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INTRODUCTION

When Americans think of trade, we tend to focus on large, world-leading multinationals. We usually don't think of a small food exporter like Pacific Valley Foods, which started in a couple's home office, or of The Pro's Closet, an online global reseller of used biking gear founded by a pro cyclist. But, like these businesses, 98 percent of U.S. exporters are actually small and medium-sized enterprises (SMEs), and these smaller traders account for over one-third of U.S. exports.

SMEs that export are also economic powerhouses—they hire more employees, pay higher wages, and are more resilient and productive than their non-exporting counterparts. And, since only about five percent of American SMEs currently export, the United States has significant untapped potential to drive growth and support good jobs by increasing small business trade.[1]

In a previous issue brief, we explained how the Trans-Pacific Partnership agreement (TPP) would boost U.S. small business exports by clearing away significant foreign trade barriers and by mandating reforms that would make exporting fairer, faster, cheaper, and more certain for America's smaller firms. We detailed, for example, how this groundbreaking agreement would:

- help smaller exporters get information on TPP markets, prospects, and trade rules by requiring TPP countries to set up user-friendly digital portals and by assuring the free flow of commercial data;

- eliminate thousands of high foreign tariffs and many nontariff barriers—like opaque rules and duplicative testing requirements—that often impose disproportionate costs and burdens on smaller exporters; and

- mandate procedures and rules that would speed up customs clearance and deliveries and make it easier for small exporters to connect with customers and get paid through e-commerce tools.[2]

We also highlighted how expanding opportunities for small business under the TPP could support more inclusive growth by enabling a broader—and more diverse—group of small business owners and employees to share in the higher returns and salaries that trade can generate.[3]

This issue brief takes a different—and more focused—approach to explaining the TPP's benefits for America's smaller traders. We highlight below the stories of seven small or mid-sized American exporters—representing different business sectors and regions—and explain the many real-world ways in which the Trans-Pacific Partnership's reforms would help these smaller businesses to prosper through global commerce.

- **For Halosil International, a Delaware-based small manufacturer of disinfecting chemicals and systems**, the TPP would reduce regulatory confusion, duplicative testing requirements, foreign duties, and customs red tape.

- **For Wente Vineyards, a family-owned winery in California's Livermore Valley and Arroyo Seco regions**, the TPP would phase out high foreign duties in countries including Japan and Vietnam, while promoting global best practices in wine regulation and labeling.

- **For SheerID, a Eugene, Oregon-based small business that provides customer verification solutions for e-commerce**, mobile, and in-person eligibility, the TPP's reforms would provide new business opportunities in growing regional e-commerce and help protect the firm's vital intellectual property.

- **For Aladdin Light Lift, Inc., a small Huntsville, Alabama-based manufacturer of lift systems for raised lighting**, the TPP would eliminate duties, increase the transparency of regulations, and reduce the need for multiple tests.

- **For Cask, LLC, a Stafford, Virginia-based, woman-owned provider of business consulting services**, the TPP would support new business opportunities in Vietnam and reduce foreign barriers to providing professional services.

- **For The Pro's Closet, a Boulder, Colorado-based online reseller of used cycling gear**, the TPP would assure international flows of commercial data, promote more efficient and reliable e-commerce, and eliminate foreign shipping and customs delays.

- **For Pacific Valley Foods, a family-run Bellevue, Washington-based exporter of frozen, canned, and prepared foods**, the TPP would reduce high duties in key TPP markets like Japan and level the playing field against competing suppliers from other countries.

These stories show that—from the perspectives of these American small businesses—the TPP is much more than an academic exercise or a political debate. Instead, it's a vital, practical tool for eliminating foreign trade barriers and for opening up significant new opportunities for U.S. small businesses to grow by selling goods and services to key markets around the Pacific Rim.

HALOSIL INTERNATIONAL: KILLING GERMS, EXPANDING EXPORTS

Sometimes, small companies can help solve big global problems.

