The Trans-Pacific Partnership and Small Business: Boosting Exports and Inclusive Growth

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Increasing exports by U.S. small business can be a vital opportunity to promote stronger—and more inclusive—economic growth.

Introduction

With the release of the full text[1] of the Trans-Pacific Partnership (TPP), America now has an important—and extensive—opportunity to review the agreement's actual terms. Critics are certain to reprise old arguments, including those that blame trade for economic disruptions whose origins often lie elsewhere. And they'll offer newer criticisms, including the claim that TPP isn't really about trade or cutting tariffs but, rather, is a scheme to advance the agenda of large multinational corporations.[2]

This latest charge will likely be news to the hundreds of thousands of small and mid-sized American firms that currently export—and the growing numbers of small entrepreneurs who are seeking greater opportunity through trade. America's smaller exporters will note that the TPP has made small business trade a key point of emphasis, and that it includes groundbreaking provisions to boost their ability to export to key TPP markets.

Increasing exports by U.S. small business can also be a vital opportunity to promote stronger—and more inclusive—economic growth. Small and medium-sized enterprises (SMEs) that export have higher sales, hire more employees, and pay higher wages than non-exporting SMEs.[3] And because exporters account for only about one percent of all U.S. SMEs, America has significant untapped potential to support growth, good jobs, and economic mobility through increased small business trade.[4]

But to meet this potential, it's vital for the United States to reduce the extensive and onerous foreign trade barriers that often keep SME traders on the sidelines. High duties and costs, customs red tape, unnecessarily complex regulations, and other barriers negatively impact American exporters of all sizes, but they can loom particularly large for small entrepreneurs that lack the resources, personnel, contacts, and extensive support networks of bigger competitors.[5]

In this policy brief, we first review the TPP agreement and explain how it would eliminate significant trade barriers to U.S. small business and enable more American SMEs to prosper by exporting to fast-growing Asia-Pacific markets. We then highlight how the TPP's support for small business trade can play a vital, broader role, helping to boost the overall economy and "democratizing" trade by assuring that trade's significant benefits are shared more widely by more Americans.

Small Business as a Key TPP Priority

The Trans-Pacific Partnership would promote more open trade, greater economic opportunity, and higher standards in 12 countries[6] accounting for almost 40 percent of the global economy.[7] Early in the TPP talks, the negotiators identified small business trade as a high-priority, "crosscutting" issue that they would address on a comprehensive basis.[8] The final TPP text reflects this important commitment to SMEs in three key ways:

First, the TPP contains—for the first time in any U.S. trade deal—a specific chapter dedicated to the concerns of small and medium-sized enterprises. Among other things, this chapter establishes a permanent TPP Small and Medium-Sized Enterprises Committee that would, on an ongoing basis, review how smaller firms are using the TPP, consider further reforms to assist SMEs, and oversee future cooperation on important small business trade concerns like export counseling and trade finance.[9]

Second, many other provisions of the TPP—including the chapters on customs administration and electronic commerce—establish requirements that address specific concerns of SME exporters.[10] And the TPP's chapters on competitiveness and development make promoting and enhancing the competitiveness of SMEs (as well as business opportunities for micro-enterprises and women) key priorities for ongoing collaboration among TPP countries.[11]

Finally, the TPP would boost small business exports by clearing away a wide array of trade barriers that confront American traders of *all* sizes. Eliminating high duties, cutting customs red tape, and making rules and procedures more consistent and transparent would be especially welcome to America's small exporters, for whom these and other trade barriers can pose particular challenges.[12]

How the TPP Helps Small Business Traders

Many American small businesses that sell internationally—and many others that want to—understand that comprehensive trade deals like TPP can play an important role in opening new export opportunities in key foreign markets.[13] But most small entrepreneurs are too busy running their companies to parse the detailed text of a complex, 30-chapter trade agreement. Instead, they have practical questions about how the TPP would help them and other small traders succeed in foreign markets. These questions include:

- How would TPP help my business better connect with foreign markets and customers?
- How would TPP help my business better compete for international business?
- How would TPP help assure that my business can close international sales?

We highlight below some of the most significant ways that TPP would help address these key practical concerns for America's small exporters.

