

**SBA MANAGEMENT REVIEW: OFFICE OF
INTERNATIONAL TRADE**

HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES**

HOUSE OF REPRESENTATIVES

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SBA MANAGEMENT REVIEW: OFFICE OF INTERNATIONAL TRADE

TUESDAY, SEPTEMBER 20, 2022

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Davids, Phillips, Newman, Bourdeaux, Carter, Houlahan, Kim of New Jersey, Craig, Peters, Luetkemeyer, Williams, Stauber, Meuser, Tenney, Garbarino, Kim of California, Van Duyne, Fitzgerald, and Flood.

Chairwoman VELAZQUEZ. Good morning. I call this hearing to order. Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. Standing House and Committee rules will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these rules.

House regulations require Members to be visual through a video connection throughout the proceeding, so please keep your cameras on. Also, remember to remain muted until you are recognized to minimize background noise.

In the event a Member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available Member of the same party, and I will recognize that Member at the next appropriate time slot, provided they have returned to the proceeding.

For small businesses, exporting products abroad can jump-start growth and unlock an enterprise's full potential. Nearly 96 percent of consumers live outside of the United States. When small firms sell their products internationally, they can reach countless new customers, become more resilient, and boost their bottom line.

The approximately 166,000 small businesses in the U.S. that export account for roughly \$341 billion in sales. However, small export businesses represent only 3 percent of U.S. small employer firms. That is because exporting presents a range of unique risks and challenges for small businesses stemming from the complex nature of global trade.

Small businesses looking to expand overseas often have difficulty obtaining the capital to fill foreign purchase orders, struggle to connect with foreign buyers, and lack the expertise to understand international rules and regulations.

Recognizing these challenges, the Small Business Administration created the Office of International Trade in 2010 to work with other federal agencies to encourage small business exports and provide expert assistance to small firms.

While OIT engages in a variety of activities to promote exports, including managing three different loans specifically targeted to small businesses looking to export—the Export Express, Export Working Capital, and International Trade Loan Programs—the office’s primary responsibility is administering the State Trade Expansion Program, otherwise known as STEP.

STEP educates small firms on the nuances of the exporting process and provides technical assistance to support small businesses as they expand into international markets.

The program awards loans to all states and territories for participation in trade missions, international marketing efforts, workshops, export trade show exhibits, and other promotional activities. These funds must be matched by the states at either 35 percent of the federal award for states with high export volumes or 25 percent for states without high export volumes.

Since its inception, STEP has helped thousands of small businesses break into the international marketplace. In fiscal year 2021, the SBA supported \$832 million in export sales from STEP and assisted over 3,400 small businesses. By expanding the number of small firms that export, we can grow both the small business and U.S. economy.

That is why we must act to strengthen and improve the STEP program. Representative Evans, along with Representative Young Kim, recently introduced the STEP Improvement Act of 2022, which will reauthorize the program for 4 fiscal years.

The bill also includes measures to streamline STEP’s application process, increase grant spending flexibility, improve communication between the SBA and participating states, implement more robust reporting requirements, and allow small firms to participate in the program sooner in their business journey.

Last Congress, the House passed a similar bill, but ultimately the Senate declined to take action. I hope that we can continue our bipartisan work to pass this bill through the House this Congress and work with our Senate counterparts to enact this important legislation into law.

Today, I want to take a closer look at the operations of SBA’s Office of International Trade and particularly STEP. I look forward to discussing the actions Congress can take to improve the program and address any challenges facing the office.

I want to thank Associate Administrator Esparza for being here today, and I look forward to hearing your testimony.

I now would like to yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

And thank you, Associate Administrator Esparza, for taking time to testify today.

I think it is important to hear directly from administration officials on the programs they manage and their work to support small business.

Unfortunately, today marks 512 days since Secretary Yellen has missed the legal deadline to testify before the Small Business Committee. This is unacceptable.

But, Mr. Esparza, we do appreciate you being here today and fulfilling your responsibility.

Small businesses are the drivers of innovation, leaders in job creation, and beacons of American ingenuity across the globe. International trade policy impacts nearly every type of small business, whether it is agricultural products from Missouri or computer and electronic products from California. We have seen how entrepreneurs' ability to compete on the world stage can grow our economy, support our American workers, and build communities.

To broaden markets and strengthen small businesses' competitive advantage, the Trump administration confronted unfair trade practices and negotiated historic trade deals, including the United States-Mexico-Canada Agreement, USMCA, and a written "Phase One" trade agreement With China.

Under pro-growth and pro-business policies, small business optimism broke a 35-year-old record and we experienced a blue collar boom where wages grew faster for workers than for managers or supervisors prior to the COVID-19 pandemic.

However, I am concerned that under the Biden administration China's economic aggression has gone unchecked, regulations and taxes have increased for American manufacturers, and backlogs at our ports have created supply chain disasters.

We have seen small business optimism decline, inflation reach 40-year highs, and two consecutive quarters of negative economic growth, which translates to a recession, despite the left's effort to spin something to the contrary.

The Consumer Price Index, CPI, rose 8.3 percent in August as compared to 1 year earlier. Additionally, the Producer Price Index, or wholesale inflation, registered an annual increase of 8.7 percent. Inflation remains the top concern for small business owners, yet the Biden administration fails to provide solutions.

On the very same day that the Bureau of Labor Statistics reported that CPI remains at a 40-year high, President Biden celebrated on the White House lawn a bill that the CBO found will not reduce inflation and in fact could slightly increase inflation in 2023.

A recent survey of small business owners found that 90 percent of small business owners report that broader economic trends, such as inflation, persistent supply chain issues, and workforce challenges, are having a negative impact on their business.

These economic headwinds impact every aspect of a small business owner's operation. They struggle to pay exorbitant high utility bills, place "help wanted" signs on their doors in the search for skilled labor, and encounter backlogs waiting for delayed parts and goods.

Further, small businesses looking to enter international trade markets face a variety of trade barriers that limit their ability to compete, including lack of resources, inadequate access to financing, anti-competitive technical standards, and complex export controls. These barriers are likely why small businesses represent only 26 percent of total American export value.

The Small Business Administration is tasked with advocating for small businesses in trade negotiations and promoting small business exports. Today we will review the SBA's Office of International Trade, OIT, export promotion activities, including management and training programs, loan programs, and State Trade Expansion Program grants.

As the Ranking Member of this Committee, I appreciate the work of OIT to help Main Street navigate the obstacles involved with engaging in international trade and their advancement of small business interests at home and abroad. To increase their exports and expand into new markets, small businesses can access counseling and training from the SBA's resource partners, field offices, and United States Export Assistance Centers.

To access additional capital, small businesses can utilize any of the small business traditional loan programs. In addition, SBA's three export loan programs—the Export Express Loan Program, the Export Working Capital Program, and the International Trade Loan Program—are facilitated by private sector lenders and guaranteed by the SBA to assist small businesses in building export operations, financing transactions, or expanding production capacity.

The State Trade Expansion Program, or STEP, is also a valuable tool for small businesses. STEP grants are awarded to State trade agencies, which are then awarded to eligible small businesses for specific export activities. The grant funding can be used for participation in foreign trade missions and trade show exhibitions, design and marketing media and websites, and procurement of consulting services.

Missouri, my State, has participated in the STEP program since its inception and over \$2.5 million total has been disbursed to hundreds of Missouri businesses. This program has made a real impact on small business owners who have used the program to internationalize their websites and create relationships on foreign market sales trips.

In Missouri, Tram (ph) Systems, a veteran-owned small business, used the STEP program to participate in a trade show in Singapore, which resulted in product distribution to 10 countries in Southeast Asia and a new purchase order of \$27,000.

Mr. Esparza, it sounds like, from your response there, it looks like you recognize this entity.

Stauder Consulting, Inc., based in St. Peters, Missouri, again in my district, previously felt the company's size and limited resources made it too difficult to market internationally.

However, after receiving financial assistance and connections from STEP grants, the company now reports: A small business with limited business development funds, the MO-STEP Program, which is for Missouri, the Missouri version of it, has assisted our efforts to market and sell our products and services internationally. In the past 5 years, we have transitioned from zero percent international sales to 75 percent international sales. This program has made a significant impact on our small business and our ability to project our capabilities and products around the world.

This Committee has held multiple hearings on this important program. In this past July, the Subcommittee on Economic Growth, Tax, and Capital Access heard from beneficiaries of the program.

Prior to becoming a Member of Congress, Ranking Member Meuser, who is with us this morning, was a small business owner, and during the hearing he shared how his small business utilizes STEP grants to reach new markets and grow their operations.

Tomorrow, this Committee will mark up the bipartisan STEP Improvement Act of 2022. This legislation will improve coordination, increase accountability, and ensure small businesses can continue to benefit from this valuable program. I applaud Representatives Evans, Newman, Kim, and Flood for their work on this legislation.

In a growing global economy, we can all agree small businesses deserve ample opportunities to engage in international trade. To support entrepreneurs, we must stand up to China and advocate for American innovation, reduce regulatory burdens that hold small businesses back, restore our supply chains for the movement of goods, keep taxes low for our nation's job creators, and stop reckless spending on the backs of Main Street USA.

I look forward to discussing the Office of International Trade's initiatives, and I remind the administration that reckless spending and increasing taxes and regulations fail to support small businesses in their efforts to expand and export.

And with that, Madam Chair, I yield back.

Chairwoman VELAZQUEZ. Thank you. The Ranking Member yields back.

I would like to take a moment to explain how this hearing will proceed. The witness will have 5 minutes to provide a statement and each Committee Member will have 5 minutes for questions. Please ensure that your mic is on when you begin speaking and that you return to mute when you finish.

With that, I would like to introduce our witness, Mr. Gabriel Esparza, the Associate Administrator for the Office of International Trade at SBA.

Mr. Esparza is a seasoned executive with over 25 years of experience leading businesses from large corporations to startups. Prior to joining the SBA, he was an investor, adviser, and operator in a variety of entrepreneurial ventures.

Earlier in his career, Mr. Esparza spent 13 years at American Express, including as Vice President of global business development for the commercial payments business.

From 2009 to 2018, Mr. Esparza also served on the Board of Civil Service Commissioners for the City of Los Angeles.

He holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts in international studies from Stanford University.

Welcome, Mr. Esparza. I will now recognize you for 5 minutes.

STATEMENT OF MR. GABRIEL ESPARZA, ASSOCIATE ADMINISTRATOR, OFFICE OF INTERNATIONAL TRADE, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. ESPARZA. Thank you. Chairwoman Velázquez, Ranking Member Luetkemeyer, and distinguished Members of the Committee, thank you for honoring me with an invitation to come before you today to discuss the work of the Office of International Trade at the U.S. Small Business Administration.

For America's small businesses, exporting is an engine for growth that allows our firms to reach new customers in an increasingly interconnected global marketplace. Data shows that small businesses that export are more resilient, expand faster, and create higher paying jobs for Americans.

Raising awareness of the availability of trade assistance through the SBA requires shifting our frame of reference for what an export looks like today. The advent of digital tools, e-commerce engines, and maturing payment networks has reduced barriers to entry for small businesses to export both products and services.

At the SBA, Administrator Guzman has prioritized leveraging these digital technologies to create a whole new generation of exporters. During the pandemic, e-commerce increased in the United States and small businesses adopted digital strategies to survive and grow their revenues, often finding customers all over the world.