On any given day, one in 25 U.S. hospital patients suffers from an infection contracted during their hospital care. Healthcare associated infections (HAIs) pose serious threats to patient safety, and reducing HAIs is a critical priority for U.S. and global health systems.[4]

Halosil International is a six-employee, Delaware-based specialty chemical manufacturer that's making a key contribution to this worldwide effort. Halosil makes a proprietary hydrogen peroxide-based chemical that is used as a disinfectant and biocide to kill deadly germs in heath care, water treatment, food production, and other critical sectors. Hospital studies show that the company's Halo Disinfection System™—the first EPA-approved whole-room fogging system—can reduce rates of difficult to control infections by two-thirds, at an affordable cost.[5]

Global demand for cost-effective infection control has opened up significant export opportunities for Halosil—the company currently exports to customers in Africa, China, Europe, Latin America, and the Middle East. But high costs, delays, and complex rules often make it difficult for Halosil to fully benefit from this trade.

Halosil is a regulated product. Foreign regulators generally follow the EPA's lead in regulating Halosil, but also frequently mandate opaque and duplicative rules, testing requirements, and registration procedures that can make it hard for Halosil to compete. Red tape at foreign customs also substantially complicates Halosil's global sales. These trade burdens are magnified for a small firm like Halosil, which lacks the extensive resources and specialized staffs of larger firms.[6]

> TPP would make exporting fairer, faster, cheaper, and more certain for America's smaller firms.

Halosil's Vice President Maryalice StClair notes that it's especially challenging for Halosil to compete in countries like China, where the high cost of dealing with extensive regulatory and customs barriers requires Halosil's distributors to sell at a less competitive price. Selling to U.S. trade agreement partners, on the other hand, is often much easier. Exporting to Mexico, for example, is relatively straightforward, and Halosil has built a growing business there.

The TPP would simplify Halosil's ability to export to planned new markets, including Australia, Chile, New Zealand, Peru, and Vietnam. The TPP would, for example, increase the transparency of foreign regulations; reduce the need for duplicative tests; make clearing customs easier, faster, and cheaper; and require countries to set up user-friendly digital portals to help small firms like Halosil understand trade requirements.[7] And the TPP would boost Halosil's ability to compete by eliminating high tariffs, including import duties of 31 percent in Vietnam and 20 percent in Malaysia on Halosil's fogging equipment, as well as Japan's 3.9 percent duty on disinfectant.[8]

Smaller firms like Halosil play a big role in the American chemical sector—62 percent of U.S. chemical manufacturers have fewer than 20 employees, and 94 percent have fewer than 500.[9] The TPP would boost U.S. chemical exports by an estimated $1.2 billion and provide these small and mid-sized chemical producers with important new opportunities for export growth.[10]

WENTE VINEYARDS: NEW EXPORTS FOR A VENERABLE WINERY

Founded in 1883, Wente Vineyards is America's oldest, continuously operating, family-owned winery. Wente produces award-winning wines in California's Livermore Valley and Arroyo Seco regions and is now operated by the fourth and fifth generations of the Wente family. Named the American Winery of the Year by Wine Enthusiast in 2011, Wente holds California's Sustainable Winegrowing designation for its eco-friendly vineyard, winery, and company practices.[11]

Trade plays a vital role for this medium-sized winery, which has 90 workers in its winemaking operations. Wente has sold globally for decades and currently exports about 20 percent of its production to some 75 countries. About 40 percent of Wente's exports are destined for TPP countries, with Canada, Japan, and Australia being key markets. Wente is looking to take advantage of strong recent harvests and increasing production—along with increased wine consumption by a growing Asia-Pacific middle class—to further boost TPP exports.

The TPP would help Wente expand wine exports to the TPP region in two important ways.

First, the TPP would level the playing field on duties. While wines imported into the United States are subject to average duties of 1.4 percent, American wines face import duties that can, for example, exceed 50 percent in Japan and Vietnam.[12] And competing countries often have better tariff deals with countries in the region. Under its 2015 trade agreement with Australia, for example, Japan has agreed to eliminate all duties on Australian wine over seven years, making wines from Down Under increasingly affordable for Japanese consumers.[13]

The TPP would address these tariff imbalances by requiring member countries to phase out and eventually eliminate all duties on wine, helping small and medium-sized American vintners like Wente to compete fairly and on the basis of their high quality.

