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WRITTEN SUBMISSION OF THE NATIONAL FOREIGN TRADE COUNCIL AND GLOBAL INNOVATION FORUM

Comments Regarding Advancing Inclusive, Worker-Centered Trade Policy

Docket No. USTR–2023–0004
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I. INTRODUCTION

The National Foreign Trade Council (NFTC) and the Global Innovation Forum (GIF) appreciate the opportunity to submit the comments below in response to the U.S. Trade Representative's (USTR) Federal Register notice *Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy* (88 FR 38118) published June 12, 2023 ("the Notice"). The Notice requested input from stakeholders on a range of questions relating to the policies, practices, tools, and stakeholder engagement needed for the Administration to expand the benefits of trade to underserved and marginalized communities in the United States and with trading partners who share concerns about rising inequality. This submission primarily addresses the first question posed in the Notice regarding the meaningful and substantive trade policies that would advance racial and gender equity, equality, and empowerment in U.S. trade and investment policy and existing tools that can be utilized for these goals.

About NFTC and GIF

NFTC is the leading business association dedicated solely to promoting the interests of U.S. companies in international commerce. NFTC advances global commerce through the promotion of international trade and tax policies that contribute to economic growth and job creation. We seek to strengthen the rules, norms, and key institutions that enable access to the global economy. NFTC's membership spans the breadth of the national economy. It includes sectors such as energy products, capital goods, transportation, consumer goods, technology, healthcare products, services, e-commerce, and retailing. Our companies account for more than $3 trillion in total sales worldwide, employ over five million Americans and produce a large share of our nation's total exports. NFTC members play an important role in ensuring a healthy national economy and promoting U.S. global leadership.

GIF elevates small business voices to foster an inclusive policy landscape that enables companies of all sizes to innovate, trade, and engage in the global digital economy. By leveraging a global network of government officials, civil society, and private sector leaders, GIF delivers actionable insights and impactful programs to emphasize how technology and trade policies can advance resilience and inclusive growth. As an educational project of the 501(c)(3) National Foreign Trade Council Foundation, GIF connects small businesses and policymakers to bridge the gap between big-picture trade policy and the experiences of entrepreneurs, workers, and people.

A. Trade Creates and Supports U.S. Jobs

The relationship between trade and growth is unequivocal. Trade creates new, higher-paying jobs, increases the productivity of workers, and encourages critical skills and knowledge transfers. One in five jobs in the United States depended on international trade in 2019—that is 41.5 million American jobs.

With nearly 95 percent of the world's population and two-thirds of the world's purchasing power outside of the United States, trade is essential to the continued growth of the American economy and job creation. While exports create jobs by generating new business for U.S. manufacturers and service providers, imports also support U.S. jobs and help keep costs low for American consumers, increasing the purchasing power of the average American household by about $18,000 annually. Collectively, two-way trade supports more than 28 million U.S jobs that provide middle-class income and an estimated 15 million are held by minority workers. Not only does trade create jobs, but it also creates high-paying jobs—with export-dependent industries paying about 16 percent more than jobs in less export-dependent industries.

Of the 288,063 U.S. exporting businesses, 96.5 percent are small businesses. U.S. small businesses that engage in international trade not only grow faster but are also 8.5 percent less likely to go out of business than non-exporting companies. The internet has made it easier than ever before for small businesses to reach beyond their local markets and find global customers efficiently. A recent study surveyed U.S. small businesses and found that 92% of firms that export use digital tools such as online payment processing tools, online productivity tools, e-commerce websites, and online marketing.

In addition to exporting themselves, thousands of U.S. small businesses export indirectly when they sell their goods and services to larger U.S. enterprises. The impact of larger companies involved in U.S. exports extends beyond their revenue and employment to the smaller enterprises that make up their supply chains. These small companies are a critical component of the overall impact exporters have on the U.S. economy. For example, in April 2021, FedEx had 166,000 direct vendors in the United States, the vast majority of which are small businesses, employing more than 6.1 million people and generating an estimated combined $115 billion in annual revenue. With their total direct and indirect export activity, U.S. small businesses account for over 40 percent of U.S. exports.

Trade agreements provide new market opportunities for U.S. businesses, improve American competitiveness, create U.S. jobs, raise labor, environmental, and commercial standards; and make it easier and more predictable for U.S. companies to do business abroad. We continue to believe that trade agreements with binding and enforceable disciplines that eliminate foreign tariff and non-tariff barriers that make engaging expensive and complicated are a proven and effective tool for achieving durable results and building the kind of inclusive, shared prosperity the Administration is seeking to create.