We are driving transformational change so that the SBA can help these "accidental exporters" become "intentional exporters" by expanding and growing their businesses to new markets.

I am proud to bring my lived experience working around the globe to SBA's mission to help small businesses grow internationally. Prior to joining the administration, I helped lead a startup small business that built a modern 9-1-1 technology platform. Our company launched in the United States and expanded around the world.

Prior to that, I spent 13 years at American Express working with small businesses and eventually leading global business development for the commercial payments division.

Over the course of my 26-year career, I have lived, studied, and worked around the globe, now almost 70 countries in total, while at the same time being deeply intertwined in the small business arena.

In that connection, I have seen the power of American entrepreneurship on a global scale, and I work each day at SBA to ensure that our small businesses can find new customers to grow and compete internationally.

One of our office's primary responsibilities is providing education and training to small businesses that are interested in exporting. We help businesses prepare for navigating the complexities of international sales, including customs, trade credit insurance, and foreign exchange. Our efforts are supported by a range of partners throughout the SBA, across the federal government, and with certain public-private partnerships.

After a business has established a solid idea, product, or service, often including a track record of successful domestic sales, they need access to capital to fund and grow their overseas expansion. SBA's lending portfolio provides guarantees on loans and credit lines originated through the private banking industry.

The Office of International Trade is authorized to provide higher guarantees on these facilities due to the unique circumstances faced by exporters, namely increased buyer risk, country risk, and currency risk.

The SBA's Office of International Trade also focuses on providing grants to small businesses in the form of export expense reimbursement through the State Trade Expansion Program, or STEP.

This year, we are proud to be celebrating the tenth anniversary of STEP, which over the last decade has awarded over \$200 million to all 50 States and six territories. The STEP program has supported 12,000 small businesses and generated approximately \$5.5 billion in export sales.

Demand for STEP resources from the States is strong. This year, STEP applications were the highest ever, both in terms of States and territories applying as well as the total dollars requested. In 2022, we will have a record 48 States and 4 territories participating in the program.

Our partnership with the States, as well as with external advocacy groups like the State International Development Organizations, or SIDO, is critical to the efficiency, relevancy, and impact of the program.

The last piece of the puzzle for most small businesses as they seek international opportunities is access to foreign markets. SBA is deeply involved in the interagency trade apparatus of the federal government. It is there that we advocate for small businesses for all matters related to trade policy and trade agreements, bringing to life the real lived experience of small business owners that we meet every day.

SBA is committed to ensuring that the core offerings of our international trade office—education, capital, and market access—are available to the growing universe of small business exporters.

Across the agency, Administrator Guzman has tasked us with developing more customer-centric approaches to our work that meets our small business customers where they are. That is why the SBA is focused on increasing awareness for trade by connecting to broader audiences of small businesses who are currently exporting or could potentially be exporting.

I am humbled by the opportunity to serve at the SBA, and I am excited about the future of our nation's small businesses to export American-made products to customers throughout the world.

I appreciate the invitation to appear before you today, and I look forward to your questions. Thank you.

Chairwoman VELAZQUEZ. Thank you, Mr. Esparza.

I will begin by recognizing myself for 5 minutes.

You just stated STEP could be a great tool for small businesses, but the issue is 96 percent of customers live outside the United States. Only 3 percent of small businesses are exporting.

So as an Associate Administrator for OIT, do you have a plan to market STEP to increase participation in exporting?

Mr. ESPARZA. Thank you, Chairwoman Velázquez.

Yes, of course. And, in fact, you hit on the correct word: market, marketing awareness. We need to get the word out that this program is effective. It has proven to be a generator of export sales, a sustainer of jobs, allowing companies to expand into new markets. We simply need to get the word out more.

So our office has reorganized around having a stronger marketing function. We have tasked the entirety of the staff to make sure that they have a growth mindset and a marketing mindset.

And we will continue to work in our office, including across the ecosystem of partners that we have in federal government and in the private sector, to make sure we continue that effort.

Chairwoman VELAZQUEZ. I am glad that you mentioned resource partners. What about district offices?

Mr. ESPARZA. Absolutely. So the 68 district offices, Madam Chairwoman, that the SBA manages are part of that ecosystem. The 200-plus field staff of the U.S. Commercial Service in the United States are women's business offices, veterans business office, the Small Business Development Centers.

The ecosystem is large. If people want to talk about exporting, small businesses, they should not suffer for lack of resources. It is simply us being able to get the word out.

Chairwoman VELAZQUEZ. Are you incorporating workshops in some of our congressional districts, for example?

Mr. ESPARZA. Absolutely, Madam Chairwoman. In addition to the one-on-one and in-person sessions, we are now, of course, leveraging technology to do much broader seminars and webinars.

I speak very consistently out on the road at conferences in a variety of venues in which I too can get the word out. And so marketing is fundamental to all that we are doing today.

Chairwoman VELAZQUEZ. Can I ask you what will be the impact of H.R. 8844 when we pass it?

Mr. ESPARZA. Thank you, Madam Chairwoman.

If and when we pass this bill, which we wholeheartedly support, the opportunity for small businesses to continue to export, to continue to add to new markets will be an important driver of the U.S. economy.

In addition to existing firms, we also have a very specific focus on new-to-exporting firms as well as companies that come from historically underserved communities. And so our reach is far and broad, and we continue that effort today.

Chairwoman VELAZQUEZ. In a recent hearing the Committee heard from states and small businesses that participate in STEP. Overwhelmingly, their testimony was positive, but we heard concerns about the administrative aspects of managing the grant.

What steps did you take to improve the grant application process for the 2022 grant cycle?

Mr. ESPARZA. Chairwoman Velázquez, we are—I am very aware of this feedback, and I have spent time talking with State directors, talking with managers of the grant programs. And I acknowledge that there are aspects of the program that States want to have become more efficient.

Of course, along with this Committee, what I try to do is make sure that we have the right balance between protecting taxpayer dollars and managing this program, and understanding at the same time we ask very specific questions and have requirements of the States in terms of their application process as well as their quarterly reporting.

And so wherever we have an opportunity to improve the efficiency of this program and the reporting requirements that we ask of States, we will absolutely do that.

Chairwoman VELAZQUEZ. Thank you.

Ensuring equitable knowledge of and access to SBA programs and services has been a top priority for this Committee. However, we have learned throughout the pandemic access to funding and program support are not always equal.

How does SBA work to ensure that traditionally underserved communities have access to STEP funds?

Mr. ESPARZA. Thank you, Madam Chairwoman.

This is important. Administrator Guzman has asked us across the SBA not only to have a customer-centric lens in all that we do, but to make sure that we have an equity lens with all that we do as well so that historically underserved communities, women small business owners, veteran small business owners, rural small business owners all have an equal shot at the programs that we do.

Some of them, as you know, are built into statute such that the STEP program, for example, has to be distributed evenly to all States, it can't be focused only on the highest exporting States.

And so both with what we work with in terms of the rules of our programs as well as our interest in marketing to all communities, we make every effort to ensure that underserved communities are included there as well.

Chairwoman VELÁZQUEZ. Thank you, Mr. Esparza.

Now I yield to the Ranking Member, Mr. Luetkemeyer, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Many in the American public feel that there is no identity to what is driving the Biden administration's trade policy agenda.

Are small businesses, the American worker, and private sector growth key considerations when negotiating and examining trade agreements?

Mr. ESPARZA. Thank you, Ranking Member.

We at the Office of International Trade work very closely with the U.S. Trade Rep's office, the Commercial Service, the entire trade apparatus of the federal government.

We believe—and I believe individually—that it is our responsibility to advocate for small businesses in all that we do and at every seat at the table that we have. I try to bring those communications that I have with small businesses that I meet around the country, bring those real life experiences and stories to this trade apparatus when we talk.

Mr. LUETKEMEYER. I appreciate your comment that you want to be an advocate for small business. I think that is your job, quite frankly, and I appreciate that comment.

Do you talk to the administration at all with regards to the effect of the policies of this administration with regards to inflation, taxes, rules and regulations of small businesses that you are trying to help export their products? Do you talk to anybody in the administration about that?

Mr. ESPARZA. Thank you, Ranking Member.

I talk with not only my boss, Administrator Guzman, but, again, the U.S. Trade Rep's office and Commercial Service, the State Department, others in the federal trade apparatus. And I am always advocating for small businesses, whatever their experience is, whatever their circumstances.

Mr. LUETKEMEYER. Well, I appreciate that, because I asked that same question of your director, Administrator Guzman, and she is not talking to the administration, which is mind-blowing from the standpoint that 99 percent of the businesses in this country are small businesses, businesses she has a direct impact overseeing and helping.

And yet we are not communicating the problems of small businesses to the administration with regards to their policies, whether they work or don't work. I mean, even if they are working, they should be getting some feedback, positive feedback. Unfortunately, most of it is negative.

But if you are not discussing that, I think it is very difficult to help small businesses through all this.

When you advocate for small businesses in the trade arena, what does your office do to hold China accountable for their predatory digital trade policies, IP theft, currency manipulation, and violation of WTO rules?

Mr. ESPARZA. Thank you, Ranking Member.

As I mentioned earlier, my advocacy for small businesses, our office's advocacy, includes those small businesses that are trading with China or would like to trade with China.

I am aware of circumstances and feedback from small business in which tariffs in both directions can be positive and at the same time can add friction to the system and be challenging to small businesses.

So these are real experiences of small businesses that, again, in my capacity in conversations with the trade apparatus across the federal government, including the U.S. Trade Rep's office, we share these experiences so that we can advocate for small businesses wherever possible.

Chairwoman LUETKEMEYER. You know, tax policy is a real driver. The old adage "follow the money" is true with all the things that are business-oriented.

As we saw with the Tax Cuts and Jobs Act of 2017, the inversion that was going on with big companies moving their headquarters overseas as a result of tax policy changed whenever we changed our tax policy here. And since then, there hasn't been one single entity, not one, that has changed and has inverted their home office to a foreign country. In fact, many of them have brought them home.

What do you see from the standpoint of tax policy that is harmful to small businesses' ability to transact trades with foreign countries?

Mr. ESPARZA. Thank you, Ranking Member.

Tax policy is not part of the conversations that I have personally had with small businesses. I hear from small businesses their questions around: How do I find a buyer overseas? How do I have access to capital? How can I take advantage of your programs and services?

So while I am listening to them about their experiences and their challenges, that is not one that I have specifically had a conversation about.

Mr. LUETKEMEYER. That is curious, because I think, I would believe that going into another country, for instance Canada, I

mean, they tax the dickens out of American companies up there. I mean, if you make money up there, you are taxed on it.

I would think that that would be something that if I am a small business owner, I want to know what the tax laws are so if I sell something and I make a hundred dollars' worth of profit how much of that do I actually get to keep and come home with. That surprises me.

One quick follow-up. I saw an article this morning in The Wall Street Journal how many people were coming back to work. Is everybody back to work in your department now, or do you still got some folks back home?

Mr. ESPARZA. We are back to work.

Chairwoman LUETKEMEYER. 100 percent?

Mr. ESPARZA. And I, Ranking Member, I probably split my time half the time in the office, half the time out on the road talking to small businesses. When I am in the office, I am glad to see the team, inspire them, lead them. At the same time, I do think it is important to be out on the road talking to small businesses.

