



ADVISORY BOARD OF NATIONAL ASSOCIATION OF DISTRICT EXPORT COUNCILS

FRAMEWORK PAPER June 22, 2021

The U.S. & Foreign Commercial Service: A Necessary Tool to Increase U.S. Exports and Support the Biden-Harris ‘Build Back Better’ Strategy

Philosophy:

American Exports = International Competitiveness = American Noble Jobs = Shared Prosperity

Increase Boots on the Ground

- The Biden-Harris Administration’s bold Build Back Better vision is designed to help American workers and the middle class achieve greater shared prosperity and social progress. The U.S. & Foreign Commercial Service is a necessary tool to achieve increased prosperity for the American people.
- The Administration’s infrastructure plan, for example, will create and support new technologies, products and services, many with global market potential. **For every dollar appropriated to the Commercial Service, this agency returns about \$300 to the economy through its export promotion programs.** In other words, exporting increases the payoff from U.S. taxpayer investments into this government resource and helps pay for the costs of ongoing technology development by the private sector (creating a virtuous circle).
- Leveraging the ambitious Build Back Better agenda to the benefit of U.S. companies and American workers will require a host of practical actions, including a comprehensive national export promotion program designed to bolster international competitiveness. Commerce Secretary Raimondo recently stated her goal is to double the number of small-to-medium sized businesses (SMEs) supported by the department. Doing this is necessary to make America more competitive, here and abroad; it also serves an important foreign policy objective: to successfully compete with China and developed economies in global markets.
- Trade increases exports, and the U.S. jobs supported by trade are “noble jobs.” These jobs pay better, offering higher skilled workers faster upward mobility. They enable the U.S. to broaden shared prosperity while simultaneously maximizing the country’s international competitiveness and geo-economic potential.

- The U.S. is in fierce competition with other global trading countries for the ninety-five percent (95%) of the world's customers that live outside of the U.S. Our business community needs the economies of scale that global markets provide. Global sales can advance technological innovations and infrastructure development in the coming years.
- This will require a deep bench of international business development professionals with deep sector (and sub-sector) knowledge as well as the best global business practices to confidently assist U.S. companies and help them become successful in global markets. Investing boots on the ground – increasing the number of Commercial Service trade specialists, Commercial Foreign Service Officers and local engaged staff in embassies – will also counter potent export promotional efforts by China and other competitor countries.

The Need to Rebuild America's Export Development Infrastructure

- America is ill-prepared to confront successfully current global competitive challenges by foreign competitors, especially state-controlled economies like China. These countries often come to a foreign market with integrated low-rate financing, government support programs, labor, etc. all at once, as opposed to a fully free-market and disintegrated government programming approach found in the U.S.
- While U.S. export service offerings are better in the long-term, many foreign markets need products and services in the short-term, therefore choosing the “quicker” Chinese offerings. These global market dynamics are detrimental to the U.S. job base. The U.S. cannot maximize quality domestic job creation – a key pillar of the Build Back Better effort – without significant changes in strategy.
- China continues to expand its global market share through various strategies including the Belt and Road Initiative (BRI) that walls off American competitors from major global projects. China is creating a closed system through high-level bilateral trade agreements, underpinned by concessionary financing, all executed by a phalanx of Chinese firms that design, construct, supply and service the lifecycle of projects. This closed loop has undercut traditional sales, marketing and investment approaches to conducting international business. China creates a debt diplomacy with foreign countries, which undercuts America's commercial strength globally. As a result, American companies are often left out in in the cold unable to compete.
- The U.S. government currently lacks an integrated national export strategy with sufficiently skilled U.S. trade experts on the ground in the U.S. and in foreign markets. A significant part of the problem is the current shortage of human capital infrastructure to leverage the innovations created by American firms and assist them in successfully exporting around the world. Innovation is outpacing the government's ability to hire the type of experts that the U.S. business community needs to be successful abroad. This must change.

