy for winning the future. The President's goal of doubling U.S. exports in five years serves as a catalyst to enhance our competitiveness, create sustainable jobs and build a stronger America. What sets the NEI apart is that it is the first time the United States has a Presidential-led, government-wide export promotion strategy.

The Appalachian Region is an example of hardworking Americans who have the skills and dedication to produce the best products in the world -- America's exporting future starts here.

The NEI is off to a good start. Exports comprised 12.5% of U.S. GDP in 2010, up from the 11.2% recorded in 2009. Exports contributed nearly half of the 2.9 percentage point growth in real GDP in 2010. The \$1.84 trillion in exports of U.S. goods and services represents the second-highest annual total on record, with exports growing 17% since 2009. In West Virginia, exports of merchandise grew 34% in 2010 much faster than the national average growth rate. Thus far for 2011, we remain on pace to achieve the NEI goal. In April 2011, U.S. exports of goods and services increased to a record high of \$175.6 billion, with record exports of goods at \$126.4 billion and services at \$49.1 billion. The monthly export values for U.S. industrial supplies (\$43.4 billion) and capital goods (\$41.0 billion) were also the highest on record. Overall for 2011, exports are up 16.7 percent, which is higher than the 14.8% Compound Annual Growth Rate (CAGR) needed to double exports by 2015.

The NEI requires us to create deep market linkages and connect innovation to the marketplace. The United States and Foreign Commercial Services' (US&FCS) global network of trade specialists allows us to provide comprehensive service and programs to assist U.S. businesses. Approximately 1450 trade specialists across our 108 domestic U.S. Export Assistance Centers (USEACs) and 126 offices in our embassies and consulates across 79 countries provide soup to nuts programs that include:

- Market research
- Market entry plan development
- Information and help on securing access to finance and working capital
- Assistance on navigating foreign customs and regulations
- Classic matchmaking; vetting potential distributors and joint venture partners
- Advocacy to ensure our businesses have a level playing field in public procurement projects
- Commercial diplomacy that provides solutions to programs such as nontariff barriers.

Our trade specialists, Leslie Drake and Diego Gattesco at our USEACs in Charleston and Wheeling work with West Virginia exporters every day to identify and help them export to new markets. They make West Virginia businesses aware of opportunities and the various programs that the International Trade Administration (ITA) and USFCS has to offer such as:

- Trade missions to different markets
- International Buyer Programs at various trade shows and
- Regional trade fairs

Our USEACs work closely with state and local economic development partners as well as the Appalachian Regional Commission (ARC). ARC's support of small and medium-sized exporters in the region has allowed these firms to reach more world-wide markets in recent years. Through the guidance of the Export Trade Advisory Council (ETAC), ARC provides annual support to international delegations of Appalachian businesses. Through ETAC's ongoing "Appalachia USA" program, ARC will provide support this year for a delegation of wood product firms participating in a U.S. certified trade show in Shanghai. 2011 was the fourth consecutive year that ARC served as a major partner in supporting Trade Winds, which has helped send 23 West Virginian companies to Brazil, Mexico City, Poland, and Turkey.

Through counseling and directly working with West Virginia businesses and through our collaboration and leveraging services of local, state and of the ARC, our West Virginia offices recorded 53 export successes totaling over \$11 million.

In meeting these needs, however, U.S. companies face challenges to exporting, but they don't have to go it alone. American enterprise, particularly small and medium-sized businesses have the full support of the U.S. government in connecting potential exporters to global partners and markets.

Kanawha (Ka-NAH) Scales and Systems, in Poca, is a world- leader in Batch Loading systems for the mining industry. The US Commercial Service worked with Kanawha and helped facilitate a representative agreement with an Indian coal mining company that eventually led to \$3.5 million order with a large steel and coal company. Two new full-time jobs were created within the company to support their growing exports to India.

The Charleston and Wheeling U.S. Export Assistance Centers regularly assist West Virginia companies in expanding their reach into the global market place.

We are committed to continued collaboration with rural manufacturers and to working with the companies like Kanawha Scales. Along with our International Trade Administration sister units, Market Access and Compliance, Manufacturing and Services, and Import Administration, we are working to further open markets through the pending Trade Agreements, provide sector and market intelligence that will help U.S. businesses to compete more effectively and to ensure we are not subject of unfair competition. At the end of last year, Import Administration had approximately 300 Antidumping Duty and Countervailing Duty orders in place, covering over 120 products from 40 countries.

In addition to President Obama's leadership on the NEI, I would like to acknowledge your leadership, Senator Rockefeller, in passing the Small Business Jobs Act which was signed into law. This bill significantly expanded financing capacity and long-term support for SMEs looking to export, which coincides with one of the Administration's NEI goals. This law created a new \$60 million grant program to help states expand their trade and export promotion efforts. The State Trade and Export Promotion (STEP) pilot initiative was announced in March 2011 and awards for the first year of the grant initiative are anticipated this summer. Your work passing this bill has provided rural America's manufacturing base a powerful tool to compete in the global market place.

In addition to STEP grants, the Small Business Administration also offers loan programs specifically designed to assist rural America's businesses. In particular the Rural Lender Advantage initiative and the Export Express Loan Program provide local banks with the ability to assist small businesses throughout America's heartland. The benefits of these programs including simple application processes, expedited processing, and loan guarantees of up to \$500,000 allowing small businesses the opportunity to expand their workforces throughout rural communities.

The Administration recognizes that increasing global trade provides opportunities for growing America's SMEs. The Administration is working with our trading partners to provide access to new markets: those who seek access to U.S. markets must also remove barriers to trade and open their markets to U.S. products. This is why the trade agreements with Korea, Colombia and Panama are a priority for the Obama Administration. More than \$10 billion in increased exports of goods alone, supporting more than 70,000 American jobs are at stake.

In West Virginia, manufacturing companies will see increased competitiveness and growth in exports as a direct result of the trade agreements. In 2010, West Virginia chemical exports to Korea, Colombia and Panama totaled \$73 million and primary metals manufacturers totaled \$22 million. The passage of the trade agreements will significantly reduce tariffs on U.S. Exports which in most cases will be eliminated within 10 years. This will spur growth and significantly improve West Virginia's competitiveness in the global marketplace.

While the trade agreements will allow us to win the future and add jobs, we also have our obligation to retrain and reposition American workers. Knowing that trade positions American products in the competitive global

market place also means adjustments for the American worker. The Administration is committed to a strong and robust renewal of Trade Adjustment Assistance (TAA) that supports workers who need training and other services when their jobs are adversely affected by trade. TAA is a key component of our comprehensive legislative agenda for trade policy. Preparing American workers for the transition into a new era of global trade policy is essential to maintaining America's economic dominance.

This Administration's renewed focus on trade through the NEI has resulted in exports increasing 17% last year to \$1.84 trillion—the second highest in our nation's history. Last year, the International Trade Administration's U.S. Commercial Service assisted 18,000 companies to export, of which 16,000 were SMEs. As a result nearly 5,600 companies exported for the first time or increased their exports overseas, 85 percent of which were SMEs.

I look forward to our working with the manufacturers like those found in West Virginia to help create a vibrant, robust, and resilient American economy; an economy which produces well paying jobs at home, increases our competitiveness globally and helps America lead the way in creating global prosperity.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.