Second, the TPP would address a range of regulatory barriers that complicate wine exports for firms like Wente—and that keep smaller U.S. vintners from exporting at all. Michael Parr, Wente's Vice President for global sales, notes that these regulatory burdens include Vietnam's bureaucratic certification rules, Japan's requirement that each vintage undergo separate testing, and differences in national labeling requirements that effectively require Wente to operate "its own printing company" for wine labels. Some countries even require expiration dates on wine!

The TPP regulatory chapter includes a special annex on wine and spirits that would significantly reduce these regulatory barriers. The annex requires countries to follow a series of global best practices that would, for example, streamline the content of labels, eliminate unnecessary certification requirements, and generally eliminate the requirement for expiration dates.[14]

U.S. wine exports to TPP countries reached almost $600 million in 2014—even in the face of current high trade barriers.[15] The TPP's key market-opening reforms would boost these exports, and its SME-friendly rules would provide new export opportunities for the 63 percent of U.S. wineries that are classified as small, very small, or medium-sized producers.[16]

SHEERID: EXPANDING BY PROVIDING VERIFICATION SOLUTIONS FOR GLOBAL COMMERCE

Foot Locker offers a 20 percent military discount; Spotify cuts subscription fees in half for college students. But how are these businesses sure that their exclusive offers remain exclusive? They rely on verification solutions provided by **SheerID, a rapidly growing 33-employee technology services company based in Eugene, Oregon.**[17]

For these organizations and over 160 others—including AARP, Amazon, Expedia, the NFL, Sprint, and the Washington Wizards—SheerID instantly verifies customers—from students, teachers, and military members to employees and first responders—who are eligible for exclusive offers. SheerID's request processing applications help its clients target customers, reduce fraud, and build consumer and community loyalty, all while protecting sensitive personal information like student and military records. The firm's verification solutions, for instance, enable the PGA Tour to provide free tickets to active duty military and Tableau Software to provide free copies of its analytics programs to full-time college students and faculty.[18]

In September 2015, SheerID raised $5.3 million in new funding to support its continued, rapid growth, enabling it to hire new employees and build out its technology.[19] According to co-founder and CEO Jake Weatherly, a particular focus of the firm's expansion is on international markets and foreign students. Mr. Weatherly believes that the TPP's many reforms would help SheerID's increasingly global operations in a number of key ways.

First, the TPP's robust provisions on digital trade—including rules to safeguard data flows, prohibit data localization, protect consumers and privacy, and promote electronic payments—would support significant expansion of e-commerce in the TPP region.[20] This growth, in turn, would generate new business for SheerID as current clients expand operations in TPP markets and as new clients see the benefits of SheerID's increasingly globalized verification solutions.

Second, TPP provisions to eliminate red tape at customs, speed up express deliveries, and slash customs duties would enable e-commerce retailers to fulfill orders faster and at lower cost, boosting trust in and use of e-commerce, especially among consumers abroad. Mr. Weatherly explains, for example, that the benefits of instant online verification won't mean much to a service member stationed in Japan if her package is ultimately stuck for weeks in customs.[21]

Mr. Weatherly notes that foreign piracy poses a particular challenge for small, technology-based businesses like SheerID. He's encouraged that TPP reforms would make it easier for smaller tech firms to protect their copyrights, trade secrets and other valuable IP in TPP markets.[22] And he's also encouraged that TPP would provide opportunities to promote common, high-standard approaches to protecting personal data, which is vital both to consumers and global commerce.

Eighty percent of the top grossing digital apps are made by small or mid-sized firms, like SheerID.[23] The TPP's many reforms would help these small businesses—and other small Internet and technology-based firms—to grow and thrive in an increasingly digital global economy.[24]

ALADDIN LIGHT LIFT, INC.: DIVERSIFYING BY BOOSTING EXPORTS

What do NASA, Mandalay Bay Las Vegas, the University of Florida Gymnastics Center, and the Indianapolis Hebrew Congregation have in common? They all have high ceilings—and use motorized winch systems made by Aladdin Light Lift to raise and lower chandeliers or other hard-to-reach lights. Aladdin makes lifts for home lighting and storage applications, as well.[25]

