Small Business Administration
Trade and Export Promotion Programs

Updated May 24, 2022
Summary

Approximately 166,384 small businesses in the United States currently export, accounting for about 26% of all U.S. exports ($341 billion of $1.32 trillion) and about 96% of all exporters (166,384 of 173,459 exporters). With roughly three-quarters of world purchasing power and almost 95% of world consumers living outside U.S. borders, more attention is being paid to small business export promotion programs’ potential economic benefits for small businesses and national economic output. In addition, some Members of Congress believe the contributions of small businesses to commercial innovation and economic opportunities for firms and workers could be enhanced through greater access to growing international markets.

Consistent with these policy goals, the Small Business Administration (SBA) provides export promotion and financing services to small businesses through its loan guaranty programs, management and training programs, and other initiatives. SBA’s Office of International Trade (OIT) coordinates these activities as it assists with four stages of export promotion: (1) identifying small businesses interested in export promotion; (2) preparing small businesses to export; (3) connecting small businesses to export opportunities; and (4) supporting small businesses once they find export opportunities.

The Small Business Jobs Act of 2010 (P.L. 111-240) elevated trade within SBA by establishing an associate administrator position to lead OIT and report directly to the SBA administrator. The act also authorized the precursor to what is now known as the “State Trade Expansion Program” (STEP), which provides states and territories grants to assist small business trade promotion. STEP was appropriated $20.0 million for FY2022.

In FY2021, SBA’s export-related loans amounted to approximately $856.8 million (approximately 1.9% of the SBA’s total business loan portfolio). Most of SBA’s export-related loans occur through SBA’s Export Express, Export Working Capital (EVCP), and International Trade loan guarantee programs. Although not specifically targeted at exports, SBA’s 7(a) and 504/CDC loan guarantee programs also provide loans to small business exporters.

This report examines the history, role, and scope of SBA’s export promotion activities and OIT’s creation. SBA output data and qualitative data from other sources are presented to assess SBA’s assistance to small business exporters. This report concludes with a discussion of the following three policy issues for Congress:

- Are there market barriers impeding smaller firms from exporting and, if so, what should the federal government do, if anything, to address these barriers?
- Is there a compelling governmental interest in promoting exports in the name of national “competitiveness”?
- Are SBA’s export promotion programs duplicative of other federal programs, and, if so, what should the federal government do, if anything, to address this duplication?
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Introduction

Some Members of Congress believe the contributions of small businesses to commercial innovation and economic growth could be enhanced through greater access to growing international markets. According to U.S. Census Bureau data, 166,384 small businesses (i.e., firms with fewer than 500 employees) in the United States currently export, accounting for about 25.8% of all U.S. exports ($341 billion of $1.32 trillion) and 95.9% of all U.S. exporters (166,384 of 173,459 exporters).1 About 3% of small businesses (with employees) in the United States export.2 With roughly three-quarters of world purchasing power and almost 95% of world consumers living outside U.S. borders, more attention is being paid to the potential of small business programs to increase employment in the export sector.3

Advocates of export promotion programs argue that helping small businesses to export will lead to more jobs. A commonly held view is that small businesses are the major source of job creation in the U.S. economy and thus policymakers should try to encourage the growth of small businesses as a means to increase employment. Economists have debated for decades the extent to which small businesses contribute to job creation.4 More recent studies indicate that small business owners have different aspirations concerning the growth of their firms and that small, new firms (i.e., startups) are more likely to expand than small businesses generally.

Economists generally do not view job creation as a justification for providing federal assistance to small businesses.5 They argue that in the long term such assistance will likely reallocate jobs within the economy, not increase them. In their view, jobs arise primarily from the size of the labor force, which depends largely on population, demographics, and factors that affect the choice of home versus market production.

This report begins with the history, role, and scope of the Small Business Administration’s (SBA’s) export promotion activities and the creation of SBA’s Office of International Trade (OIT). OIT is charged with coordinating SBA’s export promotion activities, including management and training programs, grants, and loan programs. Next, the report describes the three major forms of SBA trade-related assistance: (1) export promotion-focused loans, (2) management and training programs, and (3) the State Trade Expansion Program (STEP) grant program (previously known as the State Trade and Export Promotion (STEP) grant program). The report also provides SBA output data and qualitative performance data from other sources.

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2 In 2019, there were 5,751,036 employer firms with fewer than 500 employees. See U.S. Census Bureau, “2020 Annual Business Survey (ABS)—Characteristics of Businesses: Sex, Ethnicity, Race, Veteran Status, and Employment Size of Firm, 2019,” at https://data.census.gov/cedsci/table?q=ab1900%2a&tid=ABSCB2019.AB1900CSCB04&hidePreview=true&nkd=QDESC~B01. In addition, in 2018 (the latest available data) there were 26.5 million nonemployer firms in the United States. Nonemployer firms have no paid employees and are subject to federal income tax. These firms average less than 4% of all sales and receipts nationally and are excluded from most other Census Bureau business statistics. Presumably, relatively few nonemployer firms are exporters. See U.S. Census Bureau, “NES Tables 2018,” at https://data.census.gov/cedsci/table?q=NONEMP2018.NS1800NONEMP&tid=NONEMP2018.NS1800NONEMP&hidePreview=true.
4 For additional information and analysis of the debate among researchers on small business and job creation, see CRS Report R41523, Small Business Administration and Job Creation, by Robert Jay Dilger.
5 For further information and analysis of the theoretical arguments and empirical literature on small business and job creation, see CRS Report RL32254, Small Business Tax Benefits: Current Law, by Gary Guenther; and CRS Report R41523, Small Business Administration and Job Creation, by Robert Jay Dilger.
Lastly, the report discusses three policy issues for Congress. First, are there market barriers impeding smaller firms from exporting? Second, is there a compelling interest for the government to promote exports in the name of national “competitiveness”? Third, are SBA’s export promotion policies duplicative of other federal programs? These policy issues could arise in future debates over the size and scope of SBA’s international trade programs. This debate will likely be framed by the issues of fiscal responsibility and the promotion of economic opportunities for firms and employees.