B. Trade Benefits Underserved Small Businesses

Small business owners from underserved communities are uniquely positioned to benefit from trade. When these firms export, they experience on average more benefits than their non-exporting counterparts.

1. The Impact of Women-Owned Businesses & Trade

Trade has the power to be a crucial tool for women's empowerment and gender equity—dramatically improving local communities, creating new jobs, enhancing consumer choice, and decreasing inequality. According to the Small Business Administration, women-led businesses employed 10.1 million workers and accumulated $1.8 trillion in receipts in 2019 and that number is growing. Between 2014 and 2016, women-owned employer firms grew by six percent, twice the growth rate of firms owned by men. There was also a 14% increase in businesses owned by minority women. Women-owned companies that export, on average, hire 34 more workers, pay 1.6 times higher wages and report more than $15 million in higher earnings. Despite these benefits, fewer than 2 percent of women-owned businesses export. However, export opportunities are important for women-led firms. Recent research has found that women-led firms that saw growth during the pandemic were 60 percent more likely to export than those that saw declining revenues.

2. The Impact of Minority-Owned Businesses & Trade

The U.S. Census Bureau projects that minorities, who currently compose 37 percent of the U.S. population, are projected to grow to 57 percent of the population by 2060. Minority-owned small businesses derive significantly more revenue from overseas markets than non-minority businesses. For small firms that started up during the pandemic, those led by minority women exported more and to a greater number of markets than other firms. Exporting minority-owned enterprises:

- Employ three times as many workers compared to seven workers employed by minority-owned non-exporters;
- Are more than three times more productive than minority-owned non-exporters;
- Average $7.4 million in receipts, compared to $141,776 for minority-owned non-exporting firms;
- Export more than 14 percent of total receipts compared to five percent for non-minority-owned exporters;
- Are two times more likely to export than non-minority-owned businesses;
- Are six times more likely to conduct business in a language other than English; and
- Are three times more likely to generate 100 percent of their revenues from exporting compared to non-minority-owned firms, regardless of size.

Much of this success derives from immigrant-led minority businesses that have a home-field advantage when exporting to countries where they speak the language, share the culture, or have family connections on the ground.

II. Tackling Trade Barriers To Advance Racial And Gender Equity, Equality, And Empowerment

Even with the benefits outlined above, there is more that must be done to ensure that marginalized and underserved communities, workers, and business owners can access the benefits of trade. The top five exporting challenges U.S. small businesses most commonly face are shipping costs, tariffs and customs procedures, foreign regulatory uncertainty, and lack of information for marketing and tools to communicate with customers abroad. Both tariffs and nontariff measures are more burdensome to small businesses than to larger firms. As business owners engaged in trade, underserved businesses can be disproportionately affected by NTMs like technical trade regulations due to the high cost associated with burdensome customs and bureaucratic procedures. In another national survey, small business owners estimated that improving their ability to reach foreign markets would boost small business export sales by over 14% over the next three years--ultimately growing U.S. economic output by $81 billion and adding 900,000 American jobs.

A. Unlocking Equitable Growth and Opportunity with Digital Technologies

1. Small Businesses Need Global Digital Tools

Small businesses report that many of the challenges and barriers to exporting can be solved or addressed with the help of technology and they view digital tools as essential to their business abroad. Strong privacy protections, consistent data transfer rules, digital trade facilitation, simplified licensing procedures, the ability to do business without a physical presence in the market, and more transparency and information on laws and regulations were cited by small businesses as their most important policy priorities.

Women and minority-owned businesses, in particular, can benefit from greater access to digitally-enabled tools and e-commerce resources provided by both the private and public sectors. Investments in digital technologies can advance opportunities and enhance the gains of underserved businesses from trade by facilitating their access to finance and education, increasing demand for skills, and removing trade barriers. Particularly during the pandemic, internet platforms connected small businesses with new opportunities to offer their products and services globally. Governments play an essential role in maximizing access to digital tools and should pursue digital trade policies that empower all small businesses to prosper in the global marketplace.

