

UNITED STATES  
SMALL BUSINESS ADMINISTRATION

The Office of International Trade

Fiscal Year 2018 Annual Report to  
Congress

As required by Section 22(f) of the Small Business Act

December 20, 2019

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## **Overview**

Section 22(f) of the Small Business Act directs the Associate Administrator of the Office of International Trade (OIT) to submit an annual report to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives.

As required by the statute, this report contains the following sections:

- I. Description of OIT's progress in implementing the requirements of Section 22 of the Small Business Act.
- II. Detailed account of the result of export growth activities.
- III. Estimate of the total number of jobs created or retained as a result of export assistance.
- IV. Travel report for OIT staff.
- V. Description of the participation by OIT in trade negotiations.

**Section I. Description of OIT's Progress Implementing the Requirements of Section 22 of the Small Business Act.**

This section contains an update of changes to SBA's international trade lending programs and an update on OIT's Lender Roundtables, updates on the State Trade Expansion Program, updates on the Small Business Development Center counselor training and certification, an update on interagency cooperation, and updates on staffing requirements.

## Changes to International Trade Lending Programs

There were no substantive changes to OIT's financing programs during Fiscal Year (FY) 2018. However, as required by the Section 7(a)(16)(F) of the Small Business Act, OIT has published the annual list of export finance lenders on SBA's website at <https://www.sba.gov/document/report--participating-export-lenders>.

International Trade			
Export Express (made permanent by the Small Business Jobs Act of 2010)			
	Before	As a result of the Small Business Jobs Act	Reference
Maximum Loan Amount	\$250,000	\$500,000	7(a)(35)(C)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	85% for loans of \$150,000 or less  75% for loans greater than \$150,000	90% for loans of \$350,000 or less  75% for loans greater than \$350,000	7(a)(35)(C)
Export Working Capital Program (EWCP)			
Maximum Loan Amount	\$2,000,000	\$5,000,000	7(a)(14)(B)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	\$1,500,000	\$4,500,000	7(a)(2)(D)
Maximum SBA guaranty percentage	90% up to a loan of \$1,666,667, with a declining percentage thereafter (as the maximum guaranty was \$1,500,000)	90%	7(a)(2)(D)
International Trade Loans			
Maximum Loan Amount	\$2,000,000	\$5,000,000	7(a)(3)(B)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	\$1,500,000	\$4,500,000	7(a)(3)(B)
Maximum SBA guaranty percentage	85% for loans of \$150,000 or less  75% for loans greater than \$150,000	90%	7(a)(2)(E)
International Trade and EWCP Loan Limits When Combined (The loan and guaranty limits for each when a small business borrows both an IT loan and an EWCP loan)			
Maximum Combined Loan Amount	\$2,000,000	\$5,000,000	7(a)(3)(B)
Maximum amount of SBA Guaranty	Total: \$1,750,000 (guaranty amt.) EWCP Loan: \$1,250,000 (guaranty amt.) IT Loan: Difference between Total and EWCP guaranteed portion	Total: \$4,500,000 (guaranty amt.) EWCP Loan: \$4,000,000 (guaranty amt.) IT Loan: Difference	7(a)(3)(B)

## **Lenders Roundtable**

Since 2008, OIT has hosted an annual Export Lenders Roundtable. This event is planned in conjunction with the Export-Import Bank (EXIM) Annual Conference and occurs the preceding day. The 11th Annual Export Lenders' Roundtable was held on Wednesday, April 18, 2018, in Washington, DC. OIT convened export finance lenders, association leaders, and senior government officials to highlight SBA's international trade finance programs, provide updates on those programs, answer questions, discuss trends, and create a forum for lenders to engage with other lenders serving small business exporters. More than fifty people attended the event. OIT awarded the "2018 Export Lender of the Year: Large Institution" to Citibank, which provided \$27.5 million in export lending support. OIT awarded the "2018 Export Lender of the Year: Small Institution" to Byline Bank, which provided \$16.1 million in small business export financing. In addition to program updates, discussion of trade finance trends and market gaps, and lender awards, the Roundtable included sessions on "The Future of Small Business Manufacturing" and "Small Business Exporting Today: Opportunities & Challenges."

## State Trade Expansion Program

The Trade Facilitation and Trade Enforcement Act of 2015 (Public Law 114-125), signed into law on February 24, 2016, made the State Trade Expansion Program (STEP) a permanent provision of the Small Business Act to make grants to States, and the equivalent thereof, to carry out projects that help develop exports by eligible small business concerns (ESBCs).

### Key Performance Measures of STEP are:

- To increase the number of ESBCs in the State that export;
- To increase the value of exports by ESBCs in the State; and
- To increase the number of ESBCs exploring significant new trade opportunities.