Mr. LUETKEMEYER. Well, I am not criticizing you being on the road. What I am saying is we have too many people working from home. We need to come back to work. And I assume that is what you are doing. Most of your—all your people are back to work.

Mr. ESPARZA. We are back in the office.

Mr. LUETKEMEYER. Perfect. Thank you very much.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

And now I recognize the gentlelady from Pennsylvania, Ms. Houlahan, for 5 minutes.

Ms. HOULAHAN. Thank you.

Associate Administrator Esparza, we hold in common that we both went to Stanford. It looks as though you are a little bit younger than me, though, so we must have missed each other.

Very much appreciate the opportunity to have you appear before the Committee. One of the things that makes me most proud about serving on the Small Business Committee is that I have quite a lot of experience in scaling small businesses to larger businesses. And a couple of them have actually gone on to be global in their scope and their span, one of them sold into 110 different countries from startup.

Those were both started as two organizations in the Pennsylvania area. And I am very, very glad to see that funding is coming to Pennsylvania as part of the 2022 State Trade Expansion Program awards.

This funding will support Pennsylvania's Global Access Program, which is designed to enhance the capability of small and midsize Pennsylvania companies to increase export sales through innovative uses, such as website enhancements, translator and interpreter fees, foreign market sales trips, and other sorts of things that I know that I experienced as being powerful tools to be able to grow your top line and bottom line and scale globally.

Considering the importance of this program, I really would like to understand how States like Pennsylvania can further maximize the amount of funding they receive in future years. Specifically, are there ways that States can better utilize their funding in order to obtain the maximum amount allowed in the next grant cycle?

One of the reasons why I am asking this question is that in doing our research our team discovered that no States were awarded the maximum amount of \$2 million for 2022. How can we be that State that gets the \$2 million?

Mr. ESPARZA. Thank you, Congresswoman.

For \$20 million in available funding this year, we had \$39 million in requests from the States, almost two to one. And so almost by definition we did not have enough money to satisfy every State's request.

But I can tell you that, in terms of maximizing the opportunity for Pennsylvania or any other State, a good place to start is utilizing all the funds available in a given year. We want to demonstrate to you all that every State is maximizing the utility of the program by utilizing all the funds.

Of course, we have several categories in which those funds can be used. Principally, most small businesses look for expense reimbursement through the STEP program for trade shows and trade missions, but there are nine expense categories, and they continue to expand. We recently included now reimbursement for trade credit insurance.

So we are starting to get very specific about all the aspects of exporting, and we hope to continue to work with your State and others to be able to maximize the program.

Ms. HOULAHAN. That is really interesting. And basically it is a problem of supply and demand. There is a significant amount of demand and not enough supply. Thank you for that answer.

Businesses in my community and nationwide are continuing to be adversely impacted by increased costs due to Section 301 tariffs. For instance, my office has been in close communication with a company in my community called Lasko Products, which is an international home comfort product and fan manufacturer that is headquartered in my community. It has filed numerous requests for exemptions from 301 tariffs, noting that the harmful impacts that they are having on their business are difficult.

Given the role that your office does play in supporting businesses that are engaged in exporting, I am sure that you understand how challenging the 301 tariffs have been in the wake of the pandemic.

So this year is the 4-year statutory review mark for all four lists of 301 tariffs on Chinese products. And recognizing that the United States Trade Representative oversees an enforcement of the Section 301 tariff regime, but also noting your expertise with their impacts on small businesses, can you please explain to what extent you do engage with the USTR on Section 301 tariffs?

Mr. ESPARZA. Thank you, Congresswoman.

So we are aware of the Section 301 process and the review that is going on right now. We are also aware that several companies have asked for exceptions from those tariffs.

Again, as I have said earlier, wherever we find real life stories of small businesses that we meet every day across the country, including the ones that you mentioned from Pennsylvania, we share those stories, we share those examples with the U.S. Trade Rep's office, and we continue to advocate for them going forward.

More than anything, we keep abreast of these processes, the review process, and we help in our capacity as educators and commu-

nicators with small businesses about those processes. And we hope to be able to continue to do so.

Ms. HOULAHAN. So with the last seconds, that was actually the final question, which is, how can small businesses like the ones in my community better work with you all, kind of raise their hands and say they would like to be exemplars or examples of kind of what is going on and how we need to help these organizations?

What can your office do to seek these businesses out? And can I direct this business to you more specifically?

Mr. ESPARZA. Yes, please, Congresswoman. On our website, we have a trade tools portion of our website. We have a hotline. We can take inbound calls. Communication and education relative to not only tariffs but all aspects of the exporting journey is something that we work on very hard, and I am happy to work with your office for that particular business.

Ms. HOULAHAN. [Presiding.] Thank you. I appreciate it. And I yield back my time.

But I am now also serving as the acting Chair. And so the Chair will now recognize Representative Roger Williams, who is the Vice Ranking Member of the Committee, for his 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chair.

And as a small business owner—thanks for being here. As a small business owner for 50 years—I am a car dealer, I have been in business 51 years—I can tell you that President Biden's SBA is totally out of touch with Main Street America. And I am glad to see that you are a businessperson, because, frankly, I didn't know they had any businesspeople over there. So I am glad that you have that experience.

When I talk to business owners back in Texas, they are concerned about the inability to find qualified workers, excessive government regulations, increasing compliance costs, and the constant threat of tax increases coming from Washington.

And just real quick, do you think we should be raising taxes on small business, on Main Street America? That is a short answer, I mean, yes or no?

Mr. ESPARZA. Thank you, Congressman Williams.

I think tax fairness is an important aspect of what we should be doing, and every American and every American small business should pay its fair share of taxes.

Mr. WILLIAMS. See, I think we should cut taxes across the board.

However, all businesses in my district are more concerned about the—are most concerned about the out-of-control inflation, which all of us are, which has soared to 13 percent under the Biden administration and has caused prices across the grid to skyrocket.

Small business owners are having to drastically alter their operation to compensate for additional costs, forcing owners to decide whether to reduce future capital investments, hold off hiring a new employee, or raising prices on their consumers just to keep the doors open. And you can't continue to just raise prices. It is not that easy. Small businesses have to eat most of that.

So, Mr. Esparza, as you talk with small business owners like myself, what changes are they having to make to their businesses' op-

erations in response to inflation? And what would be your advice to small businesses struggling with rising costs?

Mr. ESPARZA. Congressman, thank you.

Whether it is the current circumstances, whether it is the pandemic, whether it is a hurricane that is hurting Puerto Rico today, for example, American small businesses are resilient. And it is our domain in the Office of International Trade to make sure that they have the education, training, access to capital, access to markets.

And so our office continues not only to be an advocate for these small businesses, to provide them with the products and services to help them in their exporting journey.

Mr. WILLIAMS. But how about being an adviser? That was my question. I mean, what advice are you giving small business to deal with these rising costs?

Mr. ESPARZA. What we tell them is that exporting can be an important part of the journey. International sales, as was mentioned earlier, 95 percent of the world's consumers live outside the United States.

And so wherever we have an opportunity to talk with small businesses about the opportunities that exist overseas, we do that. And then we provide them with opportunities for access to capital and ensure that market access is an important part of that journey as well.

Mr. WILLIAMS. We will move on, but if I was asking for advice, you haven't given me any.

So, number two, many businesses are facing a new problem they have never had to deal with before, and that is supply chain. I am in the car business. I used to have this many cars. Now I got this many cars.

And U.S. ports are struggling to unload deliveries, and inventories are sitting on container ships in the middle of the ocean. A recent Goldman Sachs survey found that 61 percent of small business owners reported supply chain issues that have been getting worse over the past 3 months, and I am surprised that it is not higher than that.

And so it is the responsibility of your office to assist small businesses in navigating the obstacles involved with international trade and exporting.

So, Mr. Esparza, what is your office doing to help small businesses navigate these supply chain disruptions?

Mr. ESPARZA. Thank you, Congressman.

I was actually out in Seattle just a couple of weeks ago. Port Commissioner Sam Cho there is somebody who has shared with me the dynamics related to that particular port, and other ports that I have come to understand their dynamics.

I do understand that the supply chain challenges in our ports around the United States are easing to a certain degree. That is not to say that those challenges don't still exist, but they are easing. The cost of a crate, the cost of storage, the time in and out of containers is improving.

But nevertheless, wherever we have an opportunity to discuss these issues with small businesses we provide them with tools and training and access to capital and market access so that we can continue to help them on their journey, whatever they happen to

be shipping, whether it is product. Obviously, the advent of digital tools helps the service side of the economy. But we advocate wherever we can.

Mr. WILLIAMS. Well, advocating, again, is one thing, but helping is different. So I will move on. I don't feel I got a good answer from you there. I think you dodged it.

Excessive amounts of red tape and administrative burdens can make it extremely costly and overwhelming for smaller businesses attempting to break into the international trade market.

While the STEP program was designed to increase the number of small exporters, I have heard that the STEP reporting requirements tend to be more detailed and more burdensome compared to other agencies' grant programs.

This can be very discouraging, again, to smaller businesses who don't have the resources. They don't have the people and they may not have the money to fight bureaucratic red tape.

So, quickly, do you have a suggestion on how Congress can ensure that the STEP program can be made more accessible for small businesses?

Mr. ESPARZA. Thank you, Congressman.

Well, obviously, more resources would be good for us to be able to invest in technology platforms to help with some of that reporting requirement.

I give my predecessor good credit for having changed some of our reporting process such that we are not collecting 50 Excel spreadsheets from the States, but we are leveraging technology to be able to do so.

We will continue to invest in that technology and improve those processes so that we can make the reporting requirements as efficient and burdenless as possible.

Mr. WILLIAMS. All right. I yield my time back.

Ms. HOULAHAN. The gentleman's time has expired.

I now recognize Representative Carolyn Bourdeaux from the State of Georgia for her 5 minutes.

Ms. BOURDEAUX. Thank you so much.

And thank you, Administrator Esparza, for joining us here today.

The SBA's Office of International Trade can be an important tool for small businesses who are looking to reach markets beyond the U.S. borders.

I was very pleased to see the State of Georgia receive a \$181,000 State Trade Expansion Program grant earlier this month after the Committee heard from the Georgia Department of Economic Development in July about the importance of this program to supporting small businesses.

One of the things this Committee has heard about repeatedly is the need to ensure that programs like STEP and other SBA programs are accessible to all small business owners, including those who may not speak English as their first language.

And in my district, 30 percent of the people in the district were born outside of this country. We have an enormous and vibrant immigrant community, probably a dozen or so chambers of commerce that are targeted at different subgroups, such as the Korean chamber, the Vietnamese chamber, the Taiwanese chamber.

And so one question is, what are you doing to reach out to people who may not speak English particularly fluently but have these great ties? They are small business owners, have great ties to the community they emigrated from.

And I guess the second part of that is, what should I advise them about how to take better advantage of the STEP program?

Mr. ESPARZA. Thank you, Congresswoman.

Administrator Guzman has tasked all of us in the SBA to make sure that we have an equity lens in all that we do. And so communicating where customers are, where small businesses are in a way that is impactful and effective for them, including another language, is important.

I, myself, as a Spanish speaker, have participated in webinars and seminars to help assist that particular community.

