



United States General Accounting Office  
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National Security and  
International Affairs Division

B-284939

March 31, 2000

The Honorable Philip M. Crane  
Chairman, Subcommittee on Trade  
Committee on Ways and Means  
House of Representatives

Subject: International Trade: Small- and Medium-sized  
U.S. Business Export Statistics

Dear Mr. Chairman:

While the December 1999 ministerial meeting of the World Trade Organization in Seattle did not initiate a new round of multilateral trade negotiations, the United States supports further trade liberalization and is still seeking to start a round of trade talks. Trade liberalization increases access to foreign markets for U.S. exporters. To help you assess the importance of further trade liberalization, you asked us to provide information on small- (fewer than 100 employees) and medium-sized (100-499 employees) U.S. companies that export. Specifically, we are providing you with information on (1) the number of small- and medium-sized companies that export goods, (2) the value of these companies' exports, (3) the types of firms that export, and (4) the types of products they export. We also provide general information on the availability of these and related U.S. government statistics collected by the Census Department from 1987 to 1997 in enclosure I.

RESULTS IN BRIEF

In 1997, about 202,000 small- and medium-sized companies exported goods. These companies accounted for 97 percent of U.S. exporters.<sup>1</sup> The number of U.S. small- and medium-sized exporters almost doubled from 1992 through 1997. Exports by these small- and medium-sized companies were valued at \$172 billion in 1997, which is the most recent year for which data is available, and accounted for 31 percent of exported U.S. goods. Wholesalers, manufacturers, and other companies such as freight forwarders each accounted for roughly one third of the total number of small- and medium-sized exporters. The largest four product groups that they exported were industrial machinery and computers, electric and electronic equipment,

<sup>1</sup>These statistics only include data for which company size can be determined, as we discuss later.

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transportation equipment, and chemical products. These four groups accounted for over half of all exports by small- and medium-sized companies.

## BACKGROUND

U.S. companies' participation in export markets increased during the last decade as the world economy became more integrated. By value, U.S. goods exports, which include manufactured products and primary products such as agricultural commodities, rose from \$251 billion in 1987 to \$689 billion in 1997. U.S. goods exports increased from 5 percent of gross domestic product in 1987 to 8 percent in 1997. Similarly, U.S. services exports, which include economic activities such as banking and telecommunications, rose from \$99 billion in 1987 to \$258 billion in 1997. During this time, the United States and its trading partners reduced tariffs and lowered other barriers to trade through negotiated agreements. For example, the North American Free Trade Agreement (1994) and the Uruguay Round agreements that established the World Trade Organization (1994) liberalized trade and created export opportunities for U.S. businesses. Small- and medium-sized U.S. firms have participated in this trade expansion.

## NUMBER OF SMALL- AND MEDIUM-SIZED U.S. GOODS EXPORTERS HAS ALMOST DOUBLED SINCE 1992

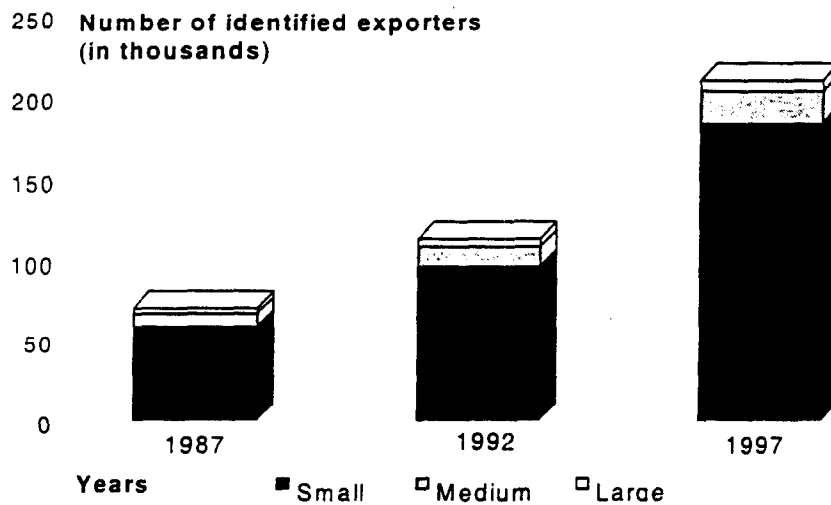
The number of companies that export goods, including small- and medium-sized companies, has increased as U.S. exports have grown. The number of identified small- and medium-sized exporters almost doubled from 108,026 in 1992 to 202,185 in 1997.<sup>2</sup> (See fig. 1.) However, the proportion of small- and medium-sized exporters among all identified goods exporters has held relatively steady. Small- and medium-sized companies constituted 95 percent of all identified exporters in 1987 and 97 percent in 1997.<sup>3</sup> (Data on the number of identified exporters by company size are in enc. II.)

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<sup>2</sup>Data reflect the number of exporters that could be identified from documents filed with the U.S. Customs Service for export of goods. Some of the growth in the number of reported small- and medium-sized exporting companies reflects improvements in matching the company name or identifier on export documents to the Census Bureau's Business Register, which contains company characteristic information, including employment size and industrial description. The matching rate for 1987 was significantly smaller than in 1992 and 1997.

<sup>3</sup>Large exporting companies, that is, those with 500 or more employees, numbered 7,270 in 1997.