Aladdin Light Lift is a 14-employee manufacturer based in Huntsville, Alabama. For 26 years, this small company has sold lift systems to a growing and diverse group of customers across the United States. And in recent years, Aladdin has worked to further expand its customer base by targeting the large group of potential buyers in growing foreign markets.[26]

Aladdin established an international sales operation in 2009—during a Great Recession that decimated U.S. demand for building products and systems. Since 2010, Aladdin's international sales have produced some $400,000 in added income for the company, and foreign sales now directly support 2.5 full-time jobs at Aladdin. In recognition of these exporting efforts, Aladdin earned the Governor's Export Excellence Award for Alabama's small business sector in 2014.[27]

Aladdin's International Sales Manager, Zach Barry, is personally responsible for virtually every aspect of a foreign sale—from quality control and regulatory compliance to customs clearance. From this important vantage point, Mr. Barry sees a number of key ways in which the TPP could help Aladdin continue to expand sales globally.

The TPP's tariff cuts would make Aladdin's products more cost competitive in key TPP markets against competing lifts from China and South Korea. Currently, for instance, Chinese lift systems enter New Zealand duty-free, while Aladdin's American-made systems are subject to a 5 percent duty there. The TPP would immediately eliminate this duty, as well as Malaysia's 5 percent duty, and would eventually phase out Brunei's 20 percent tariff.[28]

Aladdin would also benefit from TPP rules that increase the transparency of foreign regulations

Small and medium-sized enterprises (SMEs) that export are economic powerhouses—they hire more employees, pay higher wages, and are more resilient than their non-exporting counterparts.

and reduce the need for multiple testing. Mr. Barry notes that the time and expense of resolving regulatory glitches or conducting additional testing can be prohibitive for a small firm like Aladdin—and can often keep Aladdin from selling at all to certain countries.[29]

Finally, Mr. Barry notes that Aladdin's first exports were to Canada in 1996, after NAFTA created new openings for U.S. products there. He expects that TPP would similarly boost Aladdin's lifts in TPP markets, especially since it would open opportunities for U.S. architects and engineers, who are more familiar with Aladdin's U.S.-made lifts, which are quite often sold by word of mouth.

From 2005 to 2009, U.S. small manufacturers that exported increased their revenues by some 37 percent, while revenues for their non-exporting counterparts declined by almost 7 percent. The TPP would help small manufacturers like Aladdin to lift sales and gain diverse customers in key export markets, making these small businesses stronger and more resilient as a result.[30]

CASK LLC: BRINGING BEST BUSINESS PRACTICES TO AN EMERGING VIETNAM

In addition to breaking down foreign barriers to Made-in-America goods, the TPP would help generate new export opportunities for America's small and mid-sized services firms.

Cask LLC is a woman-owned, 100-employee professional services firm based in Stafford, Virginia. Cask's consulting and advisory services help private sector and government clients better manage their people, processes, and technologies. Cask serves both large and small clients across the nation and, increasingly, around the world. The firm recently completed Virginia's Leaders in Export Trade (VALET) program, which provides mentoring, contacts, and advice to best-in-class Virginia businesses with significant potential for export growth.

Internationally, Cask is targeting emerging economies—like Vietnam—that have a growing tier of mid-sized businesses. Cask uses cutting-edge, global best practices to help these firms work more efficiently, expand, and engage internationally. And Cask's small and agile staff can provide these advisory services without the high overhead and fees of larger consulting firms.[31] The TPP would make it easier for firms like Cask to compete in Vietnam and other TPP markets by reducing barriers to U.S. professional services.

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The agreement, for example, requires greater transparency and fairness in foreign licensing and regulation of U.S.-based service providers, and includes a special annex on setting common approaches to professional licensing. Small and mid-sized professional service firms—which tend to deliver services from the United States (often digitally) rather than through foreign offices—would benefit especially from TPP rules that assure open data flows and prohibit countries from requiring service providers to maintain local offices staffed by local residents.[32]

At the same time, TPP would also help create significant new consulting opportunities for Cask. On a recent trade mission to Vietnam, Cask Vice President George Judd learned firsthand how TPP is already generating great interest—especially among Vietnam's middle-tier companies—in potential infrastructure and port projects, foreign trade, and public-private partnerships. To compete for this lucrative business—and attract critical foreign investment—these companies will need to significantly upgrade their business and management practices with the help of experienced global advisors like Cask. The TPP is also reinforcing interest in Vietnam in working with Cask and other American firms. Mr. Judd finds it especially noteworthy that many of the infrastructure projects for which Vietnam is now actively seeking U.S. advice, partners, and investment were originally championed by other countries— especially China.