Your mention of the Korean community is important. Again, just a few weeks ago we had a Korean diaspora event. We actually believe that diaspora communities, immigrant communities are of particular importance to all things export-related, not just with our STEP program, in that diaspora communities are predisposed to export back to countries of origin because they speak the language. They know the culture. They know the systems. They know how to get things done.

And so our efforts in that regard not only are about reaching out to small businesses in the methods in which they communicate, but also to specifically focus on diaspora communities as a part of our marketing and outreach efforts to promote exports across the spectrum.

Ms. BOURDEAUX. Thank you so much.

I just want to add in closing with this is that I know we have a lot of concerns—I hear this in the foreign affairs space—about China and how China has gone to many of these countries and is building infrastructure and setting up businesses. And we have this wonderful opportunity to leverage our immigrant communities as ways to expand our influence not only to do well economically but also to make sure that we have a presence and show that we are deeply engaged in these countries around the world.

Thank you so much, and I yield back.

Ms. HOULAHAN. The gentlewoman yields back.

The gentleman from the great Commonwealth of Pennsylvania, Mr. Dan Meuser, the Ranking Member on the Subcommittee on Economic Growth, Tax, and Capital Access, is now recognized for 5 minutes.

Mr. MEUSER. And I thank the Chairwoman very much from the great Commonwealth of Pennsylvania.

Mr. Esparza, thank you for being here with us. Appreciate it. Your business background is helpful, I think, in these discussions, and it is good to hear that STEP is at its highest ever.

You spend a lot of time traveling and working with small businesses, obviously, as I do. What they are facing today is maybe the most burdens they have faced. From small business, you have heard a hundred times, as have I, if not a thousand: Why did I ever get into this, right, why did I ever start this business?

Now, some of those that say that after 2 years go on to be great, sizable employers. Some go out of business. But let's face it. Be-

tween the gasoline prices, utility prices, general cost of supplies, workforce, crime, regulations that exist, things have gotten that much more difficult. Fortunately, we continue to have an entrepreneurial spirit in America.

But you made a comment about taxes and paying their fair share. Just briefly, when you are dealing with exports, it is not about paying your fair share. It is about being the most competitive. Lower taxes are lower costs, so therefore that would increase and improve made in the USA, right?

The more competitive we can be here versus other countries. I mean, we now have a 21 percent corporate tax rate that many on the other side complain about, yet that is middle of the pack, at best. I mean, it is not even that much lower than—in fact, it is on the high side for manufacturing countries, large companies. So you know this.

And you also understand that small businesses pay a lot more than that. I mean, we did have the 20 percent deduction from 2017, but they are still paying in the 25, 26, 27 percent range.

So that doesn't give us an advantage when it comes to exports, right? And if you don't give an advantage to exports, you are giving an advantage to imports, and that largely means goods from China, right?

So let's just now talk about inflation, the number one issue that small businesses are facing. It reduces profits, obviously. Reduces ability to grow. They don't add employees and they don't really focus on growing their business. They work upon survival.

It reduces tax revenue. So they are going to be seeing that this year. It makes capital access more difficult, because banks don't want to lend if you are not making any money.

It increases interest rates, as we are seeing being spiked. We are going to see it go up perhaps another point tomorrow. So that decreases market value, more for larger companies, but certainly public companies, any company. It decreases your value.

And therefore it strengthens the dollar, the interest rates. So, as you well know, strengthening the dollar means our exports are a lot less attractive all over the world, again, assisting imports.

So all these factors coming together make your job a little bit harder and make the United States' economic strength weaker. So we need to reverse a lot of those things.

So on to what you have authority on. The three-step plan, the STEP plan, it is a three-point plan, basically, you put together on it. And it looks good, and I am sure you have some goals set for it.

What are the goals in the—

Mr. ESPARZA. For STEP, Congressman?

Mr. MEUSER. Yeah, for the new bill that we will be voting on and I look forward to supporting. What are the goals for it?

Mr. ESPARZA. Thank you, Congressman.

So STEP has—of course, at the very top line we want to simply increase U.S. exports, period. The way that STEP does that, of course, is driving export sales and sustaining or expanding jobs.

Below that, we look at return on investment to the program of any particular expense category, the degree to which we are engaging not only existing exporters but new-to-exporting small busi-

nesses, as well as the degree to which we are engaging, as some of the previous people asked, around underserved communities.

So all of those things are things that we track.

Mr. MEUSER. Could you give us an example of a small business that has benefited well from the current STEP program and how that may be enhanced moving forward?

Mr. ESPARZA. Sure, Congressman.

Again, I am out every day talking to small businesses. Our exporter of the year was a small brewer up in the State of Montana. We happened to over-index in brewers for some reason, but we have got our exporter of the year there, and that is Glacier Hops Ranch up in Montana.

They took advantage of the STEP program and were able to visit trade shows, visit other countries, translate websites into other languages, work with wholesalers around the world. And their sales are booming.

This is very common that we see these types of examples across the country of folks who have taken advantage of STEP to be able to find new markets and offset some of the costs associated with exporting.

Mr. MEUSER. All right. I appreciate it.

Madam Chair, I yield back.

Ms. HOULAHAN. The gentleman yields back.

The gentleman from the great State of California, Representative Scott Peters, is now recognized for 5 minutes.

Mr. PETERS. Thank you, Madam Chair.

Mr. Esparza, thanks for being with us today.

And to Administrator Guzman, thank you for providing \$600,000 for California for the State Trade Expansion Program, or STEP.

These additional resources will help businesses in San Diego to become better exporters and strengthen economic growth in our region. So we really very much appreciate that. I also appreciate the Administrator's visit to San Diego just recently.

SBA offers three loan programs specifically targeted to small business exporters, the Export Express, Export Working Capital, and International Trade Loan Programs. Do you have a sense or can you give me a sense of how many small businesses currently utilize these programs?

Mr. ESPARZA. Thank you, Congressman.

And I actually was just out in San Diego last week as well at the America's Small Business Development Center's conference. So I love being out there.

We do just north of 500 loans a year. What we focus on right now—and this is unique to exporters—is our working capital lines of credit happen to be a much more important product than our term loans.

We support all three products, of course, but we put quite a bit of emphasis on our working capital lines of credit because, given the lengthier sales cycle, cash conversion cycle, and all the risks that we discussed earlier around country risk, currency risk, buyer risk, working capital is a much more important tool today.

That portfolio is expanding. We are also in the process of updating some of the standard operating procedures such that we can continue to evolve not only the one that is unique to our office, but

in the Office of Capital Access, my sister organization within the SBA, to make sure that their domestic tool is one that can accommodate small businesses that have a smaller nexus relative to exporting.

Mr. PETERS. Mr. Esparza, I guess sort of what is the plan to increase the use of the program? And what actions particularly can this Committee take to ensure that these loan programs will meet the needs of America's small business exporters?

Mr. ESPARZA. Thank you, Congressman, because we are very interested in evolving the program, evolving our products to make sure that they fit the needs of the marketplace.

It has been over a decade since we raised the cap on the spending limit or spending authority of the program. Right now, it is capped at \$5 million. I think it is time that we relook at that.

We believe one of the biggest drivers of our ability to get these loans out in the marketplace is expanding the lender base as well. There have been a number of mergers and acquisitions in the banking community, particularly in smaller banks, which is the primary—90 percent of our loans go through community and regional banks.

But to the degree that they have gone through a number of mergers, our ability to lend through and increase the lending authority through all sorts of trade finance specialty banks and so forth are ways that we can continue to do.

This program should be much larger than it is today. I readily recognize that. And we hope to work with your office and this Committee to continue to evolve our products and services.

Mr. PETERS. On that, do you have a feel for us of where the sweet spot on the cap might be if it is not \$5 million?

Mr. ESPARZA. Just by the metrics, I would suggest \$7.5 million would be sort of the next raise.

The original increase in the cap was back in 2010 from \$2.5 million to \$5 million. I would propose another \$2.5 million raise to \$7.5 million if we could. But I am happy to work with this Committee on the specifics of that.

Mr. PETERS. Okay.

STEP since its inception has provided grants to over 12,000 small businesses?

Mr. ESPARZA. That is correct.

Mr. PETERS. \$200 million in the United States. And I want to know—you are going to tell me you need more resources, but what does that look like to get more small businesses to STEP? What do we have to do?

Mr. ESPARZA. Yeah. Thank you, Congressman.

Mr. PETERS. And, alternatively, what kind of resources would you be looking for?

Mr. ESPARZA. Thank you, Congressman.

I think one of the challenges we have is the concentration of the STEP awards. We don't tell the States how they can distribute those awards. Sometimes they cap the amount that any given company can get. Sometimes they have fewer participants with a higher amount. Sometimes they have more participants with a smaller amount.

Whatever they choose to do, of course, our interest is maximizing the number of small businesses that participate.

Of course, given the demand that we just saw in the recent application cycle, \$39 million for only \$20 million of available funds, if we had what I understand to be potentially \$30 million in the new authorization, that of course would continue to drive not only as many States and territories participating as possible, but spread that number of—that amount of money throughout as many small businesses participating.

Mr. PETERS. Thank you so much.

Madam Chair, my time has expired. I yield back.

Ms. HOULAHAN. The gentleman yields back.

The gentlewoman, Ms. Claudia Tenney from New York, is now recognized for 5 minutes.

Ms. TENNEY. Thank you, Madam Chairwoman. It is the great State of New York, once known as the Empire State.

So, yeah, we do have a border with the great Commonwealth of Pennsylvania. Sometimes we wish we had more of your policies than we do in New York. We kind of call that the Berlin Wall, because it is tough for our small business community to compete right across the border with Pennsylvania.

I am also a small business owner and involved in manufacturing, and it has been a passion of mine ever since I first ran for office. And I appreciate what you do and having a business background.

But my concern is that in upstate New York and central New York, this is where the Erie Canal was founded. This is the beginning of industrialization. This is where the government actually invested in a project that was criticized but turned out to be really changing for so much of upstate New York and the region and our whole country. We had titans like IBM, Kodak, Oneida Limited, Remington, all these along the beautiful canal which is all in my area.

And we would love to see more investment. And over the decades, we were told: Oh, we are going to be making things again, we are going to be investing, and that this new globalization was going to bring us all these great opportunities.

And what we have seen is this creative destruction has actually not really empowered our manufacturing but sent our jobs overseas. And so that is the complexity that we face.

And as we opened up our American markets to cheaper foreign products, we didn't invest and we didn't continue to invest in manufacturing and do the work that we need to invest, create, and cultivate these foreign markets, and I think undervaluing our manufacturing policy.

And our policymakers also need to look to the business community to lead us away and into creating and bringing these jobs back. It has left us with weak and fragile supply chains. We learned that during the pandemic. And now this is hurting a lot of our producers.

And the shortsightedness I think of this. And a lot of—look, it was both sides of the aisle. It wasn't just—it was both sides.

And that is why I did a plan for community renewal. We went out and asked everyone in our region and across the country: What do we do? And that is why I introduced the bills like Make in

America to Sell in America Act and also the American Innovation and Manufacturing Act.

And that is because I think we need to move our trade policy beyond just to disburse grants, which I think is great, but also toward a more actual comprehensive national industrial policy.

How do we increase the value of our markets, bring American products back and reshore them?