Connecting with Markets and Customers

Unlike large, deep-pocketed companies, smaller exporters often lack the resources to travel extensively, hire foreign representatives and advisors, or open international offices. It's not surprising, therefore, that surveys of U.S. SME exporters show that these traders often have particular difficulties in connecting with foreign markets, locating prospects and foreign partners, and obtaining practical information on foreign trading requirements.[14]

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As PPI has detailed in our recent report, *The Digital Opportunity: Democratizing Trade for the 99 Percent,* the Internet and the growth of digitally enabled trade are rapidly leveling the playing field for smaller exporters—very significantly reducing the cost and hassle of finding and engaging with foreign partners, prospects, and customers.[15] As a result, small entrepreneurs that sell on the Internet can be prolific exporters. An astounding 97 percent of eBay's commercial sellers, for example, are exporters, and 81 percent sell to five or more countries.[16]

A number of key TPP provisions would further support digital trade—and other vital trade connections—for smaller American firms.

Digital Connections. An open, global Internet is vital for assuring that the digital revolution in trade can continue to empower America's smaller traders. The TPP includes important provisions that ensure cross-border data flows among TPP member countries, consistent with each country's legitimate interest in protecting privacy. The TPP would also restrict "data localization" and similar rules that can raise costs and reduce market access for small traders by mandating that businesses locate servers and other digital infrastructure in foreign markets.[17]

The TPP would also enhance the ability of SMEs to connect globally through e-commerce by:

- prohibiting governments from imposing customs duties on electronic transmissions;
- providing for electronic authentication and signatures in e-commerce transactions;
- requiring TPP members to enact consumer protection laws against online fraud;

- requiring TPP members to enact privacy protections for on-line consumers; and
- encouraging electronic trade transactions, such as the use of electronic customs forms.[18]

Connecting to Market Information. The TPP would also leverage the power of the Internet to connect small traders to practical information on selling into TPP markets. Small exporters—who often lack the resources to hire foreign lawyers or consultants—report that they face particular burdens in understanding foreign commercial rules and the detailed requirements of trade agreements. In response, the TPP's small business chapter includes a requirement that TPP countries establish user-friendly digital portals to provide small traders with easily accessible information on the TPP and how SMEs can benefit from it, as well as information on intellectual property rights and rules relating to topics including foreign investment, business registration, employment regulation, and tax requirements.[19]

Supply Chain Connections. Many American SMEs don't export directly, but participate in international commerce by selling goods and services to the supply chains of larger firms.[20] The TPP would enhance the ability of these small firms to sell to supply chains throughout the TPP region. It would, for example, establish common rules of origin for TPP products and components and a TPP-wide system for verifying that goods meet these rules.[21] The TPP's Committee on Competitiveness and Business Facilitation would also regularly consider additional ways to boost the participation of SMEs in TPP supply chains.[22]

Competing for Business

America's small and mid-sized exporters are often shut out of TPP markets by tariff and nontariff trade barriers that can significantly sap their ability to compete.[23]

Slashing Tariff Barriers to SME Exports. High foreign tariffs are a burden for all U.S. exporters, but can often have a disproportionate impact on America's small traders. Surveys show that SMEs are more likely than larger firms to see foreign import taxes as a serious barrier to their exports. Because smaller U.S. firms often export in sectors with higher global tariffs—like apparel and processed foods—they pay higher tariffs on average.[24] And, unlike some larger businesses, most small entrepreneurs can't overcome high tariffs by setting up production in foreign markets.

Foreign import duties hinder exports by U.S. SMEs to many TPP markets. TPP countries often impose especially high duties on top export products for America's smaller firms, including chemicals (up to 35 percent), consumer goods (up to 70 percent), machinery (up to 70 percent), footwear and apparel (up to 100 percent), information technology products (up to 35 percent), and fresh fruit (up to 40 percent).[25]

With the rapid proliferation of tariff-cutting trade agreements in the Asia-Pacific region, America's small traders are also increasingly losing out in TPP markets to competitors from third countries—including China—that have better tariff deals.[26] America's small and mid-sized wine producers, for instance, face duties as high a 55 percent in TPP countries, while wineries in Chile—which already has a trade agreement with every other TPP member[27]—are becoming increasingly competitive as tariffs on Chilean wine are being phased out and eliminated.[28]

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TPP's Foreign Tariffs Cuts Would Boost SME Exporters Nationwide[30]

The TPP's thousands of cuts to foreign tariffs include many that would help SMEs throughout the United States make and expand export sales in lucrative TPP markets. SMEs that could benefit include:

- ***Jewelry makers*** *in* ***Hawaii and Louisiana*** *whose exports can be tarnished by* ***30 percent*** *TPP duties*
- ***Cherry growers*** *in* ***Oregon and Washington*** *now jammed by top TPP tariffs of up to* ***20 percent***
- ***Maine lobstermen*** *and* ***Maryland crabbers*** *whose sales can be sunk by TPP taxes up to* ***34 percent***
- ***Craft brewers*** *in* ***Colorado and Delaware*** *whose suds are slapped with top TPP duties of* ***47 percent***
- ***BBQ masters*** *in* ***Missouri and North Carolina*** *whose sauces are zinged by duties up to* ***30 percent***
- ***Chocolate makers*** *in* ***Vermont*** *whose trade can be soured by TPP tariffs of up to* ***30 percent***

Reducing Nontariff Burdens on SME Traders. Nontariff barriers, including excessive and unnecessary testing, certification, licensing, and paperwork requirements, can also place significant—and often disproportionate—burdens on smaller exporters.