Figure 1: Number of Small-, Medium-, and Large-sized Goods Exporters, 1987, 1992, and 1997



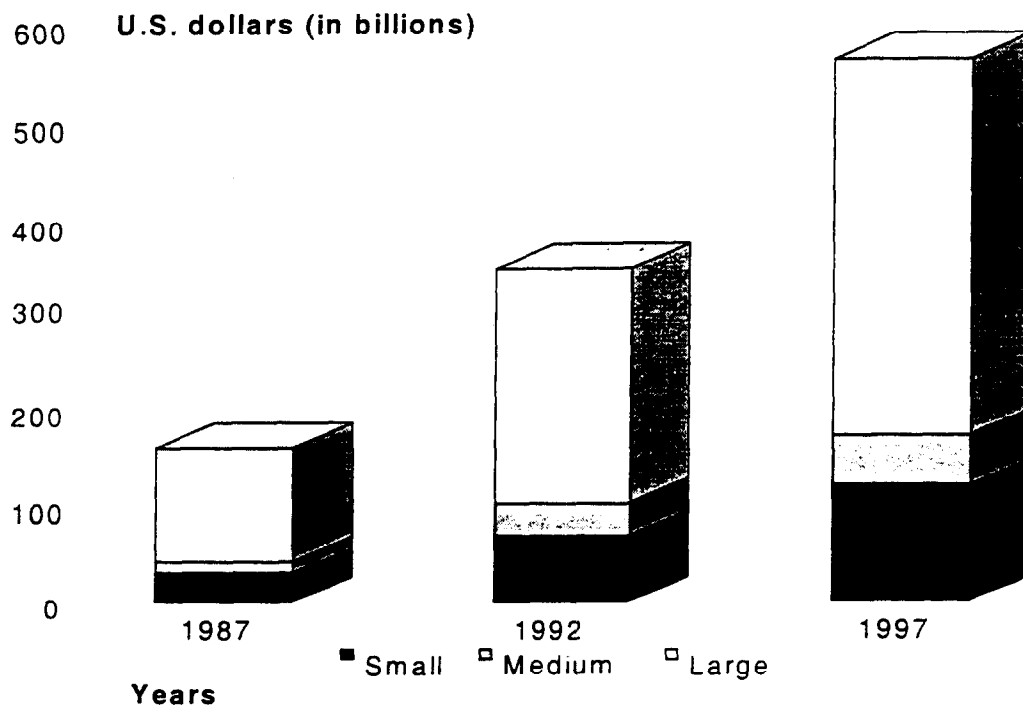
Source: GAO analysis of data from U.S. Department of Commerce, Bureau of the Census.

### VALUE OF GOODS EXPORTED BY SMALL- AND MEDIUM-SIZED COMPANIES HAS INCREASED

In recent years, exports by small- and medium-sized firms have accounted for almost one third of the total value of exported U.S. goods. In 1997, these firms exported goods valued at \$172 billion and accounted for about 31 percent of total U.S. goods exports for which exporter size could be determined.<sup>4</sup> (See fig. 2.) This is an increase from 1987, when small- and medium-sized companies exported \$42 billion of goods, or about 26 percent of identified U.S. goods exports for that year. (Data on the value of exports by company size are in enc. III.)

<sup>4</sup>Large companies account for most of the total value of U.S. exports and in 1997 accounted for 69 percent of total U.S. goods exports.

Figure 2: Value of Small-, Medium-, and Large-sized U.S. Company Exports, 1987, 1992, and 1997



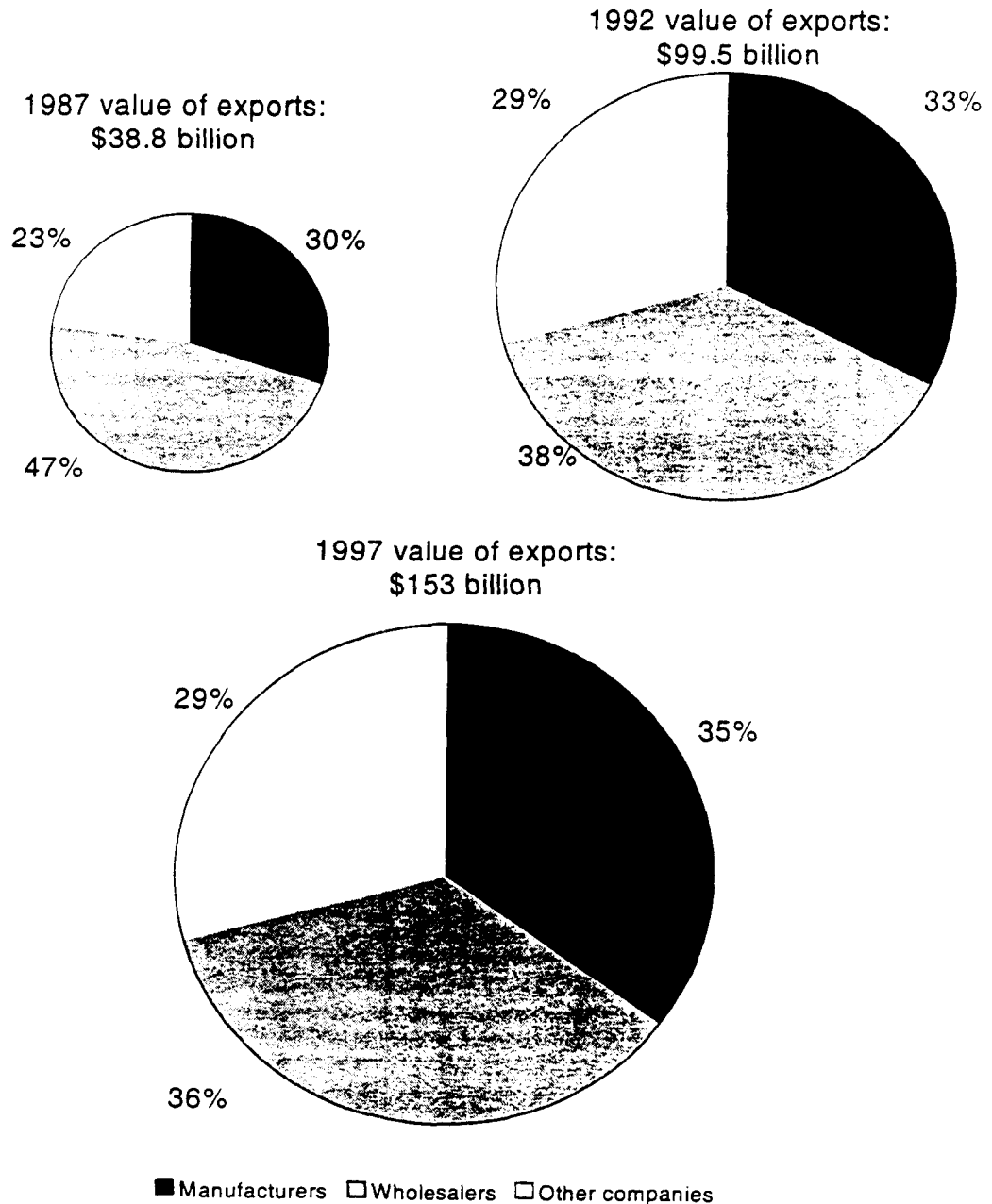
Source: GAO analysis of data from U.S. Department of Commerce, Bureau of the Census.