STEP activities are managed and provided at the local level by state government organizations. The program is managed at the national level by SBA's OIT. During the first seven years of the program, \$139,224,587 of total Federal funding was provided through STEP.

Under the statute, the 50 states, District of Columbia, Commonwealth of Puerto Rico, Virgin Islands, Guam, Commonwealth of the Northern Mariana Islands, and American Samoa, were eligible to compete for awards. By law, the ratio of Federal to state matching funds was 75% to 25%, except for high exporting states, for which the ratio was 65% to 35%, and territorial possessions of the Virgin Islands, Guam, Commonwealth of the Northern Mariana Islands, and American Samoa, for which matching funds requirements were waived. The states that are considered high exporting are the top three states by export sales based on Census data. For FY2018 the top three performing states by sales were California, Texas, and Washington.

The total amount of appropriated in FY2018 for STEP was \$18,000,000, which was awarded to 47 states and territories.

Section 22(1) of the Small Business Act requires the publication of an Annual Report on SBA's website (and notice to Congress of the publication) including the number and amounts of grants, list of states with activities, and effect of grants on small business exports by the State. The three reports for FY2014, FY2015 and FY2016 are complete and are available at <https://www.sba.gov/document/support--state-trade-expansion-program-step-annual-report>. The most recent, complete data we have is for FY2016. For FY2011 and 2012, we had no reports because there was no aggregated data to report. The annual report for FY2017 will be sent to Congress in early 2020 and then published on the SBA website.

## **SBDC Counselor Training and Certification**

A key goal of the Small Business Jobs Act of 2010 (P.L. 111-240), was to improve the quality of international trade counseling and training received by businesses through the Small Business Development Center (SBDC) network. Section 22(i) of the Small Business Act calls for the certification of SBA resource partner counselors as export trade counselors.

In collaboration with America's Small Business Development Centers (ASBDC), the Trade Promotion Coordinating Committee (TPCC) Secretariat, and SBA's Office of Small Business Development Centers (OSBDC), OIT coordinates annual international trade training at the Annual ASBDC Conference. The 2018 international trade training program at ASBDC offered 23 workshops, including a specialized track on Export Compliance and a core topics track to prepare counselors for intermediate level certification. OIT also helped to arrange a full day Intellectual Property Protection training at the U.S. Patent and Trademark Office (PTO) headquarters prior to the ASBDC conference.

In FY2018, OIT worked with international trade counselors and export delivery resource partners to update the online intermediate level test questions to include counselor best practices and export readiness and resources, and to make other technical updates to exam delivery to strengthen oversight, including requiring passcodes to access the exam. Nationwide there are currently 485 SBDC counselors certified in international trade. Sixty-one of the 62 SBDC networks met or exceeded Small Business Jobs Act requirements for the number of counselors certified in international trade in FY 2019. SBA OIT, in collaboration with the Office of Small Business Development Centers, continues to monitor compliance and provide assistance as needed. SBA OIT is also implementing a plan to develop collaboration and referral protocols between SBDC networks and SBA Export Finance Managers around the country. OIT also provided training at the National Association of Small Business International Trade Educators (NASBITE) Annual Conference and serves as an Ex-officio Board Member for NASBITE. NASBITE administers the advanced level Certified Global Business Professional (CGBP) program.

OIT worked with OSBDC to improve reporting standards for SBDCs of specific levels of certification of counselors. This reporting requirement was included in the 2019 SBDC Program Announcement to identify certified counselors as intermediate or CGBP.



## **Interagency Cooperation**

SBA, through OIT, chairs the TPCC Small Business Working Group (SBWG). The Inter-agency TPCC SBWG, which includes representatives from 15 agencies with international trade responsibilities, coordinates to share information and plan joint activities for small business export promotion. The group was launched in November 2009.

The Goals of the TPCC SBWG are to:

- Increase the number of small business exporters;
- Expand the markets of current small business exporters; and
- Link, leverage, and align Federal, state, and local government and resource partner trade promotion programs and services.

In FY2018, TPCC SBWG meetings were held in October (2017), January, April, and September.

In FY2018, SBA launched a task force within the TPCC SBWG focused on Digital Client Engagement that planned a webinar series on "Going Global" for World Trade Month 2018. The webinars focused on identified pain points for small business exporters and highlighted Federal support for "Getting Started," "Getting Paid," "Preparing to Ship," and "Managing Challenges." OIT worked closely with the U.S. Department of Commerce's International Trade Administration (ITA) and Census Bureau to plan, promote, and conduct the series. The four webinars attracted 880 unique participants tuning into at least one webinar with 466 participating in two or more webinars.