Complying with foreign regulations and standards can frequently result in significant fixed costs. These high costs can especially harm the competitiveness of small traders because, unlike larger exporters, SMEs can't spread these expense burdens over large export volumes. Additionally, complying with a proliferation of different national technical and regulatory standards can be overwhelming for smaller traders, many of whom often have a single person responsible for exporting and regulatory compliance—along with other important duties.[31] For example, small U.S. exporters of high quality fruits and vegetables to key TPP markets must often pay high fixed costs for lab tests and certifications that can be duplicative or unnecessary, and frequently have to maintain separate fields of crops tailored to different foreign regulatory requirements, including standards that can be inconsistent with international scientific norms.[32]

Restrictive rules in Canada, Malaysia, Peru, and other TPP countries can also limit smaller U.S. service providers—including professionals like accountants, architects, and engineers—from exporting their services. Foreign nationality, residency, and licensing rules can, for example, have disparate impacts on SMEs that provide services from the United States, rather than through foreign offices staffed with local professionals.[33] And small American entrepreneurs with an innovative product or idea are often dissuaded from exporting to TPP markets by the high cost—and ineffectiveness—of foreign intellectual property protection.[34]

The TPP would help clear away nontariff burdens for smaller exporters in important ways.[35] It would, for example:

- promote transparent, science-based regulatory approaches;[36]
- reduce multiple and unnecessary testing (and other "conformity assessment" procedures) by facilitating the acceptance by TPP countries of test results from testing bodies in other TPP countries;[37]
- include annexes that would establish common TPP regulatory approaches to key export products for SMEs, including wine and spirits, information and communications technology products, medical devices, prepared foods, and organic farm products;[38]
- include an annex promoting common approaches to professional licensing;[39] and
- help innovative small businesses by making it easier to search, register, and protect intellectual property rights in TPP markets.[40]

Completing Sales

Finally, for America's small exporters to benefit from international trade, SMEs must be able to complete their sales. That means that products must clear customs and be delivered to the customer, and exporters must be paid—all in an efficient and timely manner.

Completing international sales can be a particular problem for SME exporters. Surveys of SME manufacturers that export show that that significant majorities confront burdens posed by transportation and shipping costs (88 percent), customs procedures (72 percent), and problems in receiving and processing payments (68 percent).[41] Customs barriers can include, for instance, a lack of transparent information on customs requirements; complex border procedures; and different national rules for documentation, country of origin, and other requirements. And impediments to express delivery services—an essential channel for many small exporters—can significantly increase delivery costs and delays for smaller entrepreneurs.[42]

Customs and Delivery: The Weak Links in Small Business Exports

According to a recent eBay study, "[t]he digital economy has really opened up the world to SMEs, and SMEs are really taking advantage of that opportunity. But shipping and logistics continues to be the biggest single pain point they face."[43]

Alex Luk is the founder of Kings Marketing International, a five-employee Miami trading firm that exports a wide variety of American-made goods to Vietnam, Malaysia, Singapore, and Japan. Mr. Luk notes that foreign authorities often resort to "very restrictive customs procedures designed to discourage imports" and can demand so much paperwork "that it is impossible to comply."[44]

The TPP's chapter on Customs Administration and Trade Facilitation would significantly improve the speed and efficiency of small business exporting to TPP markets.[45] It would, for example, require:

- transparent customs rules and published laws and procedures;
- prompt release of shipments without waiting for decisions on applicable duties and fees;
- advance customs valuation rulings to make trade more predictable;
- expedited customs procedures for express shipments; and
- common commitments and performance standards for key customs issues, including automation, risk management, and minimum times for goods clearance.[46]

The TPP's digital commerce provisions would further expedite customs processing for SMEs through the greater use of electronic forms and paperless transactions.[47] And the TPP would especially help the growing numbers of small entrepreneurs that export via e-commerce platforms by requiring:

- consumer and privacy protections for online sales;[48]
- modern rules for electronic signatures;[49] and
- acceptance of electronic payment and debit systems, subject to normal prudential and consumer protection rules.[50]

These reforms would give smaller sellers much greater assurance that they'll be paid for foreign sales, while boosting the confidence of global consumers in the security of online transactions, especially with small traders.