And I guess that is what really drives me to my first question for you is, is there, with your work that you are doing, a plan with this administration to reindustrialize and bring us back to making things again, helping our supply chains? And is that something that you are focused on, either with the SBA representative or with your organization?

And sorry for my long intro there, but I think it is really important that we talk about getting our supply chains back here, especially what we have learned during the pandemic and what we have learned with the American workers suffering and our small businesses suffering at the hands of predatory competition like, for example, from the People's Republic of China.

Mr. ESPARZA. Thank you, Congresswoman.

Manufacturing is critical to American small businesses and American small businesses exporters in particular. This is Manufacturing Month, October is Manufacturing Month, so we are engaged in a number of events in that celebration.

I will also tell you that, in addition to being very aware of and in support of the Made in America efforts across the administration and the federal government, 80 percent of the loans and lines of credit that I was discussing earlier with the Congressman from California are lent to manufacturing and wholesale companies.

So while I earlier mentioned that the economy is evolving and the service economy and the digital economy are growing, there is no doubt that the small businesses that we deal with on a day-to-day basis are still very much rooted in the manufacturing base.

And so wherever we can continue to work to advocate for manufacturing Made in America, American jobs, and allowing those manufacturing companies to export their products overseas, we will continue to do that.

Ms. TENNEY. Is there an overall plan, though, to try to bring this—is there something—is that a priority of the administration to not—obviously, we would love to see more manufacturing. We have a lot of people that would love to go to work, would be great at making things, building things, and I think we need to focus on that with more of a comprehensive plan, is what we have learned.

I mean, we are desperate for employees. I know in this Committee that is all we talk about, is our businesses needing people to come to work who can make things, across all sectors, whether it is high tech, whether it is lesser tech manufacturing. And I think that is really important.

We tend to focus on the high tech, good shiny stuff, but sometimes just making great things is really important. And I think it could really help our economy and our competitiveness.

So I think I am out of time. But we do appreciate your efforts. But it is up to the Chairwoman if you want to answer that quickly.

Ms. HOULAHAN. Sure. Why don't you go ahead and answer that real quick?

Mr. ESPARZA. Thank you, Congresswoman.

So post-pandemic there was a great deal of work done in the administration about supply chain resiliency and onshoring and making sure Made in America was an important part of the safety and security of our supply chains. And so that, of course, has an enormous impact on the manufacturing base, and we absolutely support that in the Office of International Trade.

Ms. TENNEY. Thank you so much.

I yield back.

Ms. HOULAHAN. Of course. And my apologies to the gentlelady from the great State, the Empire State of New York. I was remiss in saying that.

The Chair now recognizes the gentlewoman, Representative Van Duyne, Ranking Member, Subcommittee on Oversight, Investigations, and Regulations, for 5 minutes.

Ms. VAN DUYNE. And you can introduce me as coming from the great State of Texas, because that is what we are known for.

Ms. HOULAHAN. From the great State of Texas.

Ms. VAN DUYNE. The great State of Texas, which also happens to be the largest exporter in the country for 20 years running, more exports than both California and New York combined, just to give some context.

Over the August recess I traveled to South Korea, Cambodia, and Singapore on delegations to learn more about the role that the U.S. is playing in Southeast Asia and trade, as well as to find out what the perceptions of the U.S. engagement is over there and how that is affecting China's influence in the region.

All three of those countries could not be more different, yet the message that they portrayed to us was the same: A strong U.S. is essential to balance the power that China is exerting, but the U.S. is absent. And China is happy, by the way, to fill that void.

It is a changing time in that region. Trade is still occurring with or without us. Unfortunately, since the U.S. is not participating, we are left with China writing the rules and taking ownership in the region.

They were very clear in their messages with every single branch of their government that the Indo-Pacific economic framework that has been put out by this administration is a fine conversation starter, but that it lacks any teeth or direction.

And I agree with them that something is better than nothing, but the ground that we are giving up, it is dangerous, and it is allowing China far too many opportunities to strengthen its muscle, as reflected by the Solomon Islands suspending all visits by not only U.S., but also by British ships.

As you know, Solomon Islands is very strategic. The U.S. lost blood and lives fighting for it. And now China is pretty much demanding that we can't even land.

Do you believe that the U.S. is doing enough when it comes to trade?

Mr. ESPARZA. Well, thank you, Congresswoman.

Trade is fundamental to driving aspects of our economy, and particularly for small businesses. It is an opportunity, given how many

consumers actually live outside the United States, to be able to focus on trade. That is the entirety of the focus of my office.

And so we work every day to make sure education, training, technical assistance, access to capital, access to markets are in every conversation that we have with small businesses.

Our ability to advocate for small businesses across the U.S. trade apparatus is important in making sure small businesses have a seat at the table in this economy, and we hope to continue to do that.

Ms. VAN DUYNE. But do you think that we could be doing more?

Mr. ESPARZA. I am very optimistic. I always think we can be doing more in every capacity. I would love to see more free trade agreements.

Anywhere that there is friction in the system that causes challenges for small businesses to be able to sell their goods overseas, we want to make sure that we have as many robust relationships and partnerships around the world to be able to provide markets for American small businesses to sell their products, absolutely.

Ms. VAN DUYNE. When you say we could be doing more, do you think that we could be doing more to combat China?

Mr. ESPARZA. You know, Congresswoman, I think the China relationship is a complex one. Trade is only one component of that broader geopolitical relationship.

And as I have said earlier, wherever we see examples of small businesses that have interactions with the Asian market broadly, China in particular, and whether it is based on tariffs that China imposes or tariffs that we have imposed, we simply want to be able to communicate what the impact of those dynamics are for a particular small business.

I met a small business the other day who was importing kelp from China to make chemicals. It is a company in North Carolina. And the tariffs that we place on imports from China were challenging to her, and she has asked for an exception for some of those.

At the same time, the tariffs that China put on us can be—

Ms. VAN DUYNE. Yeah, but China is actually even shutting down the ability for U.S. companies specifically to be able to import or export. I mean, they are being very discriminatory against U.S. companies. I mean, they told us that directly.

But do you believe that this administration has empowered U.S. Trade Rep Katherine Tai, or do you think she is being held back?

Mr. ESPARZA. I don't know, Congresswoman, if I am in a position to say that.

I will tell you that, again, wherever we advocate for small businesses and can find examples, we are surely in communication with the U.S. Trade Rep's office and have very consistent and open communication with her office about those small businesses that we find in the export universe.

Ms. VAN DUYNE. Do you personally believe that she is being empowered?

Mr. ESPARZA. She is a Member of the Cabinet, Congresswoman, and I believe she has every opportunity to do her job.

Ms. VAN DUYNE. Okay. And what is your opinion of IPEF? Do you believe IPEF is good for small businesses? And do you believe that the Congress should weigh in?

Mr. ESPARZA. I am sorry. What was that again?

Ms. VAN DUYNE. For the Indo-Pacific Economic Framework, do you think Congress should weigh in, or do you think it is a fine framework?

Ms. HOULAHAN. And very quickly because the gentlewoman's time has expired.

Mr. ESPARZA. Yeah. Thank you, Congresswoman.

As that framework continues to evolve, obviously at the point in which anything needs to be passed, this Congress will have a say in that.

Ms. VAN DUYNE. Thank you very much.

I yield back.

Ms. HOULAHAN. The gentlewoman from the great State of Texas yields back.

The Chair now recognizes Representative Mike Flood for 5 minutes from the great State of Nebraska.

Mr. FLOOD. Thank you, Madam Chair.

Thank you for your testimony today.

One of my goals here is to ensure that Nebraska's small businesses are as competitive as possible in today's globalized economy.

I am interested, obviously, in e-commerce, which has made a lot of businesses, large and small, obvious exporters. We need to ensure that we are capitalizing on the doors opened by the internet so that our constituents can reap the rewards of the truly global economy.

Associate Administrator Esparza, in your testimony you emphasize education is a core piece of the SBA's trade agenda. Can you speak to what kinds of education your Office of International Trade can provide?

Mr. ESPARZA. Sure. Thank you, Congressman.

Let me begin actually, if I may, by referring to your comment on e-commerce.

One of the things that we found during the pandemic is that, for whatever reason, people who either were displaced from their jobs or chose to leave their jobs, find a new place to live, they didn't just sit still. These are people that started a side hustle, created a website, have some product, put up an e-commerce engine, as you referred to. And, lo and behold, they got an order from overseas.

And so it might not have been on purpose. In fact, the Administrator calls these accidental exporters.

Our intention in the Office of International Trade is to make sure that these accidental exporters become intentional exporters. And so part of that journey, as you referred to, is education, training, and technical assistance.

And so either through our website, through our inbound hotline, but more importantly through outbound efforts, all of the Members of our staff are working very hard through webinars, training, one-on-one consultations to make sure that American small businesses have the education and training they need to be able to compete in the marketplace.

Mr. FLOOD. Thank you.

Following up on my colleague from Texas' question on China, China's government provides very aggressive subsidies and export assistance to aid their businesses.

Can you speak to how China's aggressive and frequent government intervention affects American small businesses? Because they are out there really promoting their products. And where are we in comparison to that, and are they hurting us?

Mr. ESPARZA. Thank you, Congressman.

Any country that provides subsidies to its companies can potentially create an unfair marketplace. So this is, again, where our office, as we listen to small businesses around the country provide examples where this dynamic comes into play—I don't recall any off the top of my head—but as these examples of unfair trade practices, unfair competitive practices come into play, we make sure that we communicate those not only to you all in forums like this, but to the Trade Rep's office, the Commerce Department, throughout the trade apparatus of the government.

Mr. FLOOD. I appreciate that answer.

I am passionate about developing an economic environment where Nebraska businesses can take risks, and I think that is lacking sometimes. People don't understand that that is how we build wealth. Sometimes small businesses and startups fail, and that is part of our free market system.

It is important that when our entrepreneurs come up with these ideas, good ideas and a good business plan, those entrepreneurs are given the opportunity to thrive.

That is why I am co-leading H.R. 8844, along with my colleagues Congressman Dwight Evans, Congresswoman Marie Newman, and Congresswoman Young Kim. This H.R. 8844 would reauthorize the State Trade Expansion Program, or STEP, within the Small Business Administration.

As you know, as you have testified, STEP provides funding to small businesses to help them develop their exports, and this program is very important.

I note that the State of Nebraska funded 85 ESBC activities, and I am hopeful that as we go forward we can also see an increase in the number of fintech products that we are pushing.

I looked through a lot of the different States, and I would like to see more fintech products being pushed around the globe. Can you speak to that briefly?

Mr. ESPARZA. Sure. Thank you, Congressman. And thank you for the authorship of the bill.

I also know Nebraska got 100 percent of what it has asked for in this STEP cycle, so I am glad Nebraska can use those funds to be as competitive as possible.

Obviously, fintech is a growing part of the economy, not only for those products and services, but the payment networks that they ride on. And to the degree that we can continue to evolve our efforts to accommodate and celebrate that aspect of the developing economy, we will do so.

In fact, the Administrator has established a Small Business Digital Alliance that very much focuses on the digital economy. There are payment networks as a part of that. And we will continue to work on fintech, sir.

Mr. FLOOD. Thank you for your efforts. Thank you, sir.
I yield back.

Ms. HOULAHAN. The gentleman yields.

The gentleman, Representative Dean Phillips from the great State of Minnesota, is now recognized for 5 minutes.