### SMALL- AND MEDIUM-SIZED GOODS EXPORTERS ARE PRIMARILY NONMANUFACTURERS

Small- and medium-sized U.S. goods exporters can be divided into three broad sector groups: manufacturers; wholesalers; and "other" companies, which include freight forwarders and other transportation firms, service sector firms, and mining and mineral companies. The exports of wholesalers and other companies include manufactured products and other commodities. For example, a wholesaler may export a computer or a freight forwarder may arrange the shipment of a load of agricultural commodities. Each group roughly accounted for one-third of the total number of small- and medium-sized exporting companies.

Small- and medium-sized company goods exports were primarily made by firms that did not produce the good. In terms of the value of exported goods by small- and medium-sized firms, wholesalers exported more goods than did manufacturers or other companies in 1987, 1992, and 1997. Exports by small- and medium-sized manufacturers were, however, a close second in 1997. (See fig. 3.) The relative ranking among these three groups held steady throughout the years we reviewed. However, manufactures and other companies increased their share of small- and medium-sized exports, while the wholesalers' share has decreased.

Figure 3: Nonmanufacturers' and Manufacturers' Shares of U.S. Small- and Medium-sized Company Goods Exports, 1987, 1992, and 1997



Note: These graphs exclude a category of companies reported as "unclassified" companies. These data are presented in enclosure III. Including these data would lead to a less obvious trend of increasing manufacturers' shares over time in this figure. The corresponding manufacturers' shares would be: 27.6% for 1987, 31.5% for 1992, and 31.0% for 1997. The "unclassified" companies accounted for 11.1% of total exports by small and medium companies in 1997; the corresponding shares were smaller for 1992 (3.2 %) and 1987(8.1%).

Source: GAO analysis of data from U.S. Department of Commerce, Bureau of the Census.

When small- and medium-sized companies are compared to companies of all sizes, the types of companies exporting are very different. The relative shares of each type of exporter change when all sizes of firms are included. For example, overall, manufacturing firms accounted for 72 percent of the value of total U.S. goods exports in 1997, and wholesalers accounted for 13 percent, whereas these firms accounted for 35 and 36 percent, respectively, for small- and medium-sized companies.<sup>5</sup> This difference is due to the fact that small- and medium-sized companies account for only 13 to 14 percent of U.S. goods exports by all manufacturing firms (whose size was identified) since 1992. Similarly, U.S. exports by small- and medium-sized companies had a much higher share, about 75 percent, of all wholesalers' exports (whose size was identified) since 1992. Small- and medium-sized companies also accounted for more than 50 percent of exports made from the third category ("other companies") of exporting companies that includes freight forwarders, service sector firms, and mining and mineral companies (see enc. III).

OVER HALF OF SMALL- AND  
MEDIUM-SIZED COMPANY EXPORTS  
ARE FROM FOUR PRODUCT CATEGORIES

For small- and medium-sized companies, exports of products in certain categories were more important than in other categories. For example, in 1997, small- and medium-sized company exports of goods were greatest in industrial machinery and computers (\$34 billion), electric and electronic equipment (\$23 billion), transportation equipment (\$17 billion), and chemical products (\$14 billion). Exports by small- and medium-sized companies in these four categories accounted for over 50 percent of total exports by such companies in all categories of goods, and about 16 percent of total U.S. exports by all sizes of companies in 1997. These four product groups also had the largest dollar value of small- and medium-sized company exports in 1992. (See encs. IV and VI for the distribution of export value by company size and by major product group for 1992 and 1997.)

The importance of exports by small- and medium-sized companies was greater within certain product categories. In three product categories, the value of exports by small- and medium-sized companies accounted for more than 50 percent of the total value of U.S. exports in that category in 1997. Specifically, small- and medium-sized companies' exports accounted for the highest shares of total exports in miscellaneous manufactures (66 percent), lumber and wood products (64 percent), and apparel (51 percent). The data for 1992 had similar patterns. (See encs. V and VII for the distribution of export value, as a percentage share of total exports, by company size and by major product group for 1992 and 1997.)

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<sup>5</sup> These numbers may differ from the statistics reported by other agencies, since we excluded exports from the "unclassified" group of companies in these calculations.

AGENCY COMMENTS

Officials from the Commerce Department, including the Chief of the Foreign Trade Division of the Census Bureau, reviewed a draft of this report and provided us comments. Commerce officials generally agreed with our findings and characterized the report as accurate and insightful. Commerce officials made several technical comments, which we incorporated as appropriate.