OIT also collaborated with multiple agencies participating in STOPfakes Roadshows, an interagency program led by ITA's Office of Intellectual Property Rights, coordinated in partnership with local U.S. Export Assistance Centers (USEACs). The Roadshow educates small and medium size enterprises about protecting their intellectual property at home and abroad. Roadshow participants hear presentations from representatives of ITA, USPTO, Customs and Border Patrol, the Federal Bureau of Investigation, the National Intellectual Property Rights Coordination Center, U.S. Commercial Service, SBA, the U.S. State Department, and the Copyright Office at each show.

OIT also coordinated listening sessions with successful small business exporters at the National Small Business Exporter Summits. SBA invited the Commerce Department, EXIM, and State trade promotion agencies to these sessions to gather insight on challenges these companies face in expanding their exports and their use of Federal and state resources. Small businesses need help navigating the "alphabet soup" of acronyms and services. The Small Business Administration and its partners are working to strengthen collaborative relationships between resource partners and service providers to better guide small businesses to the appropriate export promotion services.

In FY2018, OIT also entered into a contract with Salesforce to enable enhanced service to business clients, targeted outreach and referrals, working in collaboration with the Department of Commerce and EXIM.

### **Export Finance Specialist (EFS) Staffing Requirements**

Under Section 22(k) of the Small Business Act, SBA is mandated to ensure there are no fewer than three EFSs in each of the ten SBA regions. As of the end of FY2018, SBA had 19 EFSs and two vacancies advertised. Since the passage of the Small Business Jobs Act, improvements and efficiencies have been accomplished within existing resources. As previously reported, in FY2012, two supervisory and field-based EFS positions (GS 1101-15) were created to reduce the burden on the headquarters-based Director of International Trade Finance. These two positions continue to manage the OIT staff assigned to the U.S. Export Assistance Centers (USEACs), one covering the eastern region based out of Cleveland, OH, and one covering the western region based out of San Francisco, CA. These positions are filled by existing OIT EFS personnel who continue to manage their territories for trade financing in addition to supervising 8-9 EFSs in their regions. This model has led to greater consistency in program delivery, improved program oversight, and greater engagement with stakeholders.

Additionally, in FY2018, the SBA implemented the Field Alignment Project. One of the purposes of this alignment was to re-orient certain field staff in SBA's district offices to increase their outreach efforts and promote exports as required by the Small Business Jobs Act. These clearly defined roles and responsibilities and the directive to leverage other agency export assistance resources are new measurable outputs assigned to SBA staff. As a result, SBA will enhance the ability of small business exporters to succeed in global markets through loans, training, and export promotion in line with Small Business Job Act directives.

## **Section II. Detailed account of results of export growth activities.**

This section provides a detailed account of the results of export growth activities of SBA, including the activities of each district and regional office, based on the performance measures required by Section 22G) of the Small Business Act. This report presents all information available.

- The section responds to the request for "the number of small business concerns that-(i) receive assistance from the Administration; (ii) had not exported goods or services before receiving the assistance described in clause (i); and (iii) export goods or services[.]" During FY2018, through the SBDC network, the Office of Entrepreneurial Development assisted 72 firms that met this criterion. During FY2018, through STEP grants 1,811 ESBCs met these criteria, representing 35 percent of all ESBCs assisted.
- This section responds to "the number of small business concerns that receive assistance from the Administration that export goods or services to a market outside the United States into which the small business concerns did not export before receiving assistance." During FY2018, through STEP grants, 3,438 ESBCs expanded their markets, representing 65 percent of all ESBCs assisted.
- This section responds to the request for "export revenues by small business concerns assisted by programs of the Administration[.]" During FY2018, the export revenues self-reported by small business concerns assisted by SBA's financial assistance programs was \$3.1 billion. Export revenues self-reported by small business concerns supported by the SBA's entrepreneurial development programs was \$1,787,592,345. For grants completed in FY2018, the export revenues self-reported by small business concerns assisted by STEP grants was \$556,823,357.
- This section responds to the request for "the number of small business concerns referred to the Department of Commerce, the Department of Agriculture, the Department of State, the Export-Import Bank of the United States, the Overseas Private Investment Corporation, or the United States Trade and Development Agency by the staff of the Office, an Export Assistance Center, or a small business development center." During FY2018, there were 300 small business concerns referred to the other agencies by SBA.
- This section provides additional data reporting for FY2018.
  - o The number of export loans made under the International Trade Loan program established under section 7(a)(16) of the Small Business Act was 256.
  - o The number of export loans made under the Export Working Capital Program established under section 7(a)(14) of the Small Business Act was 162.