Mr. PHILLIPS. Thank you, Madam Chair.

And greetings, Mr. Esparza.

As a former export manager for our business, I recognize how integral it is and also how challenging it is. This was about 25 years ago, before e-commerce, so we had to do it the old-fashion way. So I celebrate the STEP program in particular.

In Minnesota, I know we are receiving \$175,000 since 2017. STEP has generated, I think, \$30 for every dollar of investment, which is a return on investment that I wish every government program could claim. So I really do celebrate it.

I know it is a competitive application process, and I was hoping you could speak about what factors go into that consideration as you take those applications into account.

Mr. ESPARZA. Sure. Thank you, Congressman.

The primary factors that we take into consideration, as is explicitly described in the notice of funds opportunity, is not only primarily what the State proposes to do with that money, but also the secondary component of past performance.

So the past performance is important relative to return on investment, relative to the number of the mix of new-to-export businesses, as well as existing exporters that have been included.

And then the third component there is the degree to which underserved communities—women small business owners, veteran small business owners, rural small business owners—have been addressed in the past.

So it is both what is being proposed to do in the future as well as past performance.

Mr. PHILLIPS. Okay. And what advice would you give to small businesses that wish to apply? How can they best present themselves?

Mr. ESPARZA. Well, any small business, of course, that wants to participate in the program and take advantage of these reimbursement funds needs to approach the State apparatus that manages the funds on our behalf.

So there are 50 different versions—or 48 and 4 territories that are doing it this year. Every State has its own application process for small businesses that want to participate.

So I can't speak to the uniqueness of Minnesota in this case, Congressman. But what I would simply tell a small business—assuming they know about it; part of our challenge is making sure we get the word out—is to contact the local State director for our program. All of those names and contact information are on our website.

Mr. PHILLIPS. Great. Thank you.

And I also know SBA guarantees three export loan products, Export Express, Export Working Capital, and International Trade. Can you speak to us about how those loan guarantees enable those programs and the efficacy of each of them?

Mr. ESPARZA. Thank you, Congressman.

The Office of International Trade is actually empowered to have a higher guarantee on the loans. So the typical loan, the 7(a) loans that I am sure you are all familiar with that the SBA broadly manages, have a 75 percent guarantee. The Office of International Trade is authorized to have up to a 90 percent guarantee.

That is largely because exporting, by definition, is more risky. Our small businesses, not only are they small businesses and therefore risky to bankers, but because they are dealing with different types of risks overseas—buyer risk, country risk, currency risk—we are authorized as such to have a higher guarantee.

So our products and services are meant to be able to support the growth and development of the export economy, and we look forward to continuing to do that.

Mr. PHILLIPS. Great.

And since I have a little bit of time left, I like bench marketing and identifying best practices, and I think it is important that we look around the world.

Are there any other countries that are supporting small businesses and their export dreams and aspirations as well as we do or perhaps even better?

Mr. ESPARZA. Well, I believe America is the shining star and the number one export economy, and we have our processes and programs running well.

I will tell you that, as a part of a variety of our free trade agreements, I participate in a small business dialogue between the U.S., Mexico, and Canada. Similarly, I am participating in a small business dialogue next week in Europe with the European Union and later this year with the U.K. We have already had one with the U.K.

So we engage in these small business dialogues with other governments not only relative to how our free trade agreements are functioning, but to continue to talk with our sister governments and friendly partners on how we can support small businesses in their trade and international sales activities and do so in a way that is beneficial for both countries and both markets.

Mr. PHILLIPS. Okay. So if we are number one in supporting small businesses and their export aspirations, who would be number two?

Mr. ESPARZA. That is hard for me to say, Congressman. We have so many—in fact, we have 20 free trade agreements around the world, and I would look to those important partners as examples of countries that are working with us in a productive way.

Mr. PHILLIPS. I appreciate it. Thank you.

And I yield back.

Ms. HOULAHAN. The gentleman yields back.

The Chair now recognizes the gentlelady, Representative Young Kim, Ranking Member of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development, from the great State of California, for 5 minutes.

Ms. YOUNG KIM. Thank you, Chairwoman.

And, Mr. Esparza, thank you so much for being with us and answering our questions.

My congressional district is home to probably the top two largest seaports in the Western Hemisphere. The Ports of L.A., Ports of

Long Beach, together they make up the San Pedro Port Complex, and they are the fifth largest in the world.

So I do represent a very important segment in the region that pertains to our industry in the trade area, so I have seen firsthand the persistent supply chain disruptions and how it could impact our ability to export and hinder our country's ability to expand our markets abroad.

We have as a result a golden opportunity to counter China's growing influence in the Indo-Pacific region. And as you know, we do have the Biden administration that started the Indo-Pacific Economic Framework.

So I wanted to ask you what type of involvement the Office of International Trade has had in developing that IPEF and how is the administration planning to increase our country's small business exports using the IPEF model.

Mr. ESPARZA. Thank you, Congresswoman.

Let me begin by saying that much of my family lives in southern California in your district, and so I appreciate your representation.

The Indo-Pacific Economic Framework is something that this administration, and particularly the U.S. Trade Rep's office, is driving. We work very hard to make sure the voice of the small business owner and American small business exporters are heard and represented in all of the agreements and policies that we have relative to trade, including the Indo-Pacific Economic Framework.

And so our communication with the U.S. Trade Rep's office and with other actors across the trade apparatus of the government continues to be filled with that advocacy. And you have every commitment on my part to continue to advocate not only for small businesses in southern California, but across the American economy.

Ms. YOUNG KIM. As you know, IPEF is not a traditional free trade agreement model. So do you think this is the right model to support our friends and allies in the Indo-Pacific as China's dominance and their goal to dominate the world economy is becoming more apparent?

Mr. ESPARZA. It is the model that we have chosen to pursue at this point. I mentioned to your colleague before, we have 20 free trade agreements. This is a different version of that. And we will support the administration's effort to further those interests in the Asian-Pacific region.

Ms. YOUNG KIM. Sure.

My view is that instead of having a framework that did not go through the proper consideration of Congress or the trade promotion authority process, I would like to ask the administration to engage Congress on meaningful trade agreements in the region.

And I know this is a step, but I would like to see our U.S. getting back in the CPTPP, as I have also advocated for U.S. TPP. We will be missing out if we don't, because China is getting ready to get into CPTPP, and it could be exercising its influence and pressuring our allies. So I just wanted to mention that.

And my colleague earlier talked about H.R. 8844, the STEP Improvement Act. I am very proud to be one of the original sponsors there because, among other things, it would improve the implementation of a standardized application process.

So can you tell us or our Committee here how the standard process could make it easier for small businesses to apply for the STEP program?

Mr. ESPARZA. Thank you, Congresswoman, and thank you for your sponsorship of the bill. I think it is an important part of continuing to support American exporters around the country.

Of course, anywhere that we can improve processes and standardize processes we would hope to do so. We have absolutely contemplated whether or not we can work with the States to provide one standard application for small businesses to apply for STEP funds.

The challenge is that not every State authorizes every expensable category. Some choose not to reimburse every category. And that would have an impact potentially on the application process.

So we will continue to research this one. Again, I am in very close contact with SIDO, which is the advocacy organization that supports many of the States in this endeavor. Where we can collectively come up with opportunities to standardize and improve processes we will absolutely do so.

Ms. YOUNG KIM. Thank you.

I know my time is up, even though I wanted to ask another question. So I yield my time back.

Ms. HOULAHAN. The gentlewoman yields back.

The Chair now recognizes the gentleman from Wisconsin, the great State of Wisconsin, Representative Scott Fitzgerald, for 5 minutes.

Mr. FITZGERALD. Thank you, Madam Chair.

Thank you for being here, sir. Appreciate it.

I want to get kind of real specific now and probably something that we can do some follow-up on. You mentioned in your testimony that OIT is an advocate for small business for all matters related to trade policy and trade agreements.

And kind of this, there is a situation, I think, that is starting to evolve, and it is some manufacturing that has happened in China is actually kind of making its way as a secondary product into a lot of American, for the most part, light manufacturing.

So I have a small business in my district, Glenroy, Inc. It is located in Menomonee Falls, Wisconsin. Glenroy manufactures—it is that real thin, flexible packaging. It is tin foil that is part of pharmaceuticals when you may kind of get access to any over-the-counter pharmaceutical for the most part.

And Glenroy was recently informed by the Department of Commerce that it is going to initiate an investigation into certain aluminum foil imports that may have inputs from China, even though they are produced in South Korea.

So I would think that this—you know, this is a very specific, I think, example of something that we think is going on, a little bit more widespread than that.

So my point is there have got to be certain trade policies by the Biden administration that could be negatively affecting some of these small businesses because of the level of investigation. And Glenroy is a company, it has only got 250 employees.

But my bigger question is kind of what has been the involvement and kind of the back channels on making sure that manufacturing going on in Asia, and specifically China, how is that being tracked or what is the administration looking at when—if they are going to launch these investigations, how widespread are these? And what do they look like, I guess?

Mr. ESPARZA. Well, Congressman, respectfully, is your question that we should be limiting the amount of China inputs into manufacturing or allowing them?

Mr. FITZGERALD. Well, if there is going to be—if they are actually going to launch investigations or put some of these smaller size companies, I think, kind of through the wringer on this stuff, what would be—kind of what is the position on that, or has there been a position developed on these manufacturing processes? Because it seems to be happening quite often.

Mr. ESPARZA. Yeah. Thank you, Congressman.

I am personally not aware of the degree to which we are investigating small businesses relative to China inputs. I am happy to follow up with your office on that particular example and what we might be able to uncover.

And more importantly, where there are these types of processes I think it is our role to be able to provide information to small businesses so that they are aware of any of these dynamics and can be advised as to how to either avoid the investigations that you are talking about or to advocate for themselves to continue to manufacture as they wish.

Mr. FITZGERALD. Yeah. And it kind of adds another wrinkle to the whole supply chain issue that we are faced with right now is that I think oftentimes it is kind of thought as—I go back to light manufacturing, because that is what my State is more directly involved in.

But I think there are some challenges here that we could overcome if we would be a little bit more upfront and kind of work towards making sure that these smaller businesses understand what the guardrails are, what the parameters are, instead of finding themselves with somebody mailing them a letter or contacting them directly and saying: Well, we are going to start kind of digging through some of these things.

So it is something I wanted to put on your radar this morning and certainly will be able to forward any of the materials on this corporation in Menomonee Falls, too.

Mr. ESPARZA. I appreciate that.

And, again, the SBA typically is not in the investigation mode relative to sources of manufacturing. But where that might occur from other pieces of the government, again, we want to make sure that we are informing small businesses for all the dynamics relative to exporting. And so this might be one that we add to our list of things to inform small businesses about.

Mr. FITZGERALD. Very good. Thank you very much.

I yield back, Madam Chair.

Ms. HOULAHAN. The gentleman yields.

The gentleman, Representative Pete Stauber from the great State of Minnesota, is now recognized for 5 minutes.

Mr. STAUBER. Well, thank you very much, Madam Chair.

According to an analysis of President Biden's first year in office, this administration has issued regulations that will cost \$201 billion of additional regulations and add 131 million hours in annual paperwork. That is a brutal reality for our small businesses.

Bureaucratic red tape, however, has always been a significant hurdle for small firms looking to enter international trade markets.