SCOPE AND METHODOLOGY

We identified three existing U.S. government data sets with relevant information about small- and medium-sized companies' exports. These data sets, generated by the Department of Commerce's Bureau of the Census<sup>6</sup> are: an exporter profile database compiled by linking Customs export data to Census business data; the Bureau's economic census, which is conducted every 5 years; and a survey of the characteristics of business owners. We found exporter profile data on direct exporters of goods were the most useful for analyzing the number, value, type, and products of small- and medium-sized U.S. exporting companies. These exporter profile data and analyses were derived from Customs documents filed by U.S. exporters (for 1987,<sup>7</sup> 1992, and 1997<sup>8</sup>). We relied on this exporter profile data for our report. We discuss its availability and limitations, as well as those of the other related data sets, in enclosure I. At our request, Commerce officials generated some additional information for us from the documents filed by U.S. exporters on goods exports.

You also asked us to report on the output of small- and medium-sized companies that is incorporated into the production of larger exporting firms. We were unable to report on these indirect exports because relevant data were not available from government sources. Similarly, we were unable to find relevant government data on the reliance of small- and medium-sized companies on imported raw material and components in the production of their exported goods.

We also reviewed related studies on exporter characteristics by the Small Business Administration and Commerce's International Trade Administration, and relevant economic literature, to better understand the existing data. Their conclusions also confirmed our findings.

We conducted our work from October 1999 through March 2000 in accordance with generally accepted government auditing standards.

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<sup>6</sup>These data sets are created in cooperation with the Department of Commerce's International Trade Administration and the U.S. Small Business Administration, who use this data and provide some funding.

<sup>7</sup>Due to changes in the methodology used by the Census Bureau between 1987 and 1992 to report on exporter profiles, we do not emphasize the 1987 results when discussing trends.

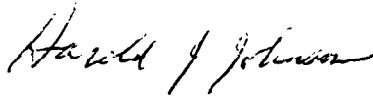
<sup>8</sup>We excluded 1996 data from our presentation in this report because they are similar to the 1997 data.

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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies of this report to interested congressional Committees; the Honorable William Daley, the Secretary of Commerce; and the Honorable Aida Alvarez, Administrator, U.S. Small Business Administration. We will also make copies available to others upon request.

Please contact me at 512-3655 if you have any questions concerning this report. Key contributors to this assignment were Emil Friberg, Adam Cowles, Jane-Yu Li, and Timothy Wedding.

Sincerely yours,



*for* Susan S. Westin  
Associate Director, International  
Relations and Trade Issues

Enclosures



U.S. GOVERNMENT DATA SOURCES OF SMALL- AND MEDIUM-SIZED  
COMPANY EXPORTS ARE LIMITED

The U.S. government's collection and reporting of data on exports by company size are limited in the companies covered and the years for which they are available. Most data are only available for selected years within the period of 1987–1997. We found that data on small- and medium-sized exports are available from three data sets generated by the Census Bureau: an exporter profile database; the Bureau's economic census, which is conducted every 5 years; and a related survey of the characteristics of business owners.

CENSUS DATA SET ON PROFILE OF  
U.S. EXPORTING COMPANIES

U.S. government data on exporters of goods are available for 1987, 1992, 1996, and 1997.<sup>1</sup> This data series describes U.S. exporters based on shipping documents filed for export clearances with the U.S. Customs Service. Individual company identifiers or the company name reported on the export document was used by the Census Bureau to link the export value data to the Bureau's centralized company database, which contains company characteristic information, including company size in terms of number of employees.

The resulting "exporter profile data" allows exporters to be grouped as manufacturers, wholesalers, and "other" firms. These other firms include freight forwarders and other transportation service firms, business services, engineering and management services, gas and oil extraction companies, coal mining companies, communication services, etc. An example of an export by a company in this "other" firm category would be a shipment of agricultural commodities handled by a transportation company or a piece of telecommunications equipment provided in conjunction with a communications service outside of the United States. Additionally, the exporter profile data contains information on exports by product categories for small- and medium-sized exporters.

However, the exporter profile data are incomplete because not all goods exports can be matched with company data.<sup>2</sup> In 1997, this matching was successfully done for the number of firms that accounted for about 82 percent of the total value of U.S. goods exports, as shown in table 1. This data set slightly understates the number of small- and medium-sized exporting companies and, to a greater degree, understates the value of their exports. The available exporter profile data are unable to match

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<sup>1</sup>These data are contained in "A Profile of U.S. Exporting Companies, 1992," which also contains data for 1987 (Washington, D.C.: U.S. Department of Commerce News, Economics and Statistics Administration, CB—97-135, Aug. 22, 1997) and "A Profile of U.S. Exporting Companies, 1996-1997" (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, undated).

<sup>2</sup>Exports that are unmatched include low-value exports (that is, below \$2501), exports by the U.S. and foreign governments, data changes in export value due to data revisions, and export records with either a blank or invalid company identifier or name.

company size to almost 20 percent of U.S. exports by value. Comparisons between years may overstate the growth of small- and medium-sized exporter numbers and value of exports because the matching rate increased between 1987 and 1997.

Table 1: Differences between Identified Exporters in Census Profile  
Data for 1987, 1992, and 1997

	1987	1992	1997
Total number of exporters	69,354	112,854	209,455
Percentage of total export value with identified exporters	63.7	77.9	81.7

Source: GAO, from U.S. Department of Commerce, Bureau of the Census data.

Also, the exporter profile data set omits U.S. services exports because there are limited company size data on service exporters. Only those service sector companies that also export some goods are included in the data. Thus, the reported number of small- and medium- sized exporters and their export value are further understated because any service sector company that exports only services is excluded, as is the value of all exported services.