By eliminating significant barriers to trade in the region, the TPP would open new and expanded export opportunities for America's smaller traders in growing TPP markets.

Boosting the Bottom Line for America's Small Exporters

America's small and mid-sized exporters already export some $180 billion in goods annually to TPP countries, accounting for about 10 percent of America's worldwide goods exports.[51] By eliminating significant barriers to trade in the region, the TPP would open new and expanded export opportunities for America's smaller traders in growing TPP markets.

It's estimated, for example, that Asia will have some 3.2 billion middle class consumers by 2030—roughly *ten times* the projected size of North America's middle class in that year.[52] The TPP would give America's small traders a critical foothold in this huge and fast-growing market, which increasingly wants to buy the goods and services that America has to sell.[53] And the TPP's groundbreaking focus on small business and digital trade could set important precedents for other major trade initiatives—including the Transatlantic Trade and Investment Partnership—creating even greater export prospects for American SMEs.

Continuing this growth will also require ongoing work. The United States and its TPP partners can further boost SME trade by pursuing additional initiatives identified in the TPP, including making trade finance more readily available for SMEs and substantially increasing national "de minimis" thresholds for low-value shipments that are exempt from customs duties and subject to fewer administrative requirements.[54]

How Small Business Trade Helps the Broader Economy

Boosting small business exports through agreements like the TPP not only helps America's smaller firms to prosper, but can pay important dividends for the broader economy, as well.

Of America's 300,000 exporters, 98 percent are small and mid-sized firms, and SME exports account for 35 percent of America's export revenue.[55] As economic contributors, SME exporters punch well above their weight. Numerous studies show that small and medium-sized enterprises that export have higher sales, are more productive and resilient, hire more employees, and pay higher wages than non-exporting SMEs.[56] Smaller exporters also support good jobs in both upstream and downstream businesses, and contribute significantly to innovation and productivity in the overall economy.[57]

At the same time, the United States has tremendous untapped potential to increase SME exports with the help of high-standard trade deals like the TPP.[58]

Exporting SMEs account for only about one percent of America's 29 million SMEs and about five percent of America's six million employment-providing SMEs. Of those SMEs that export, most ship to only one country. Smaller firms export at much higher rates in economies like South Korea (19 percent) and the European Union (25 percent).[59] Even accounting for America's large domestic market, America's SME exports clearly have considerable room to do much better.[60]

Recent surveys show a significant uptick in U.S. SMEs that are interested in exporting. And analysts note that American small business exports are "poised to grow, possibly dramatically."[61] This would welcome news to an American economy seeking new sources of good jobs and sustained economic growth.

America's Small Business Are Increasingly Looking to Export

By eliminating trade barriers and smoothing the way for expanded small business exports, the TPP could help build upon the growing interest among America's SMEs in selling to global markets. According to surveys, three-quarters of SME exporters are looking to expand their overseas sales, while almost a quarter of non-exporting SMEs want to start exporting.[62] In a 2013 survey, 63 percent of non-exporting small businesses expressed interest in selling to foreign customers, up from 43 percent in 2010.[63]

How Small Business Trade Supports More Inclusive Growth

By increasing export opportunities for America's small businesses and entrepreneurs, high-standard agreements like TPP can also help "democratize" trade and spread trade's benefits more broadly.

Small and entrepreneurial firms play an outsized role in U.S. job creation and economic opportunity. In recent decades, for example, small businesses have accounted for some two-thirds of America's net new jobs.[64] The United States also has one of the highest rates of entrepreneurship in the developed world. American entrepreneurship not only drives growth, jobs, and innovation, but can also be a critical conduit for greater economic mobility and inclusiveness—especially if previously marginalized people and groups have new opportunities to get into the game.[65]

Growing and diversifying the pool of small business exporters would also support more, higher-paying jobs for a wider group of workers.

Increasing small business participation in trade can provide such an opportunity.

As detailed in our recent report, the digital revolution in trade is slashing trade costs and rapidly "democratizing" trade—empowering individuals, entrepreneurs, and small businesses of all types and backgrounds to become exporters.[66] The TPP would accelerate this trend and play a significant role in boosting SME exports to growing TPP markets.

