

SMALL BUSINESS EXPORT ENHANCEMENT AND INTERNATIONAL TRADE ACT OF 2009

MS. LANDRIEU: Mr. /Madame President, as Chair of the Committee on Small Business and Entrepreneurship, I am pleased to join the Committee's Ranking Member, Olympia Snowe of Maine, in introducing the Small Business Export Enhancement and International Trade Act of 2009. Building upon legislation that I have introduced in the last three Congresses, including, S. 1196 the Small Business International Trade Enhancements Act of 2009 that I introduced in June of this year, this bipartisan legislation will ensure that small businesses seeking to export their goods and services will have access to the resources they need to successfully expand into foreign markets. With health premiums increasing more each year and cash registers at home not ringing like they used to, exporting has become a practical solution for small firms. Expanding opportunities for small business trade is not only vital to the financial security of our entrepreneurs, it is vital to the recovery of our economy.

Last year, \$70 billion in exports maintained or created 600,000 high-paying American jobs. By creating jobs, as well as lessening the trade deficit, an increase in small business exporting will lead us out of this recession and make our nation better able to compete in the global marketplace. Furthermore, any investments we make in export programs will essentially pay for themselves. Every dollar invested in export programs increases exports by 40 percent, a World Bank study found.

In my home state of Louisiana, we have experienced firsthand the benefit of expanding and investing in export opportunities. With over 40 ports and an extensive rail system, Louisiana has long been a top destination for companies seeking to export their goods and services, particularly exporters. Despite the devastation caused by Hurricanes Katrina and Rita, Louisiana has experienced a tremendous growth in trade activity during the last five years, largely due to increased exports. For example, in 2008 alone, Louisiana exported nearly \$41.9 billion dollars worth of goods and services, representing a 38 percent increase from 2007, more than triple the national export growth rate for that year.

However, while most of our nations exporters – about 97 percent – are small businesses, most of our small businesses are not exporting. In fact, small businesses make up just more than a quarter of the country's export volume – trade remains dominated by larger businesses. This is also true in Louisiana where, despite tremendous growth in exports in recent years, small businesses represent 85 percent of exporting companies, but account for only 30 percent of the export volume. What is holding our entrepreneurs back?

As Chair of the Committee on Small Business and Entrepreneurship, I have heard from small exporters across the country. I held a roundtable on June 11 – “Entrepreneurial Development: Investing in Small Businesses to Strengthen our Economy” – to hear from small business and exporting leaders. I also held a field hearing in New Orleans on June 30 – “Keeping America Competitive: Federal Programs that Promote Small Business Exporting” – at which United States Trade Representative, Ambassador Ron Kirk, U.S. Small Business Administration (SBA) Administrator Karen Mills, U.S. Export-Import Bank Chairman and President Fred Hochberg and several small exporters testified. At these events, small exporters told me that the programs and services at the Small Business Administration (SBA) and other federal agencies are helpful –

but they are not doing everything they could and should do. Better coordination and improvements to the programs are needed.

Like many small businesses, one of the biggest hurdles faced by small exporters is access to capital. The current economic conditions exacerbate this problem for small firms. The SBA offers several loan programs to help small exporters, but years of neglect under the previous Administration have sometimes rendered these valuable tools both unattractive and impractical for borrowers and lenders alike.

One of these programs is the International Trade Loan (ITL) program. This program allows exporters to borrow up to \$2 million with \$1.75 million guaranteed by the SBA. Exporters can then use this money to help develop and expand overseas markets, upgrade equipment and facilities or provide an infusion of capital if they are being hurt by import competition.

While the original goal of this program is on target with the needs of larger exporters, it has not evolved to meet the financing needs of small exporters in an ever-changing global economy. The volume of loans made through this program has dropped by more than 90 percent since 2003. The SBA's other signature trade financing product – the Export Working Capital Program– has also seen a significant drop in its loan volume, declining by more than 31 percent over the same period.

With a few small but significant changes to these programs, the SBA will once again be able to provide a user-friendly and attractive financing option that makes sense for both borrowers and lenders. For example, one of the biggest problems with the ITL program is a discrepancy between the loan cap and the guarantee, forcing borrowers to take out a second loan to take full advantage of the guarantee. Additionally, ITL's can only be used to acquire fixed assets, rather than working capital, a common need for exporters. ITL's also do not have the same collateral or refinancing terms as SBA 7(a) loans.

The provisions in this legislation, and previous versions of the legislation that I have introduced in the last three Congresses, address these concerns. The bill raises the loan guarantee to \$4.5 million and the loan cap to \$5 million, makes working capital an eligible use of proceeds, and extends the 7(a) program's terms for collateral and refinancing. The end result is a more relevant and more practical tool for small exporters.