**SBA’s Office of International Trade**

SBA provides export promotion and financing services to small businesses through its business loan programs, management and training programs, and other initiatives. SBA’s OIT coordinates these activities as it assists with four stages of export promotion: (1) identifying small businesses interested in export promotion, (2) preparing small businesses to export, (3) connecting small businesses to export opportunities, and (4) supporting small businesses once they find export opportunities. SBA also participates in the regional network of U.S. Export Assistance Centers, which are managed by the Department of Commerce’s (DOC’s) International Trade Administration.6

Despite its name, OIT primarily encourages export promotion rather than international trade, generally. None of OIT’s programs have a specific goal to help small businesses gain access to lower-cost or specialized imports, such as for use as inputs in their production processes. This export-oriented focus is consistent with other federal agencies.7

OIT’s programs are funded through a combination of the SBA’s appropriations for business loan programs (i.e., subsidy costs) and for salaries and expenses. Congress does not directly provide an appropriation amount for each of the SBA’s three export-focused loan programs or for trade-related counseling provided through SBA’s management and training programs.

*Table 1* provides OIT international trade promotion program costs from FY2007 through the FY2023 presidential budget request and STEP program costs from FY2012 through the FY2023 presidential budget request. Total program costs include obligations covering the full cost for administering these programs. This includes direct costs from the operating budget plus compensation and benefits; agency-wide costs, such as rent and telecommunications; and indirect costs, such as agency overhead (e.g., financial management).

STEP appropriations from FY2012 through the FY2023 presidential budget request are also presented.

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6 For more information on the Department of Commerce’s export promotion programs, see CRS Report R41495, *U.S. Government Agencies Involved in Export Promotion: Overview and Issues for Congress*, coordinated by Shayerah I. Akhtar.

7 The economic theory that could support export promotion programs is discussed in the “Small Business Barriers to Exporting and Possible Market Failures” section of this report. Another argument often cited for export promotion programs is that exports support job creation in the United States. However, comparative advantage theory in economics indicates that exports from foreign countries help those countries pay for imports from the United States and that voluntary trade occurs because it is mutually beneficial to all parties involved. See Federal Reserve Bank of Dallas, *The Fruits of Free Trade*, 2002, at https://www.dallasfed.org/assets/documents/fed/annual/2002/ar02.pdf. In addition, given the nature of global supply chains, foreign imports into the United States could also contain some intermediate components made in the United States. For example, see Galina Hale and Bart Hobijn, “The U.S. Content of ‘Made in China,’” *Federal Reserve Bank of San Francisco, Economic Letter*, August 8, 2011, at http://www.frbsf.org/economic-research/files/el2011-25.pdf.
Table 1. SBA’s Office of International Trade and State Trade Expansion Program (STEP), Total Costs and Appropriations, FY2007-FY2023
($ in Thousands)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>OIT International Trade Promotion Program Costs</th>
<th>STEP Costs</th>
<th>STEP Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023 request</td>
<td>$15,936</td>
<td>$27,477</td>
<td>$19,500</td>
</tr>
<tr>
<td>2022 estimate</td>
<td>$13,703</td>
<td>$27,336</td>
<td>$20,000</td>
</tr>
<tr>
<td>2021</td>
<td>$11,137</td>
<td>$17,184</td>
<td>$19,500</td>
</tr>
<tr>
<td>2020</td>
<td>$11,052</td>
<td>$20,139</td>
<td>$19,000</td>
</tr>
<tr>
<td>2019</td>
<td>$14,037</td>
<td>$20,139</td>
<td>$18,000</td>
</tr>
<tr>
<td>2018</td>
<td>$13,396</td>
<td>$19,708</td>
<td>$18,000</td>
</tr>
<tr>
<td>2017</td>
<td>$11,451</td>
<td>$25,155</td>
<td>$18,000</td>
</tr>
<tr>
<td>2016</td>
<td>$11,140</td>
<td>$26,527</td>
<td>$18,000</td>
</tr>
<tr>
<td>2015</td>
<td>$9,025</td>
<td>$19,563</td>
<td>$17,400</td>
</tr>
<tr>
<td>2014</td>
<td>$10,586</td>
<td>$9,462</td>
<td>$8,000</td>
</tr>
<tr>
<td>2013</td>
<td>$9,543</td>
<td>$1,681</td>
<td>$0,000</td>
</tr>
<tr>
<td>2012</td>
<td>$8,943</td>
<td>NA</td>
<td>$30,000</td>
</tr>
<tr>
<td>2011</td>
<td>$7,681</td>
<td>NA</td>
<td>$30,000</td>
</tr>
<tr>
<td>2010</td>
<td>$8,016</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2009</td>
<td>$4,660</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2008</td>
<td>$4,154</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2007</td>
<td>$5,258</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>


These nominal amounts include direct costs from the operating budget plus compensation and benefits; agency-wide costs, such as rent and telecommunications; and indirect costs, such as agency overhead (e.g., financial management).

In terms of scale, OIT and STEP’s combined total program costs of $41.0 million in FY2022 accounts for approximately 0.14% of SBA’s total program obligations for the year (not including disaster assistance). ⁸

Before December 2010, OIT was a division within SBA’s Office of Capital Access. It was led by the director for International Trade, who reported to the associate administrator (AA) for Capital

⁸ SBA’s total program obligations are approximately $46.6 billion in FY2022 ($16.7 billion of which is for disaster assistance and $29.9 billion for all other programs). See SBA, FY2023 Congressional Budget Justification FY2021 Annual Performance Report, pp. 21-22, at https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report.
Access. The Small Business Jobs Act of 2010 (P.L. 111-240) raised the office’s profile within the SBA by requiring the SBA administrator, within 90 days of enactment (by December 26, 2010), to appoint an AA for International Trade who reports directly to the SBA Administrator.

SBA is one of several federal agencies that assist in the promotion of small business exports and in export promotion more generally. SBA’s website provides a table of federal programs that help to finance small business exports. Most of these federal programs are located within other organizations, such as the Export-Import Bank of the United States, the Department of Commerce, the Department of Agriculture, the U.S. Trade and Development Agency, and the Overseas Private Investment Corporation.