Expanding opportunities for small business exporters could enable a broader—and more diverse—group of American small business owners to share in the higher returns that trade can generate. By reducing barriers to key Asian and Latin American export destinations, for example, the TPP would provide particular opportunities for Asian-American and Hispanic-owned exporters, whose U.S. export sales and operations are often highly concentrated in these markets.[67]

Growing and diversifying the pool of small business exporters would also support more, higher-paying jobs for a wider group of workers. The average women-owned exporting firm, for example, employs over five times more workers and pays an average salary almost $17,000 higher than non-exporting firms owned by women. Similarly, compared with their non-exporting counterparts, minority-owned exporters average three times more workers, and pay a wage premium of nearly $16,000.

Average Employment and Average Salary for Exporting vs. Non-Exporting Firms: Women- and Minority-Owned Firms[68]				
Ownership	Exporting Firms		Non-Exporting Firms	
	Employees (#)	Salary ($)	Employees (#)	Salary ($)
Women-Owned	42	42,553	8	25,682
Minority-Owned	21	42,899	7	27,292

The TPP and its focus on digitally enabled trade can also help support greater trade participation among America's younger, more globally oriented small business owners. Three-quarters of U.S. entrepreneurs between 18 and 34, for example, already use the Internet to sell products and services, making them prime candidates to take their business global through e-commerce.[69]

Finally, expanding export opportunities for America's smaller firms and their workers can create a virtuous cycle that continues to bring more SMEs into exporting. Research shows that exporters can play a powerful role in transferring the knowledge, skills, and confidence that non-exporters need to begin exporting.[70]

Conclusion

The TPP's groundbreaking provisions on small business and e-commerce—along with thousands of cuts in foreign tariffs and key reductions in nontariff barriers—would enable more of America's smaller exporters to compete and win in growing markets around the Pacific Rim. And, because small firms that export are economic powerhouses, these exports would boost America's economy and support greater opportunity—and more and better-paying jobs—for a wider group of Americans.

Endnotes

[1] Office of the U.S. Trade Representative, The complete text of the Trans-Pacific Partnership Trade Agreement and various side instruments negotiated by the United States with certain parties ("TPP Full Text"), https://medium.com/the-trans-pacific-partnership/table-of-contents-83d9de8d01b5.

[2] Joseph Stiglitz has claimed, for instance, that there's a real risk that TPP would "benefit the wealthiest sliver of the American and global elite at the expense of everyone else." Joseph E. Stiglitz, On the Wrong Side of Globalization, the *New York Times*, March 15, 2014, http://opinionator.blogs.nytimes.com/2014/03/15/on-the-wrong-side-of-globalization/?_r=0.

[3] U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, Inv. No. 332-510, USITC Pub. No. 4189, pp. 2-1 to 2-7, Nov. 2010, http://www.usitc.gov/publications/332/pub4189.pdf. UPS, "Perceptions of Global Trade" Survey, http://d29d28cc1lv8d2.cloudfront.net/tnl/en-US/whitepapers/GYB02_Perceptions_GTSurvey_2011_Infographic.pdf. Kati Suominen, Exporters as a New Asset Class, White Paper, TradeUp, May 2014, http://www.growadvisors.com/uploads/2/7/9/9/27998715/u.s._sme_exporters_as_new_asset_class_-_tradeup_2014_updated.pdf. In the United States, SMEs are generally defined as firms with fewer than 500 employees.

4 SME exporters account for about one percent of America's 29 million SMEs and about five percent of America's six million employment-providing SMEs. Kati Suominen, pp. 4-12.

5 Office of the U.S. Trade Representative, The Trans-Pacific Partnership: Detailed Summary of U.S. Objectives, pp. 5, 24-25, Sept. 2015, https://ustr.gov/sites/default/files/TPP-Detailed-Summary-of-US-Objectives.pdf. U.S. International Trade Commission, Trade Barriers That U.S. Small and Medium-sized Enterprises Perceive as Affecting Exports to the European Union, Inv. No. 332-541, USITC Pub. No. 4455, Mar. 2014, http://www.usitc.gov/publications/332/pub4455.pdf.

6 Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam.

7 The White House, The Economic Benefits of U.S. Trade, p. 45, May 2015, https://www.whitehouse.gov/sites/default/files/docs/cea_trade_report_final_non-embargoed_v2.pdf.

8 Office of the U.S. Trade Representative, Outlines of TPP, Nov. 12, 2011, https://ustr.gov/tpp/outlines-of-TPP. The TPP's other crosscutting issues are regulatory coherence, competitiveness and business facilitation, and economic development.

9 TPP Full Text, chapt. 24 (Small and Medium-Sized Enterprises) and art. 24.2 (Committee on SMEs). See also Office of the U.S. Trade Representative, TPP: Made in America, Chapter 24, Small and Medium-Sized Enterprises, Chapter Summary, https://medium.com/the-trans-pacific-partnership/small-and-medium-sized-businesses-8de15a02d843.