By making these simple changes and requiring the agency to publish an annual list of all participating banks and lending institutions, the SBA's export finance programs will once again provide small exporters with the practical and modern financing options small businesses need and deserve. These programs, however, are only useful if a small business owner can identify which loan products are right for them. Local lenders that specialize in export financing can help get these products into the hands of the small exporters that need them the most, but they are not always the most effective ones to do so.

The SBA has 18 finance specialists posted at one-stop assistance centers throughout the country operated by the Department of Commerce. These specialists, at a minimal cost, have facilitated more than \$10 billion in exports in the last ten years, helping to create 140,000 new and higher-

paying jobs. Unfortunately, this program suffered staff cuts under the previous Administration. Legislation that I introduced earlier this year, S. 1196, as well as other version of this legislation that I have introduced in previous Congresses, would restore the staffing levels to what they were in 2002, establishing a floor of 22 export finance specialists with priority staffing going to those centers who have been without a finance specialist since 2003. I am pleased that Ranking Member Snowe has included language from my legislation establishing a minimum staffing level for the program and I applaud her efforts to expand the program at a realistic rate by requiring that no fewer than three export finance specialists are assigned to each SBA region within two years of enactment. I am also pleased that the bill includes language that I proposed, requiring the SBA to conduct a re-occurring, biannual study on the availability of export finance specialists in high and low export volume areas. This will ensure that future assignment of SBA personnel and resources are allocated to the areas with the greatest need.

With more than 20 federal agencies involved in export and trade promotion, small exporters often don't know where to turn for help, or even that help – like the local finance specialists – even exist. This legislation would help bring small business trade to the forefront in two ways:

First, it gives the SBA's Office of International Trade (OIT) more resources and a higher profile within the Agency, making it directly accountable to the Administrator instead of part of the Office of Capital Access (OCA) where it is currently housed. It also requires that OIT make numerous internal improvements by requiring the office to: maintain a trade information distribution network in partnership with other federal agencies and SBA resource partners; properly staff and clarify the role of existing OIT positions in both regional and district offices; provide more coordinated training between employees of the office and lenders, small exporters and other resource partners; develop a comprehensive trade dispute technical assistance program; and finally, to develop targeted annual goals and performance metrics. OIT is doing an adequate job now, but with these proposed changes, the office would have the potential to become a more robust partner and visible advocate for small exporters seeking assistance from the SBA. I have long advocated for these simple yet important changes and I am pleased they made it into the final legislation.

In addition to improving the coordination and advocacy among federal agencies and making needed changes to existing SBA resources, this bill seeks to increase the number of small businesses involved in exporting by using state resources more effectively. It does this by creating the State Trade and Export Promotion (STEP) program, a three-year pilot grant program modeled after the SBA's successful SBIR-FAST program. Unlike existing federal programs which tend to focus their resources in states that already possess a high percentage of small exporters or a large export volume, STEP seeks to reach small businesses in states with minimal export assistance resources to target businesses that typically do not export their goods and services. I have worked closely with the small business community in Louisiana and I believe that this program will have a tremendous impact not only in my state, but also nationally.

Finally, this legislation requires the SBA to report back to the Committee on their efforts to promote exports to small businesses located in rural areas. With the technology that we possess today, there is no reason why a small business located in a rural or traditionally non-exporting area shouldn't have access to the same opportunities available to those located in urban, or high-

export areas. Creating access to exporting opportunities for rural small businesses could lead to the creation of new jobs and increased development in these communities, especially in Louisiana. I am pleased this language was included in this bill.

The Small Business Export Enhancement and International Trade Act of 2009 is an important first step toward ensuring that small firms will have more opportunities to grow. By increasing exporting opportunities for small businesses, we will help them expand into international markets, create new and higher-paying jobs and strengthen the economy. I have heard from some of the members of my Committee and I know how important this issue is to many of them, especially Ranking Member Snowe whom I have worked closely with these past months to develop this comprehensive, bipartisan bill. I thank Senator Snowe for her attention to this issue and strong willingness to make the changes our small exporters so desperately need.

The 111th Congress will be the third consecutive Congress that I have introduced or cosponsored legislation to help our small exporters. I introduced a version of this legislation in the 109th Congress as S.3663, in the 110th Congress as S. 738 and earlier this year as S. 1196. In these previous Congresses we have had some success in moving the provisions through committee, but as with other SBA reauthorization legislation, it stalled in the full Senate. As the new Chair of the Committee on Small Business and Entrepreneurship this Congress, I have made increasing small business export opportunities one of the Committee's top priorities and will continue to do so in the future. I am pleased to join Ranking Member Snowe in introducing this legislation and will continue to work closely with her and other members of the Committee in the coming months to bring this legislation to the President's desk.

Thank you. I ask that my statement appear in the Record.