- Moreover, other major competitive nations replicate China’s strategic marketing and sales model with their own particular national mercantilist characteristic.
- Chinese and other major competitive nations’ diplomatic corps – beginning with Ambassadors on down – play incisive roles in organizing and implementing similar trade and development packaging strategies.
- While America’s major international competitors are scaling up their export development programs, the U.S. has allowed its government export programs to atrophy over the last decade. The U.S. is confronting a burning bridge urgency:
 - The Commercial Service has only 281 trade specialists, down from 381 staffing more than 100 US Export Assistance Centers (USEACs) around the U.S. Some USEACs, such as in Alabama, Mississippi and North Dakota have only a single specialist covering an entire state. These offices desperately need more staff to assist exporters in developing and executing international business campaigns.
 - The Commercial Service has approximately 750 foreign national employees (“locally engaged staff”, or “LES”) down from 1,100 positions overseas who scout out, report and counsel U.S. firms regarding market information; provide matchmaking services; and weigh in on projects and relevant business issues on behalf of American exporters.
 - A chronic decrease in personnel has real-world negative ramifications because there are now fewer people to support businesses vis-à-vis other trade promotion agencies in the U.S. government. There are 19 government agencies (USDFC, USTDA, EXIM, SBA, et al.) that support the U.S. trade community, and with less trade specialists and commercial officers coordinating trade efforts, U.S. business suffer from decreases in comprehensive support. These businesses do not have the time to navigate all trade related agencies, and the Commercial Service historically helps them with their whole-of-government export strategies.
 - In comparison, the Canadian Trade Commissioner (TCS) has more than 1,000 trade professionals around the world. Germany has nearly 2,000, while China has several thousand.
- Secretary Raimondo has indicated she has a goal of doubling the number of exporters currently assisted from about 30,000 to 60,000. To meet that target in the near- to mid-term, the Commercial Service will need more qualified staff strategically situated in key domestic and overseas markets. The Commercial Service has a track record of helping small American exporters generate sales overseas with the support of local District Export Councils around the U.S. District Export Council members nationally are in an excellent position to provide stakeholders with powerful case-study success stories about how the Commercial Service effectively supports exporters.
- American companies, especially SMEs, sorely lack sufficient federal cost-effective resources to educate themselves about foreign markets and to successfully access them. At the same time, export assistance services in American embassies and consulates are

more constrained, frequently delayed and at times mismatched with what American businesses truly need (or want).

- At overseas Posts, small firms need highly qualified officers and locally engaged staff (foreign nationals) able to deliver B2B and B2C marketing and sales research as well as services that connect them to vertical markets, channel representatives and customers.
- Larger firms often need assistance tapping into foreign government projects, international tenders and early information about emerging business opportunities. They need to leverage the broad power of the U.S. federal government – to advocate for them and counter the pressure local customers face from 3rd country companies, which are often better resourced with more singularly business-focused diplomatic missions.
- Both small and large firms need agile U.S. government technical and feasibility study assistance, financing and market access assistance to wage effective business campaigns that maximize U.S. industry’s best practices while neutralizing foreign competitors’ worst practices.

Go on the Offensive: Rebuild and Reinvest in the Commerce Department’s Commercial Service (*America’s premier domestic and international business assistance corps*)

- To meet new global, geo-economic challenges and maximize Build Back Better outcomes in the future, the U.S. needs to develop stronger state-supported policies to support U.S. businesses in global markets.
- American businesses need to compete effectively with other nations (and their companies) in a way that maximizes our country’s international competitiveness and geo-economic potential, while also helping American workers and the middle class achieve greater shared prosperity and social progress.
- Part of that strategy involves deploying a highly specialized and skilled corps of professionals to a significantly greater degree. It calls for a reinvigorated export assistance service capable of meeting current and future commercial diplomacy challenges confronting the U.S. A more muscular Commercial Service means more and better prepared “boots on the ground” – business facilitators throughout the U.S., including and especially in underserved and rural communities, and commercial deal catalysts in key foreign markets where U.S. companies need to penetrate.
- The Department of Commerce can be the tip of the spear in driving exports, if it:
 - Replenishes the domestic international trade specialist corps with **100 additional people in the U.S. field**, to give meaningful support to new and existing exporters, including in rural and underserved communities.

- Rebuilds the commercial foreign officer corps in overseas Posts with **at least 30 additional officers and 100 locally engaged specialists** (foreign nationals) in key existing operations to:
 - Meet current SME exporter needs such as B2B and B2C matchmaking, market intelligence gathering, reporting, counseling and due diligence assistance, and
 - Staff up deal teams to advocate on behalf of American companies that are confronting practices designed to corner markets as well as to help promote American technology and consortia packages aimed at winning big projects.
- Establish additional technical standards positions overseas to help American companies access and collaborate with local standards-setting bodies and counter Chinese and European Community efforts to create standards favorable to their companies.
- Request the Director General of the Commercial Service to prioritize the creation of a *Human Capital Resource Development Plan* aimed at modernizing staff roles and skills in order to align them with what U.S. exporters need and want in today's global competitive environment. Leadership and commitment at all levels of cultural change will be essential for a successful long-term repurposing and upskilling initiative.
- The National Association of District Export Councils (NADEC) is well placed to help identify both new export marketing and sales solutions needed and facilitate understanding and training on the ways modern corporations think and function. It should be called upon to help rebuild the Commercial Service's standing in the U.S. business community and to meet Secretary Raimondo's stated goals to support more SME's, especially woman- and minority-owned firms.