10 See id. chapts. 5 and 14. The Customs Administration and Trade Facilitation chapter, for example, establishes expedited customs procedures for express delivery shipments, a key trade channel for SMEs, while the TPP countries also agree to help SMEs take advantage of e-commerce in the Electronic Commerce chapter. Id. arts. 5.7 (Express Shipments) and 14.15 (Cooperation).

11 See id. chapts. 22 and 23 and arts. 22.2 (Committee on Competitiveness and Business Facilitation), 22.3 (Supply Chains), 23.3 (Broad-Based Economic Growth), and 23.4 (Women and Economic Growth).

12 U.S. International Trade Commission, Trade Barriers That U.S. Small and Medium-sized Enterprises Perceive as Affecting Exports to the European Union.

13 Surveys by the U.S. International Trade Commission show that existing U.S. free trade agreements have boosted small business exports by reducing trade costs, lowering risks, and opening new markets for SMEs. U.S. International Trade Commission, Small and Medium-Sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms, Inv. No. 332-509, USITC Pub. 4169, pp. 5-1 to 5-18, Jul. 2010, http://www.usitc.gov/publications/332/pub4169.pdf.

14 U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 6-1 to 6-12.

15 Ed Gerwin, The Digital Opportunity: Democratizing Trade for the 99 Percent, Progressive Policy Institute, May 2015, http://www.progressivepolicy.org/issues/economy/the-digital-opportunity-democratizing-trade-for-the-99-percent/.

16 eBay Inc., Enabling Traders to Enter and Grow on the Global Stage, pp. 11-19, Oct. 2012, https://www.ebaymainstreet.com/sites/default/files/EBAY_US-Marketplace_FINAL.pdf. Most of eBay's sellers are small businesses. eBay defines "commercial sellers" as sellers with annual sales of at least $10,000. Id. p. 16.

17 TPP Full Text, chapt. 14 and arts. 14.11 (Cross-Border Transmission of Information by Electronic Means), 14.13 (Location of Computing Facilities), and 14.17 (Source Code). See also Office of the U.S. Trade Representative, TPP: Made in America, Chapter 14, Electronic Commerce, Chapter Summary, https://medium.com/the-trans-pacific-partnership/electronic-commerce-87766c98a068.

18 Id. arts. 14.3 (Customs Duties), 14.6 (Electronic Authorization and Electronic Signatures), 14.7 (Online Consumer Protection), 14.8 (Personal Information Protection), and 14.9 (Paperless Trading).

19 Id. art. 24.1 (Information Sharing). This requirement would build on a significant number of other TPP provisions that require greater transparency, clarity, and published information, including those relating to tariffs and goods rules, customs procedures, food and technical standards, services regulation, government procurement, regulatory coherence, and anti-corruption. Id. chapts. 2, 5, 6, 7, 10, 15, 25, and 26.

[20] The U.S. International Trade Commission estimates that about half of all global sales by U.S. SMEs are actually made as "value added" additions to the direct exports of other traders. U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 5-1 to 5-7. According to one major study, a typical, globally-connected U.S. multinational buys $3 billion in goods and services—representing almost a quarter of its total input purchases—from some 6,000 U.S. small and medium enterprises. Matthew J. Slaughter, American Companies and Global Supply Networks: Driving U.S. Economic Activity and Jobs by Connecting to the World, pp. 41, 48-49, Jan 2013, http://businessroundtable.org/sites/default/files/BRT-SlaughterPaper-singles-Dec21.pdf.

[21] TPP Full Text, chapt. 3 (Rules of Origin and Origin Procedures).

[22] Id. arts. 22.2 (Committee on Competitiveness and Business Facilitation) and 22.3 (Supply Chains).

[23] See Barbara Fliess and Carlos Busquets, The Role of Trade Barriers in SME Internationalization, OECD, 2006, http://www.oecd-ilibrary.org/trade/the-role-of-trade-barriers-in-sme-internationalisation_246707602042.

[24] U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 6-15 to 6-18. American SME exporters, on average, face duties that are 41 percent higher than those confronting lager U.S. firms. Id.

[25] Office of the U.S. Trade Representative, Trans-Pacific Partnership: Leveling the Playing Field, https://ustr.gov/sites/default/files/USTR-Tariff-Information-by-Sector-6115.pdf. U.S. International Trade Commission, Small and Medium-Sized Enterprises: Overview of Participation in U.S. Exports, Inv. No. 332-508, USITC Pub. No. 4125, pp. 3-10 to 3-11, Jan. 2010, http://www.usitc.gov/publications/332/pub4125.pdf.