SBA is also member of the Trade Promotion Coordinating Committee (TPCC), an interagency committee whose objective is to coordinate and set priorities for federal agencies involved in export promotion. The TPCC then proposes a unified export promotion budget to the President. The TPCC is composed of 20 member agencies, including DOC, Export-Import Bank, SBA, Department of State, U.S. Trade Representative, and Department of the Treasury. The Secretary of Commerce chairs the TPCC.

**SBA’s Export Promotion-Focused Loan Programs**

SBA identifies small businesses interested in export promotion through a combination of informational and financial programs. Technically speaking, all of the SBA’s loan programs can be used by small businesses looking to begin exporting or expand their current exporting operations. Indeed, as discussed below, many of SBA’s loan programs contribute to this mission.

SBA has three loan programs that specifically focus on export promotion:

- **Export Express loan program**, which provides working capital or fixed asset financing for small businesses that will begin or expand exporting;

- **Export Working Capital (EWCP) loan program**, which provides financing to support export orders or the export transaction cycle, from purchase order to final payment; and

- **International Trade loan program**, which provides long-term financing to support small businesses that are expanding because of growing export sales or

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9 For a summary of these other federal export promotion activities, see CRS Report R41495, *U.S. Government Agencies Involved in Export Promotion: Overview and Issues for Congress*, coordinated by Shayerah I. Akhtar.


12 The Export Express program was started as a pilot program in 1998. It was provided statutory status by P.L. 111-240, the Small Business Jobs Act of 2010. See SBA, “Export Express, Export Working Capital, and International Trade Loan Programs,” 84 Federal Register 48807, September 17, 2019.


have been adversely affected by imports and need to modernize to meet foreign competition.14

Table 2 summarizes the key features of SBA’s three export promotion-focused loan programs.

<table>
<thead>
<tr>
<th>Key Feature</th>
<th>Export Express Loan Program</th>
<th>Export Working Capital Program</th>
<th>International Trade Loan Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who Qualifies?</td>
<td>Small business applicant must demonstrate that the loan will enable it to enter a new export or expand in an existing export market. Business must have been in operation for at least 12 months (although not necessarily in exporting).</td>
<td>Must be an eligible, for-profit business; meet SBA size standards; and show “good character,” credit, management, and ability to repay (same as 7(a) loan program). Applicants must also demonstrate need for short-term, working capital for exporting.</td>
<td>Must be an eligible, for-profit business; meet SBA size standards; and show “good character,” credit, management, and ability to repay (same as 7(a) loan program). Applicants must also be engaged or preparing to engage in international trade or adversely affected by competition from imports.</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>Revolving lines of credit (up to seven years in maturity) or for a term loan for export transactions (same as 7(a) loan program), including support for standby letters of credit; export development expenses, including trade show participation; and translation of product literature.</td>
<td>Short-term, working-capital loans to support export transactions. May be transaction based or asset based. Loan proceeds may be used to acquire inventory; to pay the manufacturing costs of goods for export; purchase goods or services for export; support standby letters of credit; for pre-shipment working capital; and for post-shipment foreign accounts receivable financing.</td>
<td>Term loans for permanent working capital (e.g., raw materials), equipment, facilities, land and buildings, and debt refinance related to international trade.</td>
</tr>
<tr>
<td>Maximum Loan Amount</td>
<td>Gross loan amount limited to $500,000 per loan. SBA guaranty amount limited to $375,000 to one borrower (and any affiliates).</td>
<td>Gross loan amount limited to $5 million per loan. SBA guaranty amount limited to $4.5 million to one borrower (and any affiliates).</td>
<td>The gross loan amount limited to $5 million per loan. SBA guaranty amount limited to $4.5 million to one borrower (and any affiliates). However, the amount guaranteed for working capital for the International Trade loan combined with any other outstanding 7(a) loan for working capital cannot exceed $4 million.</td>
</tr>
<tr>
<td>Percentage of Guaranty</td>
<td>90% guaranty for loans of $350,000 or less; 75% guaranty for loans greater than $350,000.</td>
<td>90% guaranty not to exceed $4.5 million.</td>
<td>90% guaranty not to exceed $4.5 million (up to $4 million maximum guaranty for working capital).</td>
</tr>
</tbody>
</table>

14 The International Trade loan program’s statutory provisions are in Sections 7(a)(16) and 7(a)(2)(E) of the Small Business Act, as amended (15 U.S.C. §636(a)(16) and 15 U.S.C. §636(a)(2)(E)). SBA International Trade loan program regulations are at 13 C.F.R. §120.345 to 13 C.F.R. §120.349.