The Commerce Department is the Top Commercial Advocacy Agency: It Should Spearhead an All-Government Global Export Promotion Initiative

- Institutionally, Commerce Secretary Raimondo is best situated to serve as America's Global Business Advocate, because the primary mission of Commerce Department's Global Markets / Commercial Service business unit is export promotion, commercial advocacy and inward investment promotion of non-agricultural products and services.
- In addition, the Department leads the interagency Trade Promotion Coordination Committee (TPCC), the all-of-government commercial advocacy and competitive deal packaging coordination. (The TPCC spearheads trade promotion work of 19 agencies across the USG). Conducting the orchestration of TPCC partners on behalf of U.S. exporters – to increase the number of firms supported and thus more jobs – creates tremendous value.

- The Commercial Service is the **only** federal agency with an integrated U.S. and overseas field organization. It has offices both in exporters' back yards and in the foreign markets where they seek to do business.
- Despite the damage done by years of underfunding, the Commercial Service remains the organization with the deepest, most experienced and most knowledgeable bench of export promotion professionals. With a 40 year-long business-oriented cultural identity and service to manufacturing and service industries, the Commercial Service is the only agency poised to quickly ramp up and drive export expansion abroad and job growth at home.
- The Commercial Service has also proved to be highly agile and adaptable when asked. This is best exemplified by its rapid absorption and development of the SelectUSA program, the inward investment promotion mission that was largely accomplished by redeploying existing staff resources (and their know-how stateside and at foreign posts).
- The Commercial Service has a proven track record measuring its performance, including its value to the U.S. export community from each taxpayer dollar invested into the agency (ROI). **Recall that for every dollar appropriated to it, the Commercial Service returns about \$300 to the economy.**

Public-Private Partnerships Are Critical to an Export-Oriented Industrial Strategy

- American exporters continue to state that they want strong U.S. Government export support to provide them with **Knowledge, Confidence, Connections.**
- The NADEC serves as a strong voice for American exporters and supports its sixty-one (61) District Export Councils (DECs) in playing a vital leadership role in fostering change in the way the U.S. Government conducts trade promotion efforts as well as the degree of support.
 - The NADEC can uniquely advocate for a new National Export Strategy with a new national Public-Private Partnership as the centerpiece for a Build Back Better vision.
 - The NADEC is equally well-positioned to promote a repurposed commercial corps-and spearhead new training.
 - The NADEC can ask Congress for increased budgetary outlays to reinvigorate Commercial Service capabilities, especially a restoration and expansion of boots on the ground international trade specialists domestically along with commercial officers and locally engaged foreign commercial specialists in overseas markets.
 - In terms of outreach, the NADEC can help create a Partnership Network made up of like-minded interest groups at state levels.

- Likewise, the NADEC is well-positioned to lead outreach and select national stakeholders with broad strategic interests to meet global business challenges, including China's aggressive mercantilist posture, by supporting robust Commercial Service operational and budgetary strengthening.

Conclusion:

U.S. Government trade promotion is a vital national function upon which the American exporter community relies to compete internationally and grow businesses and employment. Export competitiveness has a vital role to play in bolstering the Build Back Better technological and industrial strengths of the nation. The U.S. is facing a far-reaching economic development emergency in the face of unprecedented competition from China and other major countries in the developed world. Business as usual is not an option.

The U.S. must take immediate steps to restore export assistance resources and capabilities to counter aggressive mercantilist practices and malign competition from Chinese state-owned enterprises and other major competitor countries.

Therefore, the NADEC Advisory Board Taskforce calls on the Biden-Harris Administration and U.S. Congress to restore the institutional health of the US. & Foreign Commercial Service. It urges them to enable this pivotal federal government resource to effectively support both SMEs and large companies with international market intelligence, commercial partnerships and commercial advocacy. The immediate need is for 100 international trade specialist positions domestically, 100 locally engaged staff in America's embassies abroad, and 30 commercial officers in those embassies to serve current and mid-term national economic security interests of our companies and workers. Doing this will restore the Commercial Service as a leader among the 19 federal government agencies (i.e., the TPCC) to coordinate strong and efficient trade strategies for the U.S. business community, increasing their value and ability to create more jobs.