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[27] Organization of American States, Foreign Trade Information System, Chile: Trade Agreements, http://www.sice.oas.org/ctyindex/CHL/CHLagreements_e.asp.

[28] Similarly, Mexico's trade agreements with over 40 countries give its auto parts suppliers a significant advantage in foreign markets over U.S. suppliers, many of whom are small or mid-sized firms. Howard Ice, Don't forget the real faces of U.S. trade, *The Hill*, Mar. 4, 2015, http://thehill.com/blogs/congress-blog/economy-budget/234466-dont-forget-the-real-faces-of-us-trade.

[29] TPP Full Text, chapt. 2 (National Treatment and Market Access for Goods). Office of the U.S. Trade Representative, TPP: Made in America, Chapter 2, National Treatment and Market Access for Goods, Chapter Summary, https://medium.com/the-trans-pacific-partnership/national-treatment-and-market-access-for-goods-741f0639c2de. Office of the U.S. Trade Representative, The Trans-Pacific Partnership, 18,000 Tax Cuts on Made-in-America Exports, https://ustr.gov/sites/default/files/TPP-Guide-to-18000-Tax-Cuts.pdf.

[30] Office of the U.S. Trade Representative, The Trans-Pacific Partnership, 18,000 Tax Cuts on Made-in-America Exports, https://ustr.gov/sites/default/files/TPP-Guide-to-18000-Tax-Cuts.pdf.

[31] U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 6-21 to 6-22. In a recent survey of small business exporters, 47 percent of business owners reported that they were directly responsible for the bulk of export activities. National Small Business Association and Small Business Exporters Association, 2013 Small Business Exporting Survey, p. 6, http://www.nsba.biz/wp-content/uploads/2013/06/Exporting-Survey-2013.pdf.

[32] U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 6-21 to 6-22. U.S. Chamber of Commerce, Faces of Trade: Oregon Berry Packing, Inc., https://www.uschamber.com/faces-trade-oregon-berry-packing-inc.

[33] U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 6-24 to 6-25.

[34] Id. pp. 6-10 to 6-19. The USTR has noted that a number of TPP countries—including Canada, Chile, Malaysia, Mexico, Peru, and Vietnam—have deficiencies in intellectual property rules and/or enforcement. Office of the U.S. Trade Representative, 2015 National Trade Estimate Report on For-

eign Trade Barriers, pp. 61, 68, 263-64, 270-71, 317, and 427, https://ustr.gov/sites/default/files/2015%20NTE%20Combined.pdf.

35 See, for example, TPP Full Text, chapts. 7 (Sanitary and Phytosanitary Measures), 8 (Technical Barriers to Trade (TBT)), 10 (Cross-Border Trade in Services), and 18 (Intellectual Property).

36 Id. arts. 7.2 (Objectives), 7.9 (Science and Risk Analysis), 7.13 (Transparency), 8.7 (Transparency), and 10.11 (Transparency).

37 Id. art. 8.6 (Conformity Assessment). See also rules for determining the equivalence of phytosanitary regulations and related phytosanitary certifications in arts. 7.8 (Equivalence) and 7.12 (Certification).

38 Id. annexes 8-A (Wine and Distilled Spirits), 8-B (Information and Communications Technology Products), 8-E (Medical Devices), 8-F (Proprietary Formulas for Pre-Packaged Foods and Food Additives), and 8-G (Organic Products).

39 Id. art. 10.9 (Recognition) and Annex 10-A (Professional Services).

40 Id. chapt. 18 (Intellectual Property). See also Office of the U.S. Trade Representative, TPP: Made in America, Chapter 18, Intellectual Property, Chapter Summary, https://medium.com/the-trans-pacific-partnership/intellectual-property-3479efdc7adf.

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45 TPP Full Text, chapt 5. See also Office of the U.S. Trade Representative, TPP: Made in America, Chapter 5, Customs Administration and Trade Facilitation, Chapter Summary, https://medium.com/the-trans-pacific-partnership/customs-administration-and-trade-facilitation-197ce6f0d5b3.

46 TPP Full Text, arts. 5.1 (Customs Procedures and Facilitation of Trade), 5.11 (Publication), 5.10 (Release of Goods), 5.3 (Advance Rulings), 5.7 (Express Shipments), 5.6 (Automation), and 5.9 (Risk Management). Annex 10-B also provides for market access and fair treatment of express delivery firms as providers of cross-border services. Id.