To help eliminate structural barriers to equality and economic opportunity, the Biden Administration should:

- **Commit to high-standard digital trade rules** and enable non-discriminatory market access for services sectors critical for e-commerce, including electronic payment services, logistics, and computer and related services.
- **Improve digital and physical connectivity in underserved areas through ICT.** Advancing initiatives to modernize digital connectivity and infrastructure investment through public-private partnerships would disproportionately benefit underserved businesses and communities.
- **Pursue simplified trade facilitation procedures and tangible reforms that help enable digital trade.** These efforts should include initiatives to reduce administrative burdens and costs and permit electronic transactions for digitally enabled businesses.
- **Create and expand public-private partnerships focused on increasing opportunities and capacity building for women and minority-owned small businesses.** The private sector and policymakers should work together to create an inclusive framework to help underserved entrepreneurs develop technical skills, access capital sources, increase financial and digital literacy, and connect with mentors and local expansion partners.
- **Promote targeted and inclusive trade promotion programs.** By delivering cohort-based export and digital skills training programs, governments can advance underserved communities across the region, including by equipping such small businesses with tools, information, and skills that ensure digital competitiveness and participation in international markets. Further, efforts should also emphasize digital skills building to advance the use of exporting technologies, enabling small businesses to reach their full digital and global potential.
- **Promote financial inclusion and address demographic gaps in e-commerce digital trade.** Policies should advance the adoption of electronic payments globally and increase the acceptance of broader digital financial services, thus enabling underserved communities to benefit from more digital trade opportunities.
- **Raise awareness among underserved communities about opportunities in trade.** Digital trade provides entrepreneurs with new business opportunities around the world. However, there is a lack of awareness amongst small businesses about the potential opportunities of doing business cross-border and through e-commerce. Further, there is even greater unfamiliarity regarding the public and private sector resources available to support entrepreneurs' global aspirations.

2. Facilitating Digital Trade Globally

The Biden Administration is pursuing a series of trade agreements in Asia, the Americas, Europe, and Africa[1] that present an important opportunity for the United States to build an affirmative, high-standard digital trade framework that can be a new model for inclusive, worker-centered digital trade globally while deepening two-way digital trade flows. Building from the

[1] These include the Indo-Pacific Economic Framework for Prosperity (IPEF), Americas Partnership for Economic Prosperity (APEP), the U.S. Taiwan 21st Century Trade Initiative, United States–Kenya Strategic Trade and Investment Partnership (STIP), United States–European Union Trade and Technology Council (TTC), and United States-United Kingdom Atlantic Trade Dialogues.

digital trade provisions in U.S.-Mexico-Canada Agreement (USMCA), USTR should encourage the adoption of digital technologies and accelerate opportunities for businesses from underserved and marginalized communities to participate in trade by seeking to address the following issues:

- **Ensuring non-discriminatory treatment** so that U.S. digital companies are treated no less favorably than local companies, and specifically prohibit conditioning market access, participation in standards-setting, access to government procurement, or cybersecurity certification eligibility based on the nationality of ownership.
- **Prohibiting customs duties, fees, or charges** on import or export of digital products, including transmissions of digital content.
- **Prohibiting measures that would restrict technology choice** and encouraging open digital architectures, with appropriate exceptions so that consumers can access and use services and applications of their choice on the internet.
- **Advancing cloud-based systems** and providing full access and non-discriminatory treatment for cloud services and service providers, including for any government procurement.
- **Discouraging mandates for local content** and/or forced joint venture partners.
- **Protecting the movement of data across borders** and the ability of companies to operate without requiring them to use local infrastructure or build data centers.

B. Reducing Barriers for Underserved Communities Through Greater Trade Facilitation

The customs rules and procedures in many countries still rely on outdated approaches that create significant barriers and costs for SME exporters. For example, many countries treat an individual parcel under the same rules and procedures as an ocean container, often imposing complex and costly requirements (including, for example, necessitating the use of a customs broker).

To help underserved and marginalized businesses better access the global marketplace, the Biden Administration should leverage its ongoing engagement with trade partners to press our trade partners to implement trade facilitation policies and procedures on par with those found in the USMCA trade facilitation chapter and seek further improvements in the following areas:

- **Avoiding unnecessary import licenses** for imports.
- **Providing data sharing** between governments and the private sector on seizures.
- **Strengthening facilitation procedures for low-value shipments**, including commercially meaningful *de minimis* levels in U.S. export markets, as well as voluntary public-private partnerships that increase operational efficiencies in exchange for facilitation benefits.
- **Adopting risk management principles** in border processing, ensuring an efficient use of government resources.

- **Permitting periodic payments** for customs duties, fees, and other charges, allowing SMEs to better manage cash flow.
- **Expanding access to the Single Window concept** for all government partner agencies.
- **Expanding the scope of Authorized Economic Operators** ("AEOs") to permit mutual recognition and increase the tangible benefits of AEO certification, including by creating trusted trader programs for individual sellers that do business via trusted e-commerce marketplaces.
- **Allowing entities to secure advanced rulings,** including for supply chains free of forced labor.
- **Providing streamlined treatment for informal entries below a certain formal clearance threshold**, such as requiring fewer customs formalities and simplified customs procedures (e.g., less documentation, fewer data elements, and less red tape).