P.L. 87-550, To amend the Small Business Act [1962], provided SBA statutory authorization “to assist any firm to adjust to changed economic conditions resulting from increased competition from imported articles.”
<table>
<thead>
<tr>
<th>Key Feature</th>
<th>Export Express Loan Program</th>
<th>Export Working Capital Program</th>
<th>International Trade Loan Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturity</strong></td>
<td>Terms up to 25 years for fixed assets and up to 7 years for revolving lines of credit for working capital (same as SBAExpress loan program).</td>
<td>Generally 1 year or less, but may go up to 3 years with annual renewals.</td>
<td>Up to 25 years.</td>
</tr>
<tr>
<td><strong>Maximum Interest Rates</strong></td>
<td>For fixed rate loans, lenders and borrowers negotiate the interest rate, but the rate must be reasonable and may not exceed: Loans of $25,000 or less: prime + 800 basis points; Loans over $25,000 to $50,000: prime + 700 basis points; Loans over $50,000 to $250,000: prime + 600 basis points; and Loans over $250,000: prime + 500 basis points (same as 7(a) loan program).</td>
<td>No SBA maximum interest rate cap, but SBA monitors for “reasonableness.”</td>
<td>For fixed rate loans, lenders and borrowers negotiate the interest rate, but the rate must be reasonable and may not exceed: Loans of $25,000 or less: prime + 800 basis points; Loans over $25,000 to $50,000: prime + 700 basis points; Loans over $50,000 to $250,000: prime + 600 basis points; and Loans over $250,000: prime + 500 basis points.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>For variable rate loans, lenders and borrowers negotiate the interest rate, but the rate may not exceed: Loans less than 7 years and $25,000 or less: the base rate + 4.25 percentage points; Loans less than 7 years and over $25,000 but not exceeding $50,000: the base rate + 3.25 percentage points; Loans less than 7 years and over $50,000: the base rate + 2.25 percentage points; Loans 7 years or longer and $25,000 or less: the base rate + 4.75 percentage points; Loans 7 years or longer and over $25,000 but not exceeding $50,000: the base rate + 3.75 percentage points; and Loans 7 years or longer and over $50,000: the base rate + 2.75 percentage points (same as 7(a) loan program).</td>
</tr>
<tr>
<td>Key Feature</td>
<td>Export Express Loan Program</td>
<td>Export Working Capital Program</td>
<td>International Trade Loan Program</td>
</tr>
<tr>
<td>-------------</td>
<td>-----------------------------</td>
<td>-------------------------------</td>
<td>---------------------------------</td>
</tr>
</tbody>
</table>
| FY2022 SBA Fees Charged on the Amount Guaranteed | Upfront Guaranty Fee:  
Loans of $350,000 or less: 0.0%; and  
Loans over $350,000: 0.49%. | Upfront Guaranty Fee:  
Loans of $350,000 or less: 0.0%; and  
Loans over $350,000: 0.49%. | Upfront Guaranty Fee:  
Loans of $350,000 or less: 0.0%; and  
Loans over $350,000: 0.49%. |
| | Annual Servicing Fee:  
Loans of $350,000 or less and over $350,000: 0.25%. | Annual Servicing Fee:  
Loans of $350,000 or less and over $350,000: 0.25%. | Annual Servicing Fee:  
Loans of $350,000 or less and over $350,000: 0.25%. |


**Notes:** The base interest rate is one of the following: the prime rate, the 30-day London Interbank Offered Rate (LIBOR) plus 3 percentage points, or the SBA optional Peg rate.

In many ways, SBA’s export promotion loan programs share similar characteristics to other SBA loan programs. For example, the Export Express program resembles the SBAExpress program. The SBAExpress program shares several of the characteristics of the standard 7(a) loan guaranty program except that it has an expedited approval process (which increases the risk of loan losses), a lower maximum loan amount, and a smaller percentage of the loan guaranteed (both of which reduce SBA’s exposure to potential losses).15 Similarly, the Export Express program shares several characteristics with the standard International Trade loan program, such as an expedited approval process in exchange for a lower maximum loan amount ($500,000 compared with $5 million) and a lower percentage of guaranty.16

### Fee Waivers and Reductions

From time-to-time, the SBA has exercised its authority to reduce its fees to encourage lending to specific types of small businesses or for specific types of loans (e.g., for veterans, borrowers in

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15 For additional information and analysis of the SBAExpress and 7(a) loan guarantee programs, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger.

16 The percentage of guaranty is 75%/90% under the Export Express program versus 90% for the International Trade and Export Working Capital loan programs. The 90% guaranty for SBA’s Export Working Capital loan program is similar to the 90% guaranty in the Export-Import Bank’s (Ex-Im) Working Capital Guarantee program. However, Ex-Im’s program differs slightly from SBA’s (it has no limit on loans compared with SBA’s limit of $5 million). For more information comparing these programs, see U.S. Government Accountability Office (GAO), 2013 Annual Report: *Actions Needed to Reduce Fragmentation, Overlap, Duplication, and Achieve Other Financial Benefits*, GAO-13-279SP, April 2013, p. 112, at http://www.gao.gov/assets/660/653604.pdf.
rural areas, smaller loans, etc.).\(^{17}\) Congress has also provided fee relief. For example, the Veterans Entrepreneurship Act of 2015 (P.L. 114-38) authorized and made permanent the SBA’s practice of waiving the SBAExpress loan program’s one time, up-front guaranty fee for veterans (and their spouse) beginning on or after October 1, 2015, except during any upcoming fiscal year for which the President’s budget, submitted to Congress, includes a subsidy cost for the 7(a) program, in its entirety, that is above zero.\(^ {18}\) P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), among other provisions, eliminated the zero subsidy requirement to waive SBAExpress loan fees for veterans.

Most recently, Congress waived fees for both the 7(a) loan guarantee program (which includes SBA’s three export promotion-focused loan programs) and the 504/Certified Development Company (504/CDC) loan guarantee program in FY2021 as part of its effort to assist small businesses adversely affected by the COVID-19 pandemic (P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act, 2021)).

### Other SBA Lending Programs of Interest

In addition to the SBA’s three export promotion-focused loan programs, other types of 7(a) loans and 504/CDC loans can also be used to support small business exporters. As shown in Table 3, the amount of SBA export-related loans has generally declined in recent years.

#### Table 3. SBA Export-Related Loan Approval Amount, FY2015-FY2021

($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Export Express, Export Working Capital Program, and International Trade Loan Program</th>
<th>Other 7(a) Export-Related Loans</th>
<th>Total 7(a) Export-Related Loans</th>
<th>504/CDC Export-Related Loans</th>
<th>Total SBA Export-Related Loans</th>
<th>Total SBA Export-Related Loans as a % of Total SBA Business Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$506.0</td>
<td>$196.8</td>
<td>$702.8</td>
<td>$154.0</td>
<td>$856.8</td>
<td>1.91%</td>
</tr>
<tr>
<td>2020</td>
<td>$602.0</td>
<td>$250.9</td>
<td>$852.9</td>
<td>$105.4</td>
<td>$958.3</td>
<td>3.38%</td>
</tr>
</tbody>
</table>

\(^{17}\) For example, the SBA waived 50% of the up-front, one-time guaranty fee on all non-SBAExpress 7(a) loans of $150,001 to $5 million for veterans in FY2015 and FY2016; 50% of the up-front, one-time guaranty fee on all non-SBAExpress 7(a) loans of $150,001 to $500,000 for veterans in FY2017; and 50% of the up-front, one-time guaranty fee on all non-SBAExpress 7(a) loans of $125,001 to $350,000 for veterans in FY2018.