In addition, this data set is limited in scope. It includes only direct exporters of goods (manufactured products and primary products such as agricultural commodities). Many exporting companies are not producers – that is, they are not manufacturing companies or farms. These companies export goods that they themselves do not produce. The size of the actual producer of the good being exported is not captured in the data set. As a result, this information cannot be used to determine the importance of exporting to small- and medium-sized producers.

The Department of Commerce plans to continue collecting and reporting these data, according to agency officials.

#### ECONOMIC CENSUS-BASED EXPORT DATA

Information on export shipments by size of actual producer is available from the Census of Manufactures for 1987 and 1992.<sup>3</sup> These data are based on an establishment (individual plant or production facility) basis and not collected on a company basis. On the one hand, using the establishment-based data may lead to an overstatement of the number of small- and medium-sized exporters since, for example, a small manufacturing plant with export shipments may be a subsidiary of a large company. On the other hand, this data source may also lead to an

<sup>3</sup>These data are contained in "Selected Characteristics of Manufacturing and Wholesale Establishments That Export: 1992" (U.S. Department of Commerce, Bureau of the Census, Analytical Report Series AR92-2, June 1996) and in "Selected Characteristics of Manufacturing Establishments That Export: 1987" (U.S. Department of Commerce, Bureau of the Census, Analytical Report Series AR87-2, Aug. 1992).

understatement of exported production by small- and medium-sized establishments, since many respondents do not know the final destination of products produced in their plants.

According to Census Bureau officials, the Bureau has discontinued reporting the exporting details for manufacturers and wholesalers establishments due to budgetary constraints. Thus, the 1992 information will not be updated with the results from the 1997 Economic Census.

#### 1992 CENSUS BUREAU SURVEY ON CHARACTERISTICS OF BUSINESS OWNERS

The Census Department has reported some other information on exports according to company size for 1992.<sup>4</sup> Size is reported both in terms of number of employees and total company receipts. Exports are reported in terms of percent of total sales. These data are based on information in part from a mail sample of 78,134 firms (out of a universe of 17.3 million firms). This data set excludes many large corporations because the sample selection criteria only capture companies with a certain tax status.<sup>5</sup>

This information includes companies representing a relatively wide variety of industries. Beside manufacturing, wholesalers, and retail trade sectors, this sample also covered firms from construction, communications, utilities, financial, insurance, real estates, and transportation services. These data do not include agricultural producers, though they do include agricultural services, such as crop dusting. However, due to its small sample size and excluded data, the data provide very limited information on the export behavior of small firms. The survey data are only available for this single year, so no trend analysis is possible. Census officials told us that since the survey was not funded for 1997, these data are no longer collected and will not be available for future analyses.

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<sup>4</sup>"1992 Economic Census—Characteristics of Business Owners," CBO92-1 (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, Sept. 1997).

<sup>5</sup>Specifically, the data do not cover non-subchapter S(C) corporations (which are businesses filing any type of 1120 tax forms, other than 1120S).

U.S. GOODS EXPORTERS BY SIZE AND SECTOR  
FOR 1987, 1992, AND 1997

<b>Identified exporters</b>	<b>1987</b>	<b>1992</b>	<b>1997</b>
<b>Total number</b>	<b>69,354</b>	<b>112,854</b>	<b>209,455</b>
Small exporters	57,699	95,726	182,795
Medium-sized exporters	8,172	12,300	19,390
Small-and medium-sized exporters	65,871	108,026	202,185
Percentage that are small and medium sized	95%	96%	97%
<b>Manufacturers</b>			
Total	29,127	42,763	65,594
Small	20,383	31,021	50,586
Medium-sized	6,063	8,593	11,317
Small and medium sized manufacturers	26,446	39,614	61,903
Percentage that are small and medium sized	91%	93%	94%
<b>Wholesalers</b>			
Total	23,114	39,713	67,901
Small	21,685	37,654	64,511
Medium-sized	1,174	1,744	2,910
Small- and medium-sized	22,859	39,398	67,421
Percentage that are small and medium sized	99%	99%	99%
<b>Other exporters</b>			
Total	15,907	26,910	68,025
Small	14,478	23,708	61,245
Medium-sized	892	1,857	3,996
Small- and medium-sized	15,370	25,565	65,241
Percentage that are small and medium sized	97%	95%	96%
<b>Unclassified Exporters</b>			
Total	1,206	3,468	7,935

Note 1: These profile data were compiled by using company identifier (or name) on the export document to link to the Census Bureau's company information database. Not all export values are linked to identified companies. For example, some low-value exports were not identified with companies, since these are below the reporting threshold. Hence, exports by small exporters can be understated. Also, some export documents did not have companies identified.

Note 2: The "other" category includes freight forwarders and other transportation services firms that act as agents for exporters, business services, engineering and management services, gas and oil extraction companies, coal mining companies, and communication services.

Source: GAO analysis of data from U.S. Department of Commerce, Bureau of the Census.

