

The Trans-Pacific Partnership: Working for U.S. Small and Medium-Sized Enterprises

The Trans-Pacific Partnership (TPP) is a market-opening trade agreement that the United States has concluded with Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The Asia-Pacific is a fast-growing region with great opportunity for American companies. It is estimated that by 2030, the market will contain 3.2 billion middle-class customers. It is important for Small and Medium-Sized Enterprises (SMEs) to capitalize on opportunities provided by the TPP so that they can contribute more significantly to national, regional, and global economic growth.

What Barriers Do SMEs Face in the Global Marketplace?

SMEs comprise 98 percent of U.S. firms that export goods to foreign markets. This same group, however, only accounts for one-third of the total value of U.S. goods exported. All too often, an SME exporting U.S. goods is only shipping to one country. There is clearly an opportunity for SMEs to export more American goods to more foreign markets.

SMEs face many barriers to reaching international markets including weak protections for intellectual property, a labyrinth of customs rules, confusing regulatory requirements and duties that cut into small margins. These barriers limit potential SME goods and services exports.

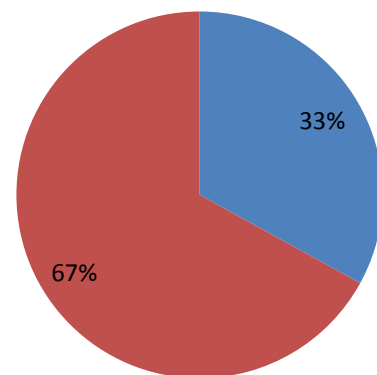
How Does TPP Address SME Barriers to Internationalization?

Several provisions will have a positive and significant impact on U.S. SMEs taking advantage of opportunities in TPP markets:

- **Eliminating Tariffs** – According to the [Progressive Policy Institute](#) (PPI), SMEs are “more likely than larger firms to see foreign import taxes as a serious barrier to their exports.” TPP will eventually eliminate tariffs on all American-made manufactured goods and on nearly all American-produced farm products.
- **Protecting Intellectual Property Rights** – The theft of intellectual property is an ongoing and serious barrier that U.S. companies, particularly SMEs, face in certain foreign markets. The TPP includes strong, clear rules on the protection of not only trademarks, patents, and copyrights, but also of trade secrets. Trade secrets are critical for SMEs, who often depend on industrial know-how as a core part of their competitiveness but have limited resources to protect against trade secret theft, particularly in international markets with weak trade secret regimes.

SMEs Comprise 33 percent of Total U.S. Exporting Value

- SMEs (Companies with 500 Employees or Fewer)
- Companies with More Than 500 Employees



Source: [Small Business Administration, Office of Advocacy](#)

- Facilitating Digital Trade – The Internet is leveling the playing field for SMEs, providing them with platforms and tools to sell globally. The TPP’s E-Commerce Chapter supports SME’s global expansion by enabling cross-border data flows and prohibiting data localization requirements that would otherwise impede such growth.
- Streamlining Customs Procedures – The TPP will address the burdens that SMEs face in customs procedures by improving transparency, reducing delays, and setting performance standards for key custom issues.

In addition to the provisions noted above, for the first time in a trade agreement, there is a chapter dedicated to SMEs. This chapter requires each TPP country to maintain a website with country-specific resources, including information on local taxes, standards and regulations, employment rules and intellectual property protections. TPP also establishes a committee on SMEs to address emerging issues with TPP’s implementation that impact SMEs.

Conclusion

According to the [U.S. International Trade Commission](#) (ITC), exporting SMEs outperform non-exporting SMEs in having higher total revenues, faster revenue growth and higher productivity from their employees. In addition, the ITC found that SMEs are “disproportionately” affected by tariff and non-tariff barriers. The TPP will address many of those barriers and level the playing field so that U.S. SMEs can grow their businesses and support well-paying jobs.

TPP has been endorsed by the [Small Business and Entrepreneurship Council](#) and the [National Small Business Association](#).