In addition, the SBA waived its annual service fee for all 7(a) loans of $150,000 or less approved from FY2014 through FY2016 (the annual service fee for other small businesses was 0.52% in FY2014, 0.519% in FY2015, and 0.473% in FY2016); waived the annual service fee for 7(a) loans of $150,000 or less made to small businesses located in a rural area or a HUBZone in FY2019; waived the up-front, one-time guaranty fee for all 7(a) loans of $150,000 or less approved from FY2018 through FY2017; waived the up-front, one-time guaranty fee for all 7(a) loans of $125,000 or less approved in FY2018; and reduced the up-front, one-time guaranty fee for loans made to small businesses located in a rural area or a HUBZone from 2% to 0.6667% of the guaranteed portion of the loan in FY2019.

\(^{18}\) For additional information and analysis, see CRS Report R42695, SBA Veterans Assistance Programs: An Analysis of Contemporary Issues, by Robert Jay Dilger and Sean Lowry.
In terms of scale, SBA export-related loans accounted for about 1.92% of 7(a) loan amounts, 1.87% of 504/CDC loan amounts, and 1.91% of total SBA business loan amounts in FY2021.  

Export-Related Aspects of SBA Management and Training Programs

SBA provides trade-related counseling to small business owners through its management and training programs as well as through its participation in interagency counseling programs. Small Business Development Centers (SBDCs) are the largest SBA source of trade-related counseling. SBA also offers counseling through other programs, such as Women’s Business Centers (WBCs) and SCORE (previously known as the Service Corps of Retired Executives).

In addition, SBA partners with other agencies to provide small business export counseling. For example, SBA provides a small business counselor training certification program and engages in counseling services to small business in partnership with DOC-led U.S. Export Assistance Centers (USEACs). In FY2021, SBA trained 5,130 lenders and counseled 2,803 small business owners on export finance.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Export Express, Export Working Capital Program, and International Trade Loan Program</th>
<th>Other 7(a) Export-Related Loans</th>
<th>Total 7(a) Export-Related Loans</th>
<th>504/CDC Export-Related Loans</th>
<th>Total SBA Export-Related Loans as a % of Total SBA Business Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$659.0</td>
<td>$298.0</td>
<td>$957.0</td>
<td>$68.2</td>
<td>$1,025.2</td>
</tr>
<tr>
<td>2018</td>
<td>$736.0</td>
<td>$321.5</td>
<td>$1,057.5</td>
<td>$77.6</td>
<td>$1,135.1</td>
</tr>
<tr>
<td>2017</td>
<td>$660.0</td>
<td>$1,054.2</td>
<td>$1,171.2</td>
<td>$74.9</td>
<td>$1,789.1</td>
</tr>
<tr>
<td>2016</td>
<td>$710.0</td>
<td>$618.3</td>
<td>$1,328.3</td>
<td>$196.2</td>
<td>$1,524.5</td>
</tr>
<tr>
<td>2015</td>
<td>$731.0</td>
<td>$528.2</td>
<td>$1,259.2</td>
<td>$209.6</td>
<td>$1,468.8</td>
</tr>
</tbody>
</table>


SBA, FY2023 Congressional Budget Justification FY2021 Annual Performance Report, p. 59, at...

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20 SBDCs provide a vast array of technical assistance to small businesses and aspiring entrepreneurs. Women’s Business Centers (WBCs) represent a national network of educational centers designed to assist women start and grow small businesses. SCORE is a nonprofit association dedicated to entrepreneur education where working and retired executives and business owners donate their time and expertise as volunteer business counselors and provide confidential counseling and mentoring free of charge. For more information on these programs, see CRS Report R41352, Small Business Management and Technical Assistance Training Programs, by Robert Jay Dilger.

21 SBA, FY2023 Congressional Budget Justification FY2021 Annual Performance Report, p. 59, at...
SBA Management and Training Programs’ Survey Responses

SBA’s Office of Entrepreneurial Development used to sponsor an annual survey of a stratified random sample of clients participating in the SBA’s three largest management and training programs: Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), and SCORE (previously known as the Service Corps of Retired Executives). The survey asked questions about several aspects of the client’s experiences with these programs, including the programs’ impact on their staffing decisions and management practices. The last survey, published in September 2013, was sent to 29,957 SBDC clients, 2,997 WBC clients, and 25,183 SCORE clients in March 2013 to “provide an analysis of client attitudes toward their counseling experiences and client perceptions of the impact of that counseling on their businesses.” Of the 58,137 surveys sent, researchers received 9,459 responses (a 16% response rate). The survey labels these three SBA-supported entities as “resource partners.”

In general, the surveys indicated that these programs assisted small businesses at all stages of development. They also indicated that most of the small business owners who participated in these programs and responded to the survey found the programs useful and changed their management practices or strategies as a result of their participation in the programs.

Relatively few survey respondents reported that they had sought information and counseling related to international trade. Among all of the survey participants, interactions with SBA resource partners most often led to a business plan (54% of survey respondents), a marketing plan (45%), or changes to general management (35%). In contrast, 4% of survey respondents reported that SBA resource partners delivered assistance concerning international trade (up from 2% in the 2012 survey).

Given the few trade-specific questions in this SBA-commissioned survey, it is difficult to draw conclusions concerning the low shares of international trade-related outcomes among clients of the largest SBA management and training programs. One interpretation could be that few small businesses have the desire to export, thus few small businesses sought out counseling on how to increase exports. An alternative explanation could be that the focus of performance management...
State Trade Expansion Program (STEP) Grants

P.L. 111-240, the Small Business Jobs Act of 2010, authorized SBA to establish a three-year State Trade and Export Promotion (STEP) pilot grant initiative. P.L. 114-125, the Trade Facilitation and Trade Enforcement Act of 2015, renamed the initiative the State Trade Expansion Program (STEP) and provided STEP explicit statutory authorization.