VALUE OF U.S. GOODS EXPORTS BY COMPANY SIZE AND SECTOR  
FOR 1987, 1992, AND 1997

Dollars in Billions

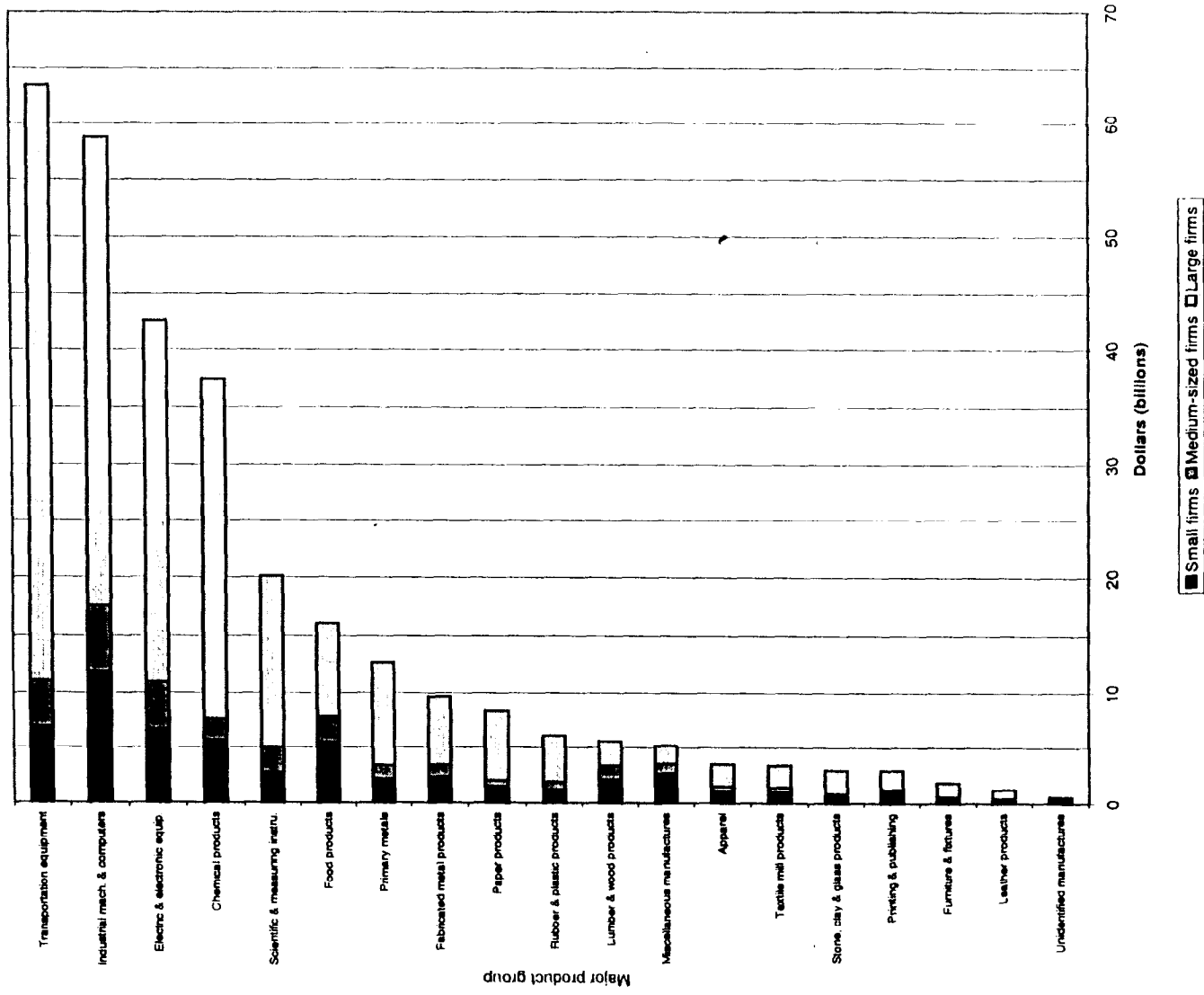
<b>By Identified exporters</b>	<b>1987</b>	<b>1992</b>	<b>1997</b>
<b>Total U.S. exports</b>	<b>\$250,845</b>	<b>\$448,156</b>	<b>\$689,182</b>
Percent share of total U.S. exports identified	64	78	82
<b>Total identified exports</b>	<b>\$159,913</b>	<b>\$348,960</b>	<b>\$562,764</b>
Small exporters	30,497	69,420	121,023
Medium-sized exporters	11,716	33,426	50,914
Small- and medium-sized exporters	42,213	102,846	171,937
Percentage that are small and medium sized	26	30	31
<b>Manufacturers' exports</b>			
Total	\$115,740	\$241,522	\$385,665
Small	5,129	13,619	24,969
Medium-sized	6,506	18,799	28,385
Small- and medium-sized manufacturers	11,635	32,418	53,354
Percentage that are small and medium sized	10	13	14
<b>Wholesalers' exports</b>			
Total	\$25,471	\$50,989	\$71,152
Small	14,688	31,159	43,545
Medium-sized	3,585	6,762	11,055
Small- and medium-sized	18,273	37,921	54,600
Percentage that are small and medium sized	72	74	77
<b>Others' exports</b>			
Total	\$15,267	\$53,158	\$81,275
Small	7,294	21,693	36,675
Medium-sized	1,590	7,545	8,298
Small- and medium-sized	8,884	29,238	44,973
Percentage that are small and medium sized	58	55	55
<b>Unclassified exports</b>			
Total	\$3,436	\$3,291	\$24,672

Note 1: These profile data were compiled by using company identifier (or name) on the export document to link to the Census Bureau's company information database. Not all export values are linked to identified companies. For example, some low-value exports were not identified with companies, since these are below the reporting threshold. Hence, exports by small exporters can be understated. Also, some export documents did not have companies identified.