47 Id. arts. 14.9 (Paperless Trading) and 5.6 (Automation).

48 Id. arts. 14.7 (Online Consumer Protection) and 14.8 (Personal Information Privacy).

49 Id. art 14.6 (Electronic Authorizations and Electronic Signatures).

50 Id. chapt. 11 (Financial Services). See also Office of the U.S. Trade Representative, TPP: Made in America, Chapter 11, Financial Services, Chapter Summary, https://medium.com/the-trans-pacific-partnership/financial-services-b92dd3022b64.

51 Office of the U.S. Trade Representative, The Trans-Pacific Partnership: Benefits for U.S. Small Business, https://ustr.gov/sites/default/files/TPP-Benefits-for-US-Small-Business-Fact-Sheet.pdf. Data for 2013 exports.

52 The White House, p. 45.

53 Ed Gerwin, America Makes . . . Will Asia Take? Third Way, Sept. 7, 2012, http://thirdway.org/report/america-makes-dot-dot-dot-will-asia-take.

54 See APEC, Raising the *de minimis* threshold to enhance supply chain connectivity, Jan. 3, 2012, http://www.apec.org/Press/Features/2012/0103_deminimis.aspx. The TPP notes that member

countries should review and adjust their *de minimis* thresholds periodically. TPP Full Text, art. 5.7 (1)(f).

55 Kati Suominen, pp. 3-4.

56 U.S. International Trade Commission, Small and Medium-Sized Enterprises: Characteristics and Performance, pp. 2-1 to 2-7. For example, between 2005-09, small and medium-sized enterprise manufacturers grew their revenues by some 37 percent, while revenues for non-exporting SME manufacturers declined by almost 7 percent. Id. According to UPS, small exporters have 20 percent higher productivity and 20 percent higher job growth than small firms that don't export. UPS, "Perceptions of Global Trade" Survey. For a detailed list of related studies, see Kati Suominen.

57 Kati Suominen, pp. 20-21.

58 Currently, 40 percent of exports by U.S. SMEs go to America's existing free trade agreement partners, while SME exports account for over 47 percent of total U.S. exports to FTA partners El Salvador, Jordan, Morocco, and Nicaragua. U.S. Chamber of Commerce, The Open Door of Trade, pp. 11-13, https://www.uschamber.com/sites/default/files/open_door_trade_report.pdf.

59 Kati Suominen, pp. 4-12.

60 American entrepreneurs are also less internationally oriented than their counterparts in other economies. Fifteen percent of U.S. entrepreneurs report that a quarter or more of their customers come from outside the United States, as compared with an average of 21 percent for other innovation-driven countries. Global Entrepreneurship Monitor, 2014 United States Report, p. 8, 2015, http://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%20USA%202014.pdf.

61 Kati Suominen, pp. 4-12.

62 Id.

63 National Small Business Association and Small Business Exporters Association, p. 5.

64 U.S. Small Business Administration, Office of Advocacy, Frequently Asked Questions, March 2014, https://www.sba.gov/sites/default/files/FAQ_March_2014_0.pdf.

65 OECD, All on Board: Making Inclusive Growth Happen, p. 127, 2014, http://www.oecd.org/inclusive-growth/All-on-Board-Making-Inclusive-Growth-Happen.pdf. Global Entrepreneurship Monitor, p. 7, 2015. Federal Reserve Chair Janet Yellen has noted that small business ownership is a crucial building block of broader economic opportunity and mobility. Janet L. Yellen, Perspectives on Inequality and Opportunity from the Survey of Consumer Finances, Speech, Board of Governors of the Federal Reserve System, Oct. 17, 2014, http://www.federalreserve.gov/newsevents/speech/yellen20141017a.htm.

66 Ed Gerwin, The Digital Opportunity: Democratizing Trade for the 99 Percent.

67 According to U.S. Census Bureau data, exports to Latin America account for 81 percent of the export value of Hispanic-owned firms (versus 15 percent for non-minority-owned firms), while exports to Asian Pacific Rim countries account for almost 57 percent of the export value of Asian-American-owned firms (versus 22 percent for non-minority-owned exporters). U.S. Census Bureau, Survey of Business Owners, Ownership Characteristics of Classifiable U.S. Exporting Firms: 2007, p. 4, Jun. 2012, http://www2.census.gov/econ/sbo/07/sbo_export_report.pdf.

68 Id. Appendix Tables 16 and 17. Data for employment-providing "classifiable" firms (e.g., firms that can be identified by the gender, race, or ethnicity of their owner(s)). Includes author calculations.

69 Global Entrepreneurship Monitor, pp. 46-50. In 2014, 14 percent of Millennial ventures had 25 percent or more international customers. Id.

70 Kati Suominen, p. 21.

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The Progressive Policy Institute (PPI) is an independent research institution that seeks to define and promote a new progressive politics in the 21st century.