Mr. Esparza, in your role at the SBA, you are supposed to be an advocate for small business interests. How are you working to unwind burdensome regulations that hold small businesses back from participating in these international markets?

Mr. ESPARZA. Thank you, Congressman.

I think whenever we are talking with small businesses and we hear from them what their challenges might be, I will tell you that the number one challenge I hear from small businesses is simply how to find a buyer. They are working overseas to explore new markets, and they simply ask us: How do I find a buyer? What can I do from a market research standpoint? What can I do to connect with resources to help us find a buyer? That is number one.

The second challenge that we hear from them is around access to capital. They want to make sure that in order to grow and develop their businesses that they have access to capital. And so our relationship with the private banking industry and the guarantees that we put on loans and lines of credit is an important part of that journey.

So I hope to continue to advocate our small businesses for whatever their dynamics are, but those are the two things that we hear most from small businesses, sir.

Mr. STAUBER. I appreciate that.

The number one priority I hear is the rules and regulations that are stifling their potential growth to move into the international markets if they so choose.

In your testimony you referenced the Biden-Harris administration's commitment to equity. Can you explain how the Office of International Trade considers equity during the grant- and loan-making process?

Mr. ESPARZA. Yes. So thank you, Congressman.

First and foremost, it is the communication to the marketplace as to the availability and the process that administers in this case the STEP program, I assume you are talking about.

I did also mention that one of the explicit categories of assessment that we have in analyzing any particular application is the degree to which a given applicant has reached out and addressed and had participation from underserved communities. That is both minority communities, women small businesses, veteran small businesses, and rural small businesses. That equity lens is explicit and a part of the notice of funds opportunity.

It is also, as I mentioned earlier, an explicit—

Mr. STAUBER. Let me, because my time is limited, I don't mean to interrupt you.

Mr. ESPARZA. Right.

Mr. STAUBER. But are you prioritizing rural Americans in middle America like the ones in Minnesota's Eighth Congressional District?

Mr. ESPARZA. Yes, Congressman, in the sense that, while your colleague from Texas pointed out that Texas is the largest exporter in the United States, largest exporting State, the rules of the STEP program actually require that the concentration of our awards cannot be overindexed into those largest States. It is very explicit.

And so by definition we are distributing a relatively higher portion of those funds to nontraditionally exporting States or more rural States. So that is absolutely something we do. And it is also explicitly in the assessment criteria—

Mr. STAUBER. Well, Mr. Esparza, what percentage of those funds are going to rural America, do you think?

Mr. ESPARZA. That is a good question. I am not sure I have that number off the top of my head, sir, but I am happy to look into that.

Mr. STAUBER. Yeah, would you look into that and give it to the Chair or Ranking Member? That would be great.

Mr. ESPARZA. Sure.

Mr. STAUBER. Madam Chair, how much time do I have? I don't have a timer here.

Ms. HOULAHAN. Thirty-five seconds.

Mr. STAUBER. Thirty-five. Okay.

Well, I just appreciate this opportunity to be with you all, and I appreciate the Chair and Ranking Member bringing this together.

So one of the things that we do that I wanted to get into was energy costs and the devastation that it is costing our small businesses to produce their energy to make whatever they are making in the industry. So that is what I am hearing as well, the energy costs are through the roof.

So, Madam Chair, I yield back.

Ms. HOULAHAN. The gentleman yields back.

The gentleman, Andrew Garbarino, Representative Andrew Garbarino from the great State, the Empire State of New York, is now recognized for 5 minutes.

Mr. GARBARINO. Thank you, Chairwoman, and thank you to the Ranking Member, for hosting this hearing. I also want to thank our witness for being here today.

I want to echo some of the comments that my colleague just made about things I have heard from small businesses in my district is the red tape in being able to become an exporter. So I think that is something we should try to work on to make it easier.

But something else I have heard from offices or small businesses in my district is, if they export, what is being done to protect their intellectual property? They are concerned.

I have several manufacturers, as well as companies that I have spoken to that also deal with a lot of different computer chips and other things. What is being done by the Office of International Trade to help protect that innovation here and intellectual property?

Mr. ESPARZA. Thank you, Congressman.

The answer is twofold.

Number one is where we hear those stories of challenges around the world where intellectual property is at risk, we make sure we communicate those stories not only in forums like this, but to the rest of the trade apparatus across the federal government.

Secondarily, the ability to apply for and pay for the legal services to help get patent protection and other intellectual capital protection around the world is something that the STEP funds can be used for.

So the costs associated with intellectual property protection, applying for patent protection, applying for other sources of intellectual capital protection around the world, the costs associated with that are an approved reimbursable expense category under STEP.

Mr. GARBARINO. What about enforcement? I mean, to get the protection is one thing. But are these small businesses—you know, they can't—they are not the Intels or the Microsofts of the world where they have a legal team after their IP has been stolen. So what can be done on the enforcement end?

Mr. ESPARZA. Yeah. Thank you, Congressman.

The enforcement end is not one that we directly have authority over. I will tell you that not only do we share the stories when we hear them, but we also generally tend to drive small businesses towards those markets in which we have free trade agreements.

There are 20 free trade agreements that we have around the world, and we know that there are increased assurances and levels of patent protection and intellectual property protection in those markets. That is where we typically drive most of the small businesses that we work with.

But wherever they are trading around the world, part of our education, consulting, and technical assistance does discuss and contemplate intellectual property and other patent protection measures that they can take. So that is an important part of the journey that we have with small businesses.

Mr. GARBARINO. All right. And I appreciate that.

And you talked about free trade agreements that we have across the world.

What is the Office of International Trade, are they taking any action to support trade negotiations with the U.K. or Kenya and other partners worldwide to get more access, to have more countries where we can have these trade agreements?

Mr. ESPARZA. Absolutely. We are a hundred percent at the table when it comes to any free trade agreements or any trade policy discussions. Our ability to advocate for small businesses and small business owners is critical as we help to literally line by line edit and work on provisions in various agreements and various policies that contemplate impacts on small businesses.

So I believe we are well represented in those discussions, and you have my commitment that we will continue to advocate vigorously for small business exporters wherever they might be in the United States.

Mr. GARBARINO. Can you give an example? Like you said we go line by line. Can you give an example of something that the office has had a hand in changing one of these agreements to specifically help small businesses?

Mr. ESPARZA. Sure, Congressman.

Two recently. The national export strategy is a policy that is put forth across, again, the trade apparatus of the government. And, secondarily, the national trade and tourism policy also con-

templates many small business provisions. And we were right there at the table helping to edit those documents line by line.

Mr. GARBARINO. I appreciate that answer.

I had another question, but I am down to 10 seconds, so definitely not enough time.

I thank the witness.

And I yield back.

Ms. HOULAHAN. The gentleman yields back.

I want to thank Associate Administrator Esparza again for joining us today. Your testimony has shed light on the importance of STEP and the actions that Congress can take to help this program reach its full potential.

Today we have discussed many ways that Congress can optimize STEP to help more small firms. The STEP Improvement Act of 2022 would institute many of these changes and take the critical step of reauthorizing the program.

I look forward very much to supporting the bill when it comes before the Committee tomorrow.

Without objection, Members have 5 legislative days to submit statements and supporting materials for the record.

And if there is no further business to come before the Committee, without objection, we are adjourned.

[Whereupon, at 11:30 a.m., the Committee was adjourned.]

APPENDIX



U.S. Small Business
Administration

Gabriel J. Esparza
Associate Administrator
Office of International Trade
U.S. Small Business Administration

Before the

Committee on Small Business
U.S. House of Representatives

Hearing on

“SBA Management Review: Office of International Trade”

September 20, 2022

Testimony of Gabriel J. Esparza
Associate Administrator, Office of International Trade
U.S. Small Business Administration

Chairwoman Velazquez, Ranking Member Luetkemeyer, and distinguished members of the Committee, thank you for honoring me with an invitation to come before you today to discuss the work of the Office of International Trade at the U.S. Small Business Administration.

For America's small businesses, exporting is an engine for growth that allows our firms to reach new customers in an increasingly interconnected global marketplace. Data shows that small businesses that export are more resilient, expand faster, and create higher paying jobs for Americans. That is why Administrator Guzman has prioritized expanding the SBA's export services. As part of the Biden-Harris Administration's commitment to equity, we are also focused on ensuring that every community that is interested in exporting has the opportunity and tools they need to grow, especially in traditionally underserved communities.

Raising awareness of the availability of export assistance through the SBA requires shifting our frame of reference for what an export looks like in the small business marketplace today. Most people associate the typical U.S. export with big business. Indeed, big business represents two-thirds of all U.S. exports by value. But that story is evolving, and the role of small business exporters is starting to impact the marketplace in ways previously unseen. The advent of digital tools, e-commerce engines, and maturing payment networks has reduced barriers to entry for small businesses to export both products and services – including software, digital entertainment, and other technology.

At the SBA, Administrator Guzman has prioritized leveraging digital and e-commerce technologies to create a whole new generation of exporters. During the pandemic, e-commerce increased in the U.S. and small businesses adopted digital strategies to survive and grow their revenues. When small businesses create an online presence via their e-commerce website or e-commerce platform, they often find interest from customers all over the world. Administrator Guzman is driving transformational change so that the SBA can help these "Accidental Exporters" become "Intentional Exporters" by expanding and growing their businesses to new markets. Whether its providing assistance at a local SBA field office or working with one of our resource partners, we want SBA to be the first and best resource for America's small businesses to expand abroad.

I am proud to bring my lived experience working around the globe to SBA's mission to help small businesses grow internationally. Prior to joining the Administration, I helped lead a start-up small business that built a modern 9-1-1 emergency technology platform. Our company launched in the U.S. and expanded around the world. Prior to my work at a startup, I spent 13 years at American Express working with small businesses and eventually leading global business development for their commercial payments division. Over the course of my 26-year career, I have lived, studied, and worked around the globe – now almost 70 countries in total, while at the same time being deeply intertwined in the small business arena. In that connection, I have seen the power of American entrepreneurship on a global scale and I work each day at SBA to ensure that our small businesses can find new customers to grow and compete internationally.

One of our office's primary responsibilities is providing education and training to small businesses that are interested in exporting. We help businesses prepare an export plan to provide support for navigating the complexities of customs, trade credit insurance, and foreign exchange. Our efforts are supported by a range of partners throughout the SBA, across the Federal Government, and with certain public/private enterprises. When a small business has an interest in exporting, SBA plays a critical role in ensuring that American products reach new shores and markets. And with every American product that reaches a new export market, we are helping to build a future Made in America.

After a business has established a solid idea, product, or service – often including a track record of successful domestic sales – they need access to capital to fund and grow their overseas expansion. SBA's lending portfolio provides guarantees on loans and credit lines originated through the private banking industry. The SBA is authorized to provide higher guarantees on these facilities due to the unique circumstances faced by exporters – namely increased buyer risk, country risk, and currency risk. The increased loan guarantees extended under our programs also allow community and regional banks to build export financing capacity.

SBA has successfully partnered with the private sector: In Fiscal Year 2021 alone, more than 92 percent of international trade loans were made by community or regional banks. Our team places a particular emphasis on working capital lines because both sales cycle and cash conversion cycles are naturally longer and subject to more volatility for exporters. Under Administrator Guzman's leadership, we are continuing to look at the data and our customers to ensure that we continue to evolve our policies and our products to align with the needs of the export and trade finance marketplace.