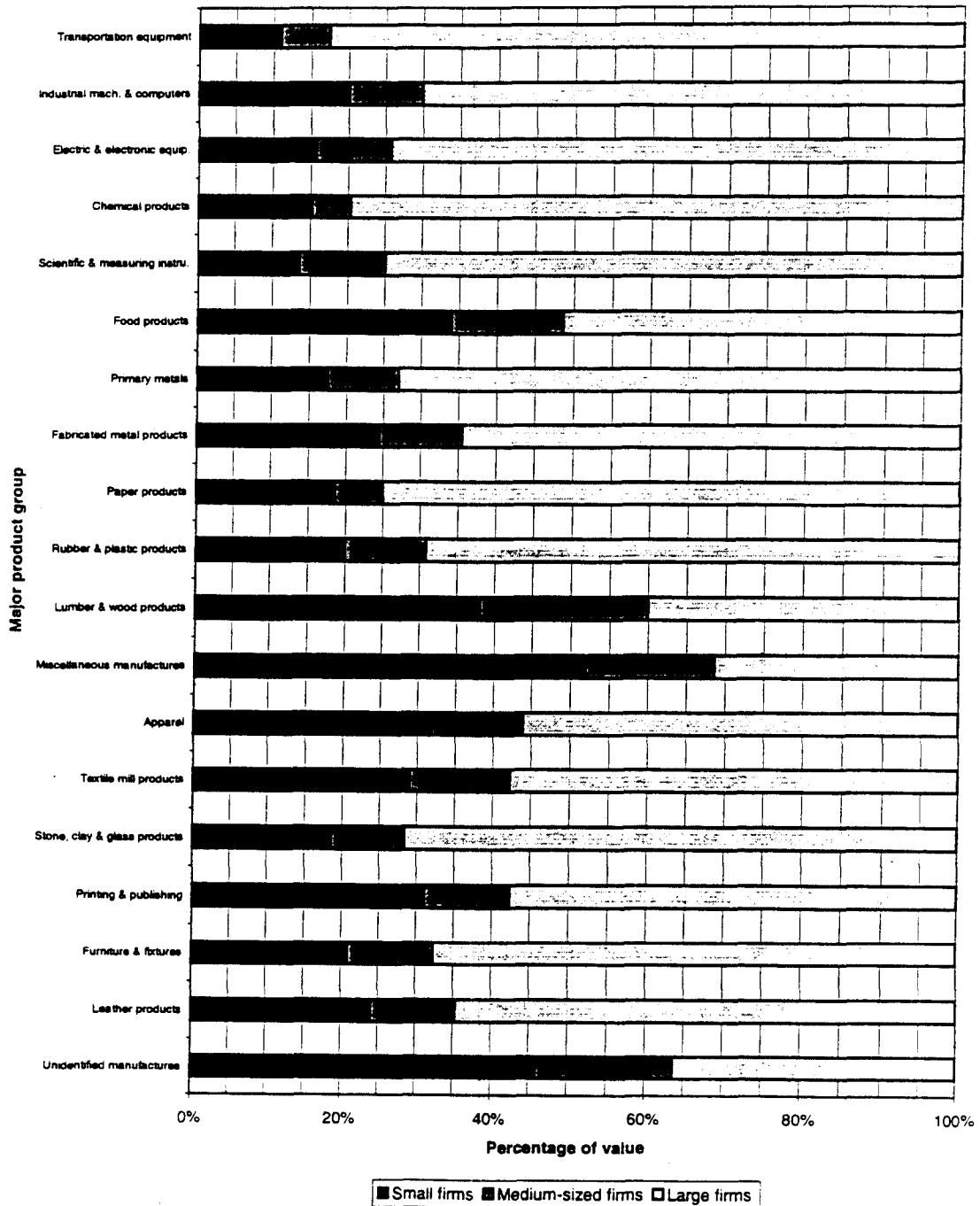
Note 2: The "other" category includes freight forwarders and other transportation services firms that act as agents for exporters, business services, engineering and management services, gas and oil extraction companies, coal mining companies, and communication services

Source: GAO analysis of data from U.S. Department of Commerce, Bureau of the Census.