Congress initially provided STEP appropriations for two years: $30 million in FY2011 and $30 million in FY2012. Congress did not fund the program in FY2013. Congress provided STEP $8.0 million in FY2014, $17.4 million in FY2015, $18.0 million in each of FY2016 through FY2019, $19.0 million in FY2020, $19.5 million in FY2021, and $20 million in FY2022 (see Table 1).

The SBA awarded 51 STEP awards in FY2011, 52 in FY2012, 24 in FY2014, 40 in FY2015, 44 in FY2016 and FY2017, 47 in FY2018, 41 in FY2019, 48 in FY2020, and 29 in FY2021.27 The SBA is authorized to competitively award STEP grants to the 50 states, District of Columbia, Commonwealth of Puerto Rico, Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.28 In most cases, the SBA provides 75% of total project costs and states provide 25% of the sum of the federal award and the recipient match amount (33.3%). However, for the top three states in value of exports as determined by the U.S. Census Bureau’s export data (California, Texas, and New York), the SBA provides 65% of total project costs and these states provide 35% of the sum of the federal award and the recipient match amount (53.8%).29

STEP awards are currently for two years, a base year and an option year. The option year is at the SBA’s discretion, but is routinely awarded “after taking into consideration satisfactory performance and use of prior year funding.”30 STEP grant amounts range from a minimum of $100,000 each in the base and option year to a maximum of $900,000 each in the base and option


While STEP funds are competed annually, beginning in FY2018, the performance period for each award changed from 12 to 24 months.

28 Section 1699(a) of the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239) added the Northern Mariana Islands to the definition of eligible “states” for STEP.


The SBA is authorized to waive up to $200,000 of the matching requirement for American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of Northern Mariana Islands. Matching funds must be comprised of not less than 50% cash and not more than 50% of indirect and in-kind contributions. Matching funds may not be derived from any federal program. See 48 U.S.C. §1469a.

year. In addition, the 10 states “with the highest number of small business exporters” as
determined by DOC’s latest data available may not receive more than 40% of available funds. In
FY2020, these states were California, Florida, Georgia, Illinois, Michigan, New Jersey, New

STEP’s objective is to assist eligible “small business concerns” with exporting.\footnote{Small business concerns that are eligible to participate in STEP activities must be in business for more than one year; operate profitably; demonstrate an understanding of costs associated with exporting; possess a strategic plan for exporting; and meet small business size requirements as defined in 13 CFR 121.} Specifically, STEP is designed to increase (1) the number of small business concerns that export, (2) the dollar value of exports, and (3) the number of small businesses exploring significant new trade opportunities.\footnote{SBA, Office of International Trade, “State Trade Expansion Program (STEP): Notice of Funding Opportunity no. OIT-STEP-2020-01, FY2020,” p. 5, at https://www.sba.gov/document/information-notice--state-trade-expansion-program-step-funding-opportunity-announcement-faq.} STEP awards may be used for

- foreign trade mission participation;
- foreign market sales trips;
- DOC subscription services;
- website fees foreign language translations, foreign market localizations, and search engine optimizations;
- international marketing media designs;
- trade show exhibitions;
- training workshop participation;
- reverse trade missions that bring foreign buyers to the United States to meet with potential suppliers of U.S. manufactured goods and services; and

The SBA’s Office of Inspector General (OIG) audited the STEP program for overall management and effectiveness during the program’s initial year of operations (FY2011).\footnote{SBA’s OIG, The SBA Need to Improve Its Management of the State Trade and Export Promotion Grant Program, Report No. 12-21, September 25, 2012, at http://www.sba.gov/sites/default/files/Audit%20Report%202012-\%2021%20Review%20of%20STEP%20Grant%20Program.pdf (hereinafter, SBA’s OIG, The SBA Need to Improve Its Management of the State Trade and Export Promotion Grant Program).} The Small Business Jobs Act of 2010 required the SBA to report to Congress “the effect of each grant on exports” in the state receiving the grant. The OIG emphasized that the SBA did not establish baselines to measure changes in a state’s small business exporters or exports and that the program’s performance goals were not specific and results-oriented.\footnote{SBA’s OIG, The SBA Need to Improve Its Management of the State Trade and Export Promotion Grant Program.} The OIG also found that some states focused on goals that did not directly increase the number of small business exporters or the export volume of existing small business exporters. Following SBA’s comments on the study,
OIG determined that SBA management was responsive to nearly all issues raised in the report as SBA prepared its FY2012 round of STEP awards.\(^{37}\)

**Recent STEP Legislation**

As mentioned, the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125) renamed the STEP program as the “State Trade Expansion Program.” The act also reformed some of the program’s procedures.\(^{38}\) For example, the act authorized the Associate Administrator (AA) for International Trade to give priority to STEP proposals from states that have a relatively small share of small businesses that export or would assist rural, women-owned, and socially and economically disadvantaged small businesses and small business concerns.

During the 116\(^{th}\) Congress, H.R. 6133, the Step Improvement Act of 2020, would have required the SBA to conduct an annual survey to solicit feedback on the program and to collect data on certain performance metrics such as the (1) total number of small businesses assisted by the program, (2) total dollar amount of export sales by participating small businesses, and (3) number of small businesses that have created new jobs through their participation in the program.

Also, P.L. 116-136, the CARES Act, among other provisions, authorized the SBA to reimburse STEP award recipients for financial losses related to a foreign trade mission or trade show exhibition that was cancelled solely due to a public health emergency declared due to COVID-19 if the reimbursement does not exceed the recipient’s grant funding. The act also authorized the SBA to use amounts made available for STEP in FY2018 or FY2019 through the end of FY2021.

In addition, the House-passed version of the Build Back Better Act (H.R. 5376) would provide $31.71 million in FY2023 and in FY2024, with each appropriation to remain available until September 30, 2027, for additional STEP grants.\(^{39}\)

**Issues for Congress**

This section of the report introduces three policy issues for consideration as Congress looks to the future size and scope of SBA’s export promotion activities: (1) are there barriers to exporting or market failures impeding smaller firms from international trade? (2) is there a compelling interest for the government to promote exports in the name of national trade competitiveness? and (3) are SBA’s export promotion policies duplicative of other federal programs? These issues will likely be framed by the rising concerns about fiscal responsibility and sustained economic recovery.