- o Of the 162 Export Working Capital Program loans, the number of export loans made under the Preferred Lenders Program, as defined in section 7(a)(2)(C) ii of the Small Business Act, was 81.
- o The number of export loans made under the Export Express program established under section 7(a)(34) of the Small Business Act was 59.

### **Section HI. Estimate of the total number of jobs created or retained as a result of export assistance.**

This section responds to the request for "an estimate of the total number of jobs created or retained as a result of export assistance provided by the Administration and resource partners of the Administration." There were 10,930 jobs created or retained as a result of export assistance provided by SBA's financial assistance and resource partners for FY2018. Job created numbers are self-reported by the borrower and appear in the SBA loan application form. A filter was applied to reduce outliers and jobs associated with cancelled loans. This information was obtained from SBA's Office of Performance Management, which is in the Office of the Chief Financial Officer.

#### Section IV. Travel report for OIT staff for FY2018.

The following international travel was completed by OIT staff members during FY2018.

<b>Destination</b>	<b>Event/Purpose</b>	<b>Benefit to Administration</b>	<b>Benefit to Small Businesses</b>
Mexico City, Mexico	U.S.-Mexico-Canada Agreement (USMCA), Round #5	OIT subject matter experts provided input and analysis regarding U.S. small business interests in the interagency Trade Policy Staff Committee (TPSC) process led by USTR.	As part of the interagency team led by USTR, contributed to the U.S. position for small business-beneficial commitments to open and facilitate trade.
Montreal, Canada	U.S.-Mexico-Canada Agreement (USMCA), Round #6	OIT subject matter experts provided input and analysis regarding U.S. small business interests in the interagency TPSC process led by USTR.	As part of the interagency team led by <u>USTR</u> , contributed to the U.S. position for small business-beneficial commitments to open and facilitate trade.
Mexico City, Mexico	U.S.-Mexico-Canada Agreement (USMCA), Round #7	OIT subject matter experts provided input and analysis regarding U.S. small business interests in the interagency TPSC process led by USTR	As part of the interagency team led by USTR, contributed to the U.S. position for small business-beneficial commitments to open and facilitate trade.
London, UK	U.S.-UK Trade and Investment Working Group (TIWG), 2 <sup>nd</sup> Meeting	OIT subject matter expert led presentations on SME trade facilitation for the U.S.-UKSME Dialogue and provided input and analysis regarding U.S. small business	At USTR's request, co-authored with Commerce the "Doing Business in the U.S. & UK" trade resources guide to inform small businesses how to expand their exports to the UK

		interests in interagency TPSC process led by USTR.	
Taipei, Taiwan	Global Cooperation and Training Framework (GCTF)	OIT senior official advanced adoption of the U.S. SME ecosystem to increase transparency and open market access.	Facilitated U.S. small business exports and matchmaking.

## **Section V. Description of participation by OIT in bilateral and multilateral trade negotiations.**

OIT has participated in the USG interagency Trade Policy Staff Committee (TPSC), led by the Office of the U.S. Trade Representative (USTR), which is responsible for developing interagency consensus on U.S. trade and investment policy and relies on approximately 90 subcommittees responsible for work in specialized functional topics, regions, and international organizations. Pursuant to Section 2(b)(1)(F) of the Small Business Act, OIT provides input and analysis to the TPSC regarding small business interests to help ensure they are adequately represented in bilateral and multilateral trade agreement negotiations.

As part of TPSC, OIT participation in bilateral and multilateral trade negotiations in FY2018 included: 1) formal U.S. trade negotiations; 2) international advocacy; 3) trade remedies (import relief) actions, and 4) reform of the World Trade Organization (WTO). American small business exporters rely on trade agreement commitments to obtain reasonable certainty in all matters of foreign customs procedures, requirements, standards, and intellectual property protection.

### **U.S. Trade Negotiations:**

**U.S.-Mexico-Canada Agreement (USMCA) negotiations:** OIT participated in TPSC meetings and briefings throughout the negotiations of the USMCA (34 chapters). OIT reviewed, provided advice, and drafted comments and suggestions for each of the U.S. draft USMCA chapters, which were reviewed by the TPSC. In addition, OIT trade policy subject matter experts participated at the negotiation table in multiple working groups at four rounds of the USMCA negotiations held in Arlington, VA, Mexico City, and Montreal. In coordination with the USTR lead negotiator, the OIT team played key roles in negotiating the Small and Medium-size Enterprise (SME), Customs and Trade Facilitation, Technical Barriers to Trade, Good Regulatory Practices, Agriculture, Digital Trade/E-commerce, State-owned Enterprises, and Government Procurement chapters. At the negotiation table, SBA trade policy experts explained U.S. textual proposals, listened to counter arguments, and suggested "bridging texts" that benefits U.S. small business traders.