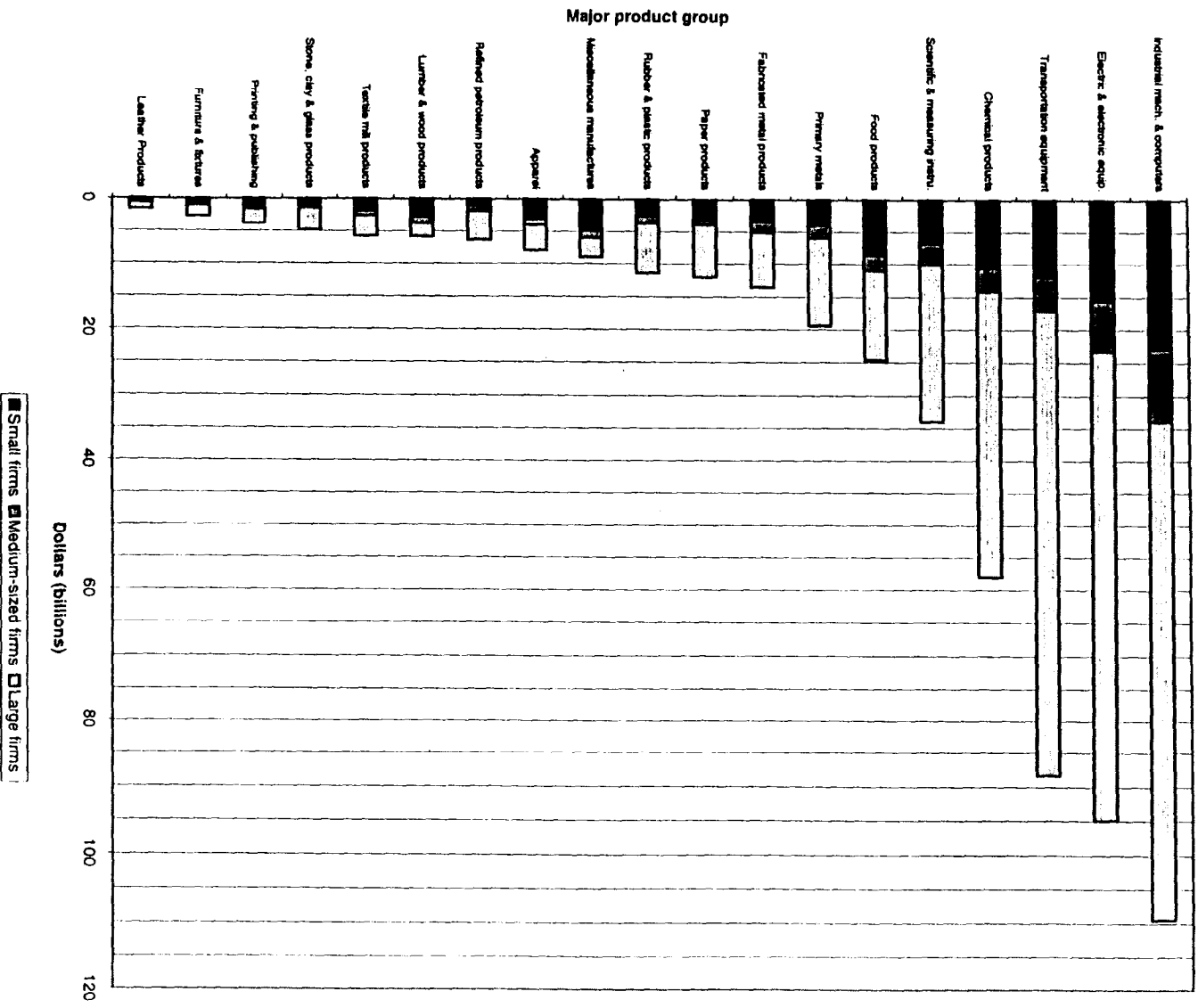
VALUE OF U.S. EXPORTS BY COMPANY SIZE AND MAJOR PRODUCT GROUP  
1992



SHARE OF U.S. EXPORTS BY COMPANY SIZE AND MAJOR PRODUCT GROUP.  
1992

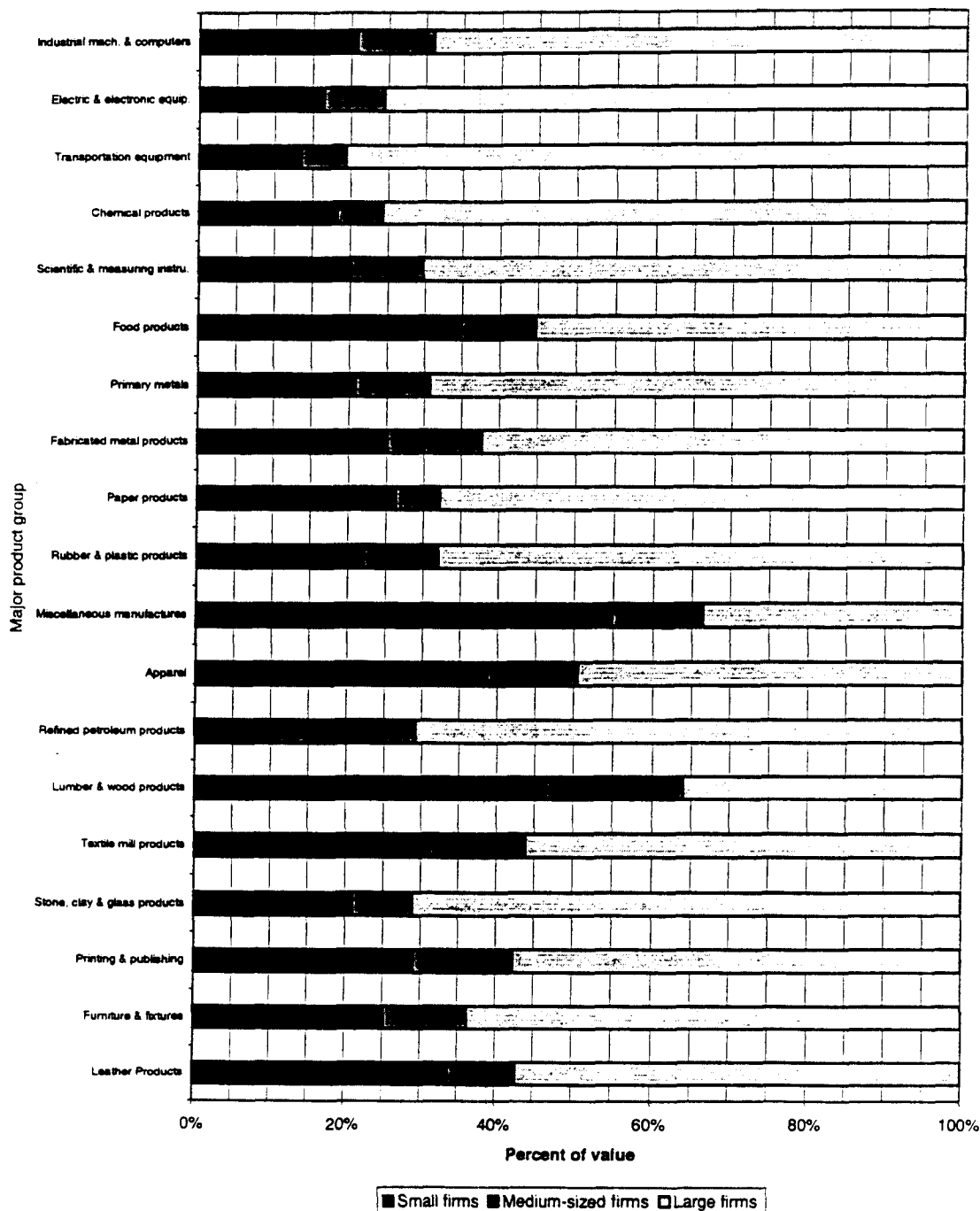


VALUE OF U.S. EXPORTS BY COMPANY SIZE AND MAJOR PRODUCT GROUP,  
1997





SHARE OF U.S. EXPORTS BY COMPANY SIZE AND MAJOR PRODUCT GROUP,  
1997



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