**Small Business Barriers to Exporting and Possible Market Failures**

Proponents of federal support for small business exports argue that small businesses face inherent barriers to participating in international trade. Some of the commonly cited barriers in academic literature include

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\(^{37}\) According to p. 15 of the OIG report, SBA was not responsive to requests for documentation for how STEP awards were made for FY2011 and FY2012. OIG concluded that documentation had not been properly maintained.

\(^{38}\) P.L. 114-125 also included provisions intended to improve coordination between the federal government and the states, to authorize reverse trade missions and procurement of consultancy services, and to require the SBA Inspector General to provide to the Congress a report on the revised STEP program within 18 months of the first grant award.

\(^{39}\) For additional information concerning the Build Back Better Act, see CRS In Focus IF11980, *Build Back Better Act: Small Business Administration Sections*, by Robert Jay Dilger and Anthony A. Cilluffo.
• insufficient capacity to export,
• not enough information or lack of awareness of services available,
• logistical difficulties in international distribution,
• challenges in export marketing,
• difficulties in obtaining export financing,
• no perceived demand abroad,
• bureaucratic processes and regulations (i.e., red-tape), and
• no desire to export.  

Restricted access to credit is also indicative of a barrier to small business exports. A survey of the empirical literature suggests that access to finance and the cost of credit not only pose barriers to small business trade financing in many countries (including the United States) but also constrain small businesses more than large firms. Smaller firms often find it difficult to obtain commercial bank financing (especially long-term loans) for a number of reasons, including lack of collateral, difficulties in proving creditworthiness, inadequate credit history, small cash flows, higher risk premiums, underdeveloped bank-borrower relationships, and high transaction costs.

In general, economic theory suggests export promotion programs increase economic inefficiencies and reduce national welfare. Specifically, economic theory indicates that in most instances firms and workers will locate to the most efficient and productive areas to do business in the long run, without the assistance of government policy. From this perspective, government policies, such as export promotion programs, that create incentives to engage in one form of economic activity, potentially at the expense of another, result in net social loss of economic efficiency because finite resources are not being used to produce their maximum output for the lowest cost. Economic theory indicates that these policies create a distortion in the market, such that resources are directed from an area of higher productivity to an area of lower productivity.

At the same time, most economists believe that some government assistance could be justified in the presence of a market failure, in which the market is unable to efficiently allocate resources on its own. If there is indeed a market failure, then there could be an economic basis for small business export promotion programs (assuming the costs of these programs were less than the aggregate increase in economic activity).

Although studies indicate that smaller firms face barriers to exporting, many of these conditions are not necessarily indicative of a market failure. Higher risk profiles for small exporters could be justified by their higher rates of failure and compounded by their ability to absorb risks associated

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42 Economists typically view the most efficient means of production as the one that provides the most benefit at the lowest cost.
Small Business Exports and U.S. Trade “Competitiveness”

There has been an ongoing debate among economists and business experts about the theoretical basis linking trade competitiveness to economic outcomes. Most economic policy experts agree that the major determinant of economic growth is domestic productivity growth (e.g., net increases in investment, labor supply, or technology that allows for a more efficient use of capital or labor). However, other experts are divided concerning the merits of encouraging the development of sectors that produce tradable goods and services as a means to improve net exports, increase jobs, and encourage productivity growth.

Proponents of national trade competitiveness theory believe individual countries have a compelling policy interest to increase the real (inflation-adjusted) income of their citizens, often through promoting growth in specific, tradable sectors. These firm-level strategies are then applied to the national level to inform public policy. Specifically, government policy can either reduce a business’s profit (e.g., through national regulations) or increase a business’s bottom line (e.g., by subsidizing production) such that domestic firms in the near term can have a greater financial profit in a head-to-head “competition” with their international competitors. Loss of competitiveness, these advocates claim, will lead to the loss of American jobs, the movement of U.S. business operations overseas, and reduced investment by foreign businesses in the United States, among other outcomes.

Some view a strong network of small businesses as being critical for U.S. economic competitiveness in the international market. In part, this notion comes from the belief that small businesses are the primary source of job creation in the United States and that access to international markets could further increase the number of jobs created by small businesses. In a related argument, proponents of small business exports say that small businesses are critical for innovative, international supply chains. For example, in an article for the Washington Post, then-SBA Administrator Karen Mills described small businesses’ supply chain networks with larger firms and small businesses’ innovations in production as being important in the promotion of U.S. international economic competitiveness.

In contrast, economic theory generally does not support international competitiveness as a national policy goal. A 1994 article by economist Paul Krugman provides an argument against


trade competitiveness theory based on the economic theory of comparative advantage. In summary, Krugman argues that firms might compete with one another, but countries trade with each other. To support this statement, Krugman says that firms go out of business when they fail to compete in the marketplace, but countries do not. When a country fails to be competitive in a particular industry, national resources (e.g., capital, labor) are then used toward production in a different industry. Krugman argues that this process allows for a more efficient allocation of resources because countries are guided by market signals to specialize in the industry in which they possess a comparative advantage instead of using government resources to provide incentives for economic activity in an industry in which they are relatively less efficient in production. In summary, Krugman reaffirms traditional economic theories that contend that government policies that promote employment in certain sectors redirect employment from other sectors and that productivity gain (in the form of higher wages) for workers in the higher-valued industries is passed along to other workers in the form of higher prices (and lower productivity).

Even if other countries are providing government incentives for their national small businesses to export, some economists would still say that Krugman’s thesis holds. According to this logic, the United States should not engage in policies that lead to an inefficient allocation of resources and net loss in national welfare because its trading partners do so. Others expand upon Krugman’s theoretical reasoning by arguing that the drive for national competitiveness, relative to another country, could be used to justify trade protectionism, restrict capital or labor mobility, increase unemployment by sending political signals of support for certain industries, or engage in “beggar-thy-neighbor” policies of international retaliation that consume national resources.