The benefits of such policies are not hypothetical. A recent study found that improving trade facilitation measures abroad, such as the ones described above, would create 987,000 new jobs in the United States, the vast majority in SMEs, with every state in the nation benefitting from this job growth. Simply put, enhancing trade facilitation in other countries is a great example of a worker-centered trade policy.

C. Addressing Barriers Beyond the Border

Many domestic constraints limit businesses in underserved and marginalized communities from participating fully in trade. Insufficient access to resources that could help them play a bigger role in trade put these businesses at a disadvantage, including access to capital, information, and networks.

For example, inadequate access to financial capital is a significant limitation for the growth of women and minority-owned businesses. In 2022, only 2.1 percent of venture capital went to women-led businesses. Investing in women is not just the right thing to do, it is also a smart investment. Women-led startups achieve 35% higher return on investment and, when venture-backed, 12% higher revenues. If venture capital firms stay homogenous and keep investing in people who look like them, they will be left behind. According to Morgan Stanley, they risk losing out on as much as $4 trillion by not investing in women and other underrepresented entrepreneurs.

Professional networks can help firms connect with new opportunities, improve access to debt and equity financing, and provide useful advice and support. Women- and minority-owned businesses often are cut off from business networks—which can help firms connect with new opportunities, improve access to debt and equity financing, and provide useful advice and support—even though they might benefit the most from access to them. Women also raise smaller amounts of startup capital and ultimately rely on personal sources of income more than men.

By addressing barriers on the domestic level, the Administration can help unlock the growth and opportunities that trade provides.

D. Rethink U.S. Tariff Policy To Spur Manufacturing In Underserved Communities

Between March 23, 2018, and July 26, 2023, U.S. Customs and Border Protection ("CBP) collected over $203 billion in duties assessed under Sections 232 and 301. These tariffs have distorted the market for products subject to the tariffs and increased the price of goods for consumers in the U.S., including U.S. manufacturers. Higher prices are making U.S.-produced goods less competitive than products from other markets and U.S. companies are reporting lost sales to third markets.

The U.S. International Trade Commission (ITC) investigation, *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries* confirmed that Section 232 and 301 duties were raising prices on a one-to-one basis and the cost of the tariffs was almost completely borne by U.S. importers. The ITC also estimated that the Section 232 duties alone resulted in an average annual decrease in downstream production values of $3.4 billion during 2018–21.[2] U.S. production quantities in these industries decreased by up to nearly 3 percent and U.S. production values in some industries decreased by up to $469 million in 2021.

The ITC's report in a separate investigation, *Distributional Effects of Trade and Trade Policy on U.S. Workers*, chronicles multiple instances where small manufacturers and minority workers testified that the cost of Section 232 and 301 tariffs, combined with the expiration of Section 301 exclusions and the loss of prior duty reductions granted under the Miscellaneous Tariff Bill were jeopardizing their companies' ability to continue manufacturing in the United States.

If the Biden Administration is truly committed to boosting U.S. manufacturing competitiveness, it should take bold action in reviewing the scope and scale of the Section 232 and 301 tariffs (and related quotas/tariff rate quotas) as soon as possible. It is time to adjust these policies and provide much-needed tariff relief to boost domestic manufacturing, including in marginalized and underserved communities, where U.S. producers must rely on imports to manufacture in the United States. In addition, the Administration should reopen the Section 301 exclusion process and make meaningful changes to both the Section 301 and 232 exclusion procedures to make exclusions more commercially meaningful.

III. CONCLUSION

Because businesses that export generate greater economic activity than their non-exporting counterparts but also face greater obstacles, helping businesses from marginalized and underserved communities to overcome challenges that deter them from engaging in global is a

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[2] The most negatively impacted industries, as classified by the North American Industry Classification System (NAICS), include Industrial Machinery Manufacturing; Cutlery and Handtool Manufacturing; Motor Vehicle Steering, Suspension Components and Brake Systems; Other General Purpose Machinery; Agriculture, Mining, and Construction Manufacturing; and Other Fabricated Metal Products.

critical element of adopting a more inclusive trade policy. Improving barrier-breaking tools like digital trade and trade facilitation should be at the heart of the Biden Administration's inclusive trade agenda.

NFTC and GIF appreciate the opportunity to provide our views on this issue and look forward to working with USTR to make progress on these issues.