The United States is the world's largest single country exporter of services and is a leading global provider of professional services, with exports of professional and related services in 2014 of almost $130 billion and a trade surplus of $33 billion.[33] The TPP would help small, capable firms like Cask tap into the growing global market for world-class business services and would drive even greater demand for U.S. professional services in key emerging countries, like Vietnam.

THE PRO'S CLOSET: GROWING THROUGH GLOBAL E-CYCLING

The Pro's Closet (TPC) is a Colorado-based, 32-employee small business that operates America's largest eBay store specializing in reselling used cycling gear.

The company got its start a decade ago, when founder and pro cyclist Nick Martin began helping pro cycling friends in the Boulder area sell extra gear through consignment sales on eBay. Today, The Pro's Closet helps the cycling community throughout the United States and

around the world. The company's online platform enables cycling enthusiasts to buy and sell high-end cycles, parts, and gear at reasonable prices; helps small community-based cycling shops sell excess inventory and trade-in bikes; and benefits the environment by giving a second life to used bikes and gear.[34]

The company's business is booming. The Pro's Closet is preparing to launch a national trade-in program, recently tripled the size of its Boulder facility and hired new workers, and has brought in new financing to enhance its digital systems.[35]

Nick Martin notes that international sales are driving TPC's growth. Over 40 percent of the company's transactions are international and about half of those sales are to customers in TPP countries. Buyers in countries like Australia and Japan, for example, are often enthusiastic customers because The Pro's Closet enables them to more affordably buy high-end bikes, parts, and accessories that are not readily available locally. And the Pacific Rim's rapidly growing middle class will only increase future regional demand for competitively priced cycling gear.

According to Mr. Martin, the TPP will make it easier, cheaper, and faster for The Pro's Closet and its Asia-Pacific customers to do business internationally.[36]

As a digital business, The Pro's Closet would benefit from TPP rules that ensure cross-border data flows and prohibit requirements that businesses locate servers and digital infrastructure in foreign markets. E-commerce would also be safer and more reliable for TPC and its customers under required consumer and privacy protections and electronic payment rules for online sales.

The Pro's Closet ships bikes and frames internationally by FedEx. TPP reforms would expedite express shipments through customs and would otherwise cut through foreign customs bureaucracy that can currently hold up shipments to TPC's customers for as long as six weeks.[37]

As a small exporter, The Pro's Closet would also benefit from a myriad of other small-business-friendly reforms in the TPP, including a special TPP committee designed to address small business concerns and ensure that the TPP continues to work for small business.[38]

Digital tools like eBay are increasingly leveling the international playing field for America's smaller exporters. Although less than five percent of U.S. small and medium-sized (SME) employer firms export, 97 percent of eBay's commercial sellers do, and the majority sell to ten or more countries. By encouraging digital trade and e-commerce, the TPP would help a rapidly expanding segment of American small business get into the race for global business and growth.[39]

PACIFIC VALLEY FOODS: LEVELING THE PLAYING FIELD FOR A LONG-TIME EXPORTER

Pacific Valley Foods is a family-owned, family-run small business in Bellevue, Washington that makes an astounding 90 percent of its sales to international markets.

Pacific Valley Foods got its start in 1975, when Scott Hannah left his job in the food processing business and, together with his wife Lynn, began selling frozen vegetables and potatoes from an office in their modest home. Today, in addition to frozen vegetables and potatoes, the company sells frozen fruits, juice concentrates, and seafood; dehydrated potatoes; canned vegetables; frozen waffles, pancakes and tortillas; and dried peas, beans, and fruits to customers in over 25 countries—with a particular focus on the Pacific Rim. The company employs 13 workers, supports many additional jobs at farms and processing plants around the region, and enables local companies like Chuckanut Cheesecake and Scuttlebutt Brewery to sell their products globally.