**Duplication of Services**

In the past, Congress has passed legislation to increase export promotion programs targeting small business across various federal agencies. For example, Congress has increased minimum percentage targets of the Export-Import Bank’s (Ex-Im’s) aggregate loan, guarantee, and insurance authority for financing exports by small businesses over the past 30 years. The Export-Import Bank Reauthorization Act of 2006 (P.L. 109-438) required the president of Ex-Im to establish and maintain a Small Business Division. As previously mentioned, Congress elevated the goal of export promotion within SBA when it established an associate administrator to head the OIT in the Small Business Jobs Act of 2010 (P.L. 111-240).

More recently, though, the possible overlap and duplication of services across federal agencies that support export promotion programs for small business has become a concern for some Members of Congress. These concerns are largely driven by desires for more efficient delivery of government services, reductions in spending, and elimination of duplicative programs.

The Government Accountability Office (GAO) has identified overlap of services between SBA’s export promotion activities and other federal agencies. GAO has compared SBA’s programs with

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47 Paul R. Krugman, “Proving My Point,” *Foreign Affairs*, vol. 73, no. 4 (July/August 1994).

48 Rudolf Scharping, “Rule-Based Competition,” *Foreign Affairs*, vol. 73, no. 4 (July/August 1994).

49 The Supplemental Appropriations Act, 1984 (P.L. 98-181) required Ex-Im to make available for FY1986 and thereafter not less than 10% of its aggregate loan, guarantee, and insurance authority for financing exports by small businesses. The Export-Import Bank Reauthorization Act of 2002 (P.L. 107-189) increased this minimum annual percentage to 20% in subsequent fiscal years. Ex-Im uses SBA’s size standards methodology to determine whether a company qualifies as a small business.
those at Ex-Im and various parts of DOC. Particularly, GAO noted that SBDCs and Commerce provide some similar one-on-one counseling services to small businesses and that SBA and Ex-Im offer overlapping loan guaranty programs through similar lending institutions. SBA and Commerce responded to these claims by saying that each agency tends to target different audiences by specializing in areas in which it has more experience. For example, Commerce works more with existing small business exporters to expand their range of products and services to more markets, whereas SBA works more with small businesses that are looking to begin exporting.

After interviewing government officials and private-sector representatives, a 2013 GAO report concluded that overlap in services led to confusion for some small businesses. SBA and Commerce noted that both agencies have begun to clarify counseling roles and responsibilities through an interagency communiqué. GAO recommended that SBA consult with Ex-Im and Commerce more closely to provide specific guidance regarding the agencies’ export promotion counseling to small business and to identify ways to share client information. SBA has been responsive to some of GAO’s concerns, but it has noted that legislation generally prevents SBA from sharing specific client information outside of the agency without prior consent. GAO also recommended that SBA and Ex-Im may be able to explore options to harmonize export financing products and assist lenders in more easily adapting to the rules for both agencies’ products. In any case, co-location of some of these services (in the form of U.S. Export Assistance Centers) could help to reduce the burdens on small businesses in obtaining comprehensive export counseling assistance.

Improving export program efficiencies has been the focus of several recent bills and could also become a larger issue if Congress grants the President the authority to reorganize certain business- and trade-related offices (and entire agencies) across the federal government under a single agency. In his FY2015 budget recommendation, President Obama included SBA as one agency whose trade-related functions could be consolidated under a single agency for trade promotion. In the 112th Congress, the Reforming and Consolidating Government Act of 2012 (S. 2129) would have provided the President with much of this authority.

In the 113th Congress, several bills were introduced to help small businesses exporters, including the following:

- The Export Coordination Act of 2013 (H.R. 1909) would have helped to clarify the role of each federal agency in each part of the export process. More specifically, the bill would have revised the duties of the Trade Promotion Coordinating Committee (TPCC) and expanded its membership, and it would

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52 GAO, Small Business Administration Needs to Implement Its Expanded Role, p. 33.

have required the Secretary of Commerce to make available more information on trade missions, trade fairs, and related activities.

- The TRADE (Transparent Rules Allow Direct Exporting) for Small Businesses and Jobs Act (H.R. 1916) would have assisted small businesses in increasing their exports and entering new markets by helping companies better understand foreign regulations and directing trade agencies to monitor and collect up-to-date information on changes to tariff and nontariff laws, regulations, and practices and to display this information in a clear and easy-to-read format.\(^{54}\)

- The Small Business Export Growth Act (S. 1179) would have encouraged greater coordination between state and federal resources by creating a working group on the TPCC to streamline efforts among state and federal export promotion and assistance agencies, identify opportunities to consolidate unnecessary government offices, and require SBA to conduct greater export outreach to small businesses.

- The State Trade Coordination Act of 2013 (H.R. 1926) would have required increased representation and integration of state trade programs into federal trade promotion programs and established information sharing and reporting metrics between the states and the federal government.

In the 114\(^{th}\) Congress, P.L. 114-125 enacted provisions that were similar to versions of the bills from the 113\(^{th}\) Congress, above, or subsequent versions of those bills introduced in the 114\(^{th}\) Congress. In particular, Sections 504 and 505 of P.L. 114-125 contained provisions that are intended to increase coordination of federal export promotion programs, reform the Export.gov web portal to be more accessible to small business exporters, integrate state trade programs into federal trade programs, and clarify the role of the TPCC in promoting state and federal export promotion programs. Both the SBA’s AA for International Trade and the Secretary of Commerce have various roles in these trade promotion reforms, and the act mandates that these agencies produce plans for carrying out the reforms as well as a set of reporting metrics. These deliverables to Congress could inform the debate about small business trade promotion policy in the 117\(^{th}\) Congress, and be possibly subject to congressional oversight hearings.

**Author Information**

Robert Jay Dilger  
Senior Specialist in American National Government

Adam G. Levin  
Analyst in Economic Development Policy

Anthony A. Cilluffo  
Analyst in Public Finance

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