The SBA's Office of International Trade also focuses on providing grants to small businesses in the form of export expense reimbursement through the State Trade Expansion Program, or STEP. This year we are proud to be celebrating the 10th anniversary of STEP, which over the last decade, has awarded over \$200 million to all 50 states plus 6 territories. The STEP program has supported 12,000 small businesses and generated \$5,480,291,665 in export sales. Demand for STEP resources from the states is strong: This year's STEP applications were the largest ever, both in terms of states/territories applying as well as the total dollars requested. In 2022, we will have a record 48 states participating in the program. Our partnership with the States, as well as with external advocacy groups like the State International Development Organizations (or SIDO) is critical to the efficiency, relevancy, and impact of the program.

The last piece of the puzzle for most small businesses as they seek international opportunities is access to foreign markets. SBA is deeply involved in the interagency trade apparatus of the federal government – namely through our seat on the Trade Promotion Coordinating Committee on matters related to trade promotion and Trade Policy Staff Committee for trade policy development and trade negotiation. It is there that we advocate for small businesses for all matters related to trade policy and trade agreements – bringing to life the real, lived experiences of small business owners that we meet every day.

SBA is committed to ensuring that the core offerings – education, capital, and market access – of our Office are accessible to the growing universe of small business exporters. Across the agency, Administrator Guzman has tasked us with developing more customer-centric approaches to our work that meets our small business customers where they are. That is why SBA is focused on increasing awareness for exporting by connecting to a broader audience of small businesses who are currently exporting or could potentially be exporting. We are increasing our marketing of the importance of exporting by focusing on partnerships and events as well as other channels and mediums to reach new audiences. We are focused on creating new, intentional small business exporters that will drive economic growth by tapping into the global marketplace.

I am humbled by the opportunity to serve at SBA and I am excited about the future of our nation's small businesses to export American-made products to customers throughout the world. I appreciate the invitation to appear before you today and I look forward to your questions.

Thank you.

**Questions for the Record from Rep. Luetkemeyer to Associate Administrator Esparza
“SBA Management Review: Office of International Trade”**

1. What percentage of STEP grant awards go to rural America?

A: SBA tracks all of the grants made to rural small businesses. Based on our data, in STEP year 7 (Period of Performance from September 2018 to September 2020), 21% of all grant awards went to rural eligible small business concerns (ESBCs). In STEP year 8 (September 2019 to September 2021), 17% went to rural small businesses.

2. What actions are being taken by the Office of International Trade to protect American innovation and entrepreneur’s intellectual property?

A: As part of the advice and counseling we provide to U.S. small businesses, we share information and resources on the steps U.S. small businesses and entrepreneurs should take to protect their intellectual property in foreign markets. We also provide information on protecting intellectual property on our Trade Tools website (www.sba.gov/tradetools). This is also part of the general advice we provide as part of our exporting webinars and we have also conducted a specific webinar on intellectual property as part of Learn to Trade series.

3. What actions are being taken by the Office of International Trade to support trade negotiations with the United Kingdom, Kenya, and other partners in order provide more market access opportunities for our exporters and help curtail overreliance on Chinese supply chains?

A: We work closely with the Office of the U.S. Trade Representative (USTR) to ensure that the interests of U.S. small businesses are represented in the Administration’s trade policy initiatives. Trade negotiations that establish trade rules, which reduce red tape, streamline procedures and increase transparency are of great benefit to small businesses because those reduce some of the barriers and costs associated with international trade, which disproportionately affect small businesses. The establishment of these trade rules can help U.S. small businesses find new markets and sources for inputs that could help reduce the overreliance on Chinese supply chains.

4. What actions are being taken by the Office of International Trade to ensure small businesses are protected and that the United States Mexico Canada Trade Agreement (USMCA) and China Phase One Agreement are being enforced?

A: We work closely with USTR to ensure that U.S. small businesses are aware of and able to take advantage of the opportunities created by U.S. trade agreements and to ensure that these agreements are working for U.S. small businesses. For instance, we are active members of several of the USMCA chapter committees, including the USMCA SME Committee. The inaugural USMCA SME Dialogue was held in April 2022 and was an opportunity for government officials from the United States, Canada, and Mexico to hear from small business stakeholders on best practices and implementation of the USMCA. We are also actively engaged with USTR on the Section 301 investigation of China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual

Property, and Innovation, including the current 4-Year Review of the actions associated with that investigation.

5. How does the SBA Office of International Trade hold small business recipients accountable and monitor compliance for program requirements?

A: The STEP program provides federal funds to the states and we require them to submit quarterly financial and programmatic reports. STEP program managers analyze reporting data reported by the states on a quarterly basis and conduct meetings if necessary to resolve any questions or issues. STEP program managers have robust communications with state grantees and by monitoring quarterly performance, ensure that program requirements are being met within the grant timelines. In addition, OIT conducts financial exams on state grantees on an annual basis to have an independent assessment of grantee financial accountability.

6. Are rising energy costs and gas prices hindering small business' ability to export?

A: Over the last several years, we have heard significantly about supply chain issues, in particular the cost of shipping and the availability of containers for export. During the pandemic, the costs of shipping containers rose exponentially and the limited supply of containers for export created additional hurdles on the ability of small businesses to take advantage of opportunities in export markets.

7. How do increased taxes impact a small business' ability to export and compete?

A: U.S. small businesses are disproportionately impacted by all costs because their margins are so much narrower. In the context of international trade, we hear most about the costs associated with finding buyers in foreign markets, financing export sales, and shipping internationally.

8. Your testimony references digital tools that reduce barriers to entry for exporting small businesses. How is the Office of International Trade harnessing technology to support small businesses in reaching new markets?

A: Over the course of the pandemic, much like the small businesses we served, we have also increased our use of technology to reach more small businesses. We increased our technology tools to deliver more live and on-demand webinars to build awareness of exporting opportunities and our programs and services to support small businesses.

In addition to the launch of the Small Business Digital Alliance earlier this year, we have also increased the information and resources available to small businesses on our Trade Tools website (www.sba.gov/tradetools) related to e-commerce and digital trade. We have collaborated with interagency colleagues on e-commerce related webinars and conferences. For instance, we held a small business exporting and e-commerce conference focused on the Korean diaspora community in Seattle on September 8, 2022.

9. Your testimony states that the Office of International Trade helps “prepare an export plan” for small businesses hoping to engage in the international marketplace. Can you walk us through how the SBA creates that plan and what it might look like?

A: As part of our counseling and advice to U.S. small businesses, we provide information and resources for U.S. small businesses to develop export plans that help them to be more intentional and strategic in their exporting. We also provide information on export plans on our Trade Tools website (www.sba.gov/tradetools), including sample export plans and resources to conduct market research. In cooperation with counselors in our Small Business Development Center (SBDC) network, we also recently conducted a webinar on developing export plans as part of our Learn to Trade series.

In addition, OIT’s team of Export Finance Managers helps address the credit risks and considerations for securing export working capital under an SBA loan or through another lender or government program such as the EXIM Bank. This is most often accomplished by educating the business on how to use trade credit insurance to evaluate foreign buyers and insulate against non-payment and political risks.

10. Your testimony states that you “advocate for small businesses for all matters related to trade policy and trade agreements.” Have you or SBA Administrator Guzman spoken to President Biden directly to advocate for small businesses regarding free trade agreements?

A: My office directly engages with USTR through the Trade Policy Staff Committee (TPSC) and the associated TPSC subcommittees to advocate for small businesses on matters related to trade policy, trade agreements, and other trade initiatives. Through these mechanisms, we give voice to the interests of small businesses as relates to trade policy matters.

11. Your testimony states that you “bring to life the real, lived experiences of small business owners that you meet every day.” What are you hearing from small businesses regarding inflation, regulations, and taxes?

A: Our discussions with U.S. small businesses are about the challenges they face when exploring and taking advantage of opportunities internationally. In that context, we hear consistently from small businesses about finding international buyers, financing export sales, protecting their intellectual property, and complying with trade regulations. Most often, U.S. small businesses want to comply with both U.S. export requirements and the foreign market requirements and to do so they need the information about them. We work with U.S. small businesses on providing them information and resources to help them be informed and also worked with them to address any barriers they encounter in their export journeys.

12. How many employees do you oversee in the Office of International Trade? Can you confirm that all employees in your office are back in the office and no longer working from home?

A: The Office of International Trade currently has 36 full-time employees. On September 12, 2022, the SBA entered its Reentry Phase and all employees are reporting to the office on a regular basis, either to SBA Headquarters in Washington or, in the case of the Export Finance Managers, to a U.S. Export Assistance Center or SBA District Office.

13. What is the impact of China's discriminatory trade practices on small businesses?

A: In the engagement with small businesses, the concern we hear most about China is the ability of small businesses to protect their intellectual property. We have also heard concerns about Chinese companies buying or investing in companies.

GLENROY

Glenroy was founded in 1965, and continues today as a family-owned, US manufacturer of packaging materials for use in essential products in the medical, pharmaceutical, and food industries. The company has 240 employees, mostly at the company-owned manufacturing facility in Menomonee Falls, Wisconsin. In 2018, Glenroy invested in a 130,000 square foot expansion of its manufacturing plant, which will provide jobs in the area for decades to come, while maintaining competitiveness with multi-national companies in the industry.

Nearly two-thirds of Glenroy's packaging includes ultra-thin gauge foil used to hold a variety of products, including: medical products for surgery, COVID testing supplies, baby formula, sanitizing wipes, consumer food products including peanut butter, honey, cereals, snacks, and even food for the NASA space missions.



Urgent Threat to Consumer Prices, Supply and Glenroy

The U.S. Department of Commerce is currently engaged in a self-initiated investigation into aluminum foil from South Korea and Thailand that could have the unintended consequences of raising prices to consumers on essential food products, eliminating access to COVID testing supplies, and forcing Glenroy to lay off half its employees or even face bankruptcy.

The DOC gave notice in July 2022 of an investigation regarding the circumvention of antidumping and countervailing duties by South Korea and Thailand on certain aluminum foil. This action, which is set to be decided in December 2022, could create potential duties of up to 125 percent to be applied retroactively on ultra-thin gauge foil, which Glenroy uses for flexible packaging and is sourced from producers in South Korea. This retroactive tariff could create an immediate \$7 million expense for Glenroy, resulting in significant job loss or the company's bankruptcy.

Glenroy is not the only company in this situation. In Wisconsin, a national leader in the packaging industry, the job losses could rise to an estimated 20,000 jobs.

Glenroy understands the importance of expanding U.S. production of ultra-thin gauge foil. But currently there is only a single domestic source for the materials used for packaging, and that source is not capable of meeting market demands. The timeline for identifying new suppliers is at least six months,

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and there is no apparent plan to expand the immediate US capability to meet industry needs in advance of this ruling.

The large multi-national flexible packaging companies have indicated that they will respond to the proposed tariff by moving production of foil-based packaging materials to their production facilities located in other countries. This is not an option for Glenroy or the hundreds of other small and medium sized flexible packaging manufacturers in the US that will be impacted. The Department of Commerce should delay any action, build US supply capacity, and work with Congress to further assess the unintended consumer price increases, supply shortages and loss of US jobs and companies of this investigation.

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