Pacific Valley Foods has been an exporter from the very beginning—one of the company's earliest sales was a shipment of frozen broccoli that Lynn arranged to Japan. As they grew, the Hannahs realized that it made business sense for their small, nimble company to sell high-quality products to global customers, rather than competing for crowded shelf space in U.S. supermarkets.[40]

After 40 years in exporting, Pacific Valley has wide experience in navigating global markets.

But, despite the company's pioneering role as a food exporter to Asia, it still faces intense price competition and finds that high tariffs and other barriers in many TPP countries can make it hard to sell to the region. In Japan, for example, tariff rates on U.S. foods can exceed 100 percent, and include duties of 20 percent on dehydrated potatoes, up to 21 percent on processed fruits, and up to 17 percent on vegetable juices and canned vegetables. Similarly, Vietnam imposes duties of up to 40 percent on fruit products, fruit juices, and processed vegetables.[41]

> The TPP would help more of the 95 percent of American small businesses that don't currently export get into the exporting game

At the same time, Pacific Valley Foods faces growing competition around the Pacific Rim, as countries in the region sign an array of trade deals that give preferred access to third country suppliers. Japan, for example, already has free trade deals with Australia, Chile, and Mexico that eliminate or significantly reduce duties on farm and food products from those key suppliers.

The TPP would level the playing field for exporters like Pacific Valley by immediately eliminating or phasing out most tariffs on U.S. food and farm exports to Japan and Vietnam, as well as Brunei, Malaysia, and New Zealand. Japan, for instance, would immediately eliminate duties on 50 percent of U.S. farm imports, including duties on many fruit and vegetable juices, dried fruits, and canned vegetables. Japan's current 20 duty on dehydrated potatoes would also be phased out in six years, and its 8.5 percent duty on frozen French fries would be eliminated in four.[43]

According to Pacific Valley's Vice President Susan Hannah, by clearing away tariffs, trade barriers and customs red tape, current U.S. trade agreements with Australia, Columbia, and Korea have made it easier for the company to compete and boost sales in these countries. She's confident that the TPP would do the same, helping her family's small business grow and prosper as it shares the bounty of America's farms with more consumers in key Pacific Rim markets.[44]

THOUSANDS OF OTHER STORIES

The seven small exporters profiled in this report are each unique, but they are hardly alone.

Some 300,000 American small and mid-sized businesses export goods—including over 170,000 SMEs that currently ship to TPP countries. Thousands of other American small firms export services.[45] Small exporters report that the TPP markets of Canada, Mexico, Australia, and Japan are already, respectively, their first, second, fifth, and seventh most important export destinations.[46] And many current small exporters see significant new opportunities in growing regional TPP markets like Malaysia and Vietnam.

As we've detailed previously, the TPP would make exporting to TPP countries faster, easier, cheaper, and more certain for America's current small exporters.[47] The agreement would also open up vast new opportunities for these small business to grow their trade in TPP markets, especially in countries like Japan, Malaysia, and Vietnam, which would dismantle thousands of high tariffs and many other current restrictions on U.S. exports.[48]

At the same time, the TPP would help more of the 95 percent of American small businesses that don't currently export get into the exporting game. Many U.S. small businesses remain on the exporting sidelines even though they have internationally competitive products or services and possess the skills and tools they need to export. Three-quarters of U.S. entrepreneurs between 18 and 34, for example, already sell their products or services over the Internet, making many prime candidates for global e-commerce.[49]

According to a recent survey by the Small Business Exporters Association, 49 percent of America's non-exporting small businesses would be interested in exporting—if more could be done to address their concerns. The most significant concerns of these non-exporters include a lack of information about exporting and using trade agreements, problems with regulatory barriers and complexity, and concerns about getting paid.[50] Interestingly, as we highlighted at the outset, these are almost precisely the key problems that the TPP's many reforms are specifically designed to solve.

The small businesses profiled here support the TPP because they understand the significant, practical ways that the agreement would help them grow through trade. As more and more smaller businesses become familiar with the TPP and appreciate its numerous benefits, we expect that there will be countless additional stories to tell.

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