**U.S.-UK Trade and Investment Working Group meetings:** OIT participated in TPSC meetings and briefings regarding the U.S.-UK TIWG meetings held in Washington, DC and London, which are focused on providing commercial continuity for U.S. and UK businesses as the UK leaves the EU and exploring ways to strengthen trade and investment ties ahead of the exit.

- ***U.S.-UK SME Dialogue:*** OIT subject matter experts co-authored with Commerce and gave presentations on the "Doing Business in the U.S. & UK" traderesources guide to inform small businesses how to continue and expand trade with the UK, as the UK prepares to leave the EU.



- ***U.S.-UK Trade and Investment Working Group:*** As part of the TPSC, SBA/OIT participated in bilateral discussions with the UK concerning SMEs cooperation and information sharing; intellectual property rights and enforcement; regulatory issues; digital trade, and marine technology. SBA/OIT staff also gave presentations with Commerce on SME export promotion and entrepreneurship resources.

### **International Advocacy:**

OIT seeks to pre-empt trade barriers before they arise through international advocacy in at least two key ways. First, SBA's International Trade Inquiry Point has been made available at +1 (855) 722-4877 and [international@sba.gov](mailto:international@sba.gov) to connect small businesses to international trade-related answers, counseling, and resources at SBA and other U.S. Federal agencies. Second, OIT leverages innovative bilateral consultations and international arrangements to help "shape" the international market place, so that U.S. small business exporters may capture new middle-class consumer consumption in strategic, high growth emerging markets and "bring home" new international sales. In FY2018, the SBA Administrator signed a Memorandum of Understanding (MOU) with the Kingdom of Bahrain on "Promoting Cooperation on Small and Medium-size Enterprise (SME) Ecosystems." In FY2018, OIT also participated in follow-up digital video conferences with the Government of Argentina to continue to implement a 2017 MOU with the Government of Argentina on "Regulatory Coherence and Meaningful Engagement with the Private Sector," which was drafted by OIT and signed by the SBA Administrator and the Commerce Secretary. Under the umbrella of the GCTF, OIT, in cooperation with the American Institute of Taiwan (AIT) and the U.S. Department of State, garnered high-level Executive and Legislative Yuan support for launching Indo-Pacific cooperation on SMEs and delivered remarks at seven events, including a keynote address at the "Meet Taipei" Startup Festival on creating vibrant entrepreneurial innovative ecosystems.

### **Trade Remedies (Import Relief) for American Small Business:**

OIT similarly fulfilled its statutory mandate (Section 2(b)(1)(C) of the Small Business Act) to aid and assist small businesses by "enhancing their ability to compete effectively and efficiently against imports," by participating in several Administration-led trade remedy and import relief actions. OIT solicited small business input to support a study of U.S. trading partners as part of the implementation of President Trump's Executive Order 13786, the Omnibus Report on Significant Trade Deficits. SBA, as a member of the TPSC, also served on several Section 301 investigation panels of USTR-led public hearings on China Intellectual Property Right violations, at which they posed questions to the assembled witnesses of business associations and small firms. OIT also counseled numerous small business manufacturers on trade finance loan guarantees and intellectual property protection, as well as regarding anti-dumping trade actions.

## **Reforming the World Trade Organization for American Small Business:**

OIT contributes to the reform of the World Trade Organization (WTO) by representing small business interests on the U.S. National Trade Facilitation Committee, led by USTR, and provided counsel and advice on leveraging the use of WTO "room documents" to advance U.S. views in the WTO Committee on Trade Facilitation. In FY2018, SBA trade policy experts drafted key portions and authored three U.S. communications (white papers) to the WTO focused on small business trade policy issues. First, OIT wrote portions of the first U.S. communication to the WTO on best practices for establishing a National Trade Facilitation Committee (NTFC), which highlighted SBA's role in contributing to the advancement of small business interests in streamlining foreign customs transactions and release. Second, OIT coordinated a brand new set of useful practices to facilitate SME participation in government procurement for a U.S. communication to the WTO Government Procurement Agreement (GPA) work program on SMEs. Third, OIT, in collaboration with USTR, authored a brand-new U.S. communication to the WTO on "The Role of 'Notice and Comment' in WTO Trade Facilitation Agreement Implementation" (June 14, 2018). The U.S. communication highlights how American administrative procedures help "weed out" unnecessary obstacles to entrepreneurial development and small business innovation before they become the topic of international concern.