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July 26, 2010

The Honorable Gary F. Locke
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Re: Comments --- Development of the National Export Initiative Plan

Dear Secretary Locke:

It is my understanding that the Trade Promotion Coordinating Committee (TPCC) is seeking public comments to inform the development of the National Export Initiative (NEI) plan, particularly as it relates to Federal export assistance programs for small business. Accordingly, I respectfully submit the following comments to assist the TPCC in the development and implementation of the NEI. Like you, I hope that the NEI will serve as a much needed economic catalyst for our nearly 29 million small businesses as they seek to expand their businesses into new markets.

As you know, less than 1 percent of all U.S. small businesses currently export their goods and services. However, the overwhelming majority of identified exporters, approximately 97 percent, are considered to be small businesses. When these numbers are broken down further, studies by the U.S. Census Bureau have found that as many as 83 percent of these businesses have fewer than 20 employees. These figures suggest that foreign markets possess tremendous business development and expansion opportunities for our small businesses, particularly for our smallest firms.

With this in mind, as Chair of the U.S. Senate Committee on Small Business and Entrepreneurship I have made increasing access to exporting opportunities for small business a top priority. In hearings and roundtables held by the Committee as well as correspondence received by my office, the small business community has offered numerous recommendations on how we can improve Federal export assistance programs. Based upon this feedback, I respectfully request that you consider incorporating the following recommendations from the small business community into the NEI:

- **Increase Outreach and Marketing Efforts to Small Business:** More outreach needs to be done within the small business community to raise awareness of the NEI and to market exporting as a business development opportunity. In addition to conducting outreach to both new-to-market and new-to-exporting firms, the NEI should also

incorporate initiatives to raise awareness of Federal export assistance programs among underserved and socially and economically disadvantaged small businesses.

- **Update Existing Federal Export Assistance Programs:** While the majority of existing export assistance programs represent effective and sound investments of taxpayer dollars, there are a number of programs that serve small businesses that are in need of modernization and improvement. Specifically, SBA export financing and business counseling programs should be improved and expanded to better serve the small business community.
- **Improve Coordination among Federal Agencies:** Poor coordination among Federal agencies involved in export promotion has been a longstanding issue for small businesses. Improvements to coordination efforts, particularly among the core TPCC agencies, are urgently needed.
- **Stronger Advocacy for Small Business:** Greater advocacy for the issues and concerns of small exporters are needed at the highest levels of the Federal government. This is especially critical during the development of international trade and export promotion policy, as well as during the negotiation of free trade agreements to ensure that these policies and agreements work for small business.
- **Increase Resources in Support of Small Business Exporting Programs:** More resources should be devoted to Federal export promotion programs that benefit small business, particularly those that have a demonstrated track record of success.

For the NEI to truly be considered a success for small business, it is essential that the initiative addresses many of the longstanding issues within each of these areas.

Increase Outreach and Marketing Efforts to Small Business

Key to the success of any coordinated efforts by the Federal government to increase small business exports will be the expansion and improvement of marketing and outreach initiatives targeted to the small business community. In many instances, small businesses are either unaware of Federal export assistance programs or they simply do not believe that they have products that can be exported. For example, according to a recent survey conducted by the National Small Business Association (NSBA) and the Small Business Exporters Association (SBEA), 80 percent of small businesses surveyed indicated that they were unfamiliar with the Administration's proposals to enhance exporting opportunities. The same survey found that as many as 49 percent of businesses felt they did not have goods or services that could be exported, while a similar survey conducted by CompTIA found that as many as 67 percent of businesses did not export for the same reason.

If the NEI is to achieve its goal of increasing U.S. exports within five years, it is critical that small businesses are, first and foremost, aware of the initiative. While the administration has taken many steps to increase awareness of the NEI since these surveys were conducted, more steps must be taken to market both the NEI and exporting in general, as a business development opportunity. Further, a key element of this outreach must include a concerted effort to promote the diversity of goods that are currently exported by U.S. businesses, and particularly small businesses. For example, in my home state of Louisiana, our small businesses export everything from seafood, rice and sugar, to petroleum and heavy industrial goods. With 95 percent of the world's customer base located outside the United States, there is no limit to the diversity of U.S. goods that can be exported and our small businesses must be made aware of that fact.

Additionally, it is critical that the NEI not only target new-to-market exporters, but also small businesses that are new-to-exporting. While it is true that new-to-market exporters will lead the way in achieving the President's goal of doubling U.S. exports within five years, any coordinated effort by the Federal government to promote exports by small business must also include mechanisms to identify and assist small businesses that have export potential. As you know, exporting can be a lengthy, costly and sometimes confusing process, particularly for businesses that have not previously exported. To ensure that the NEI truly achieves both its short and long term economic goals, it is essential that we start preparing our small businesses to export sooner rather than later.

Further, any marketing and outreach efforts should include initiatives to reach underserved or socially and economically disadvantaged segments of the small business community. In particular, these initiatives should include outreach to women-owned, veteran-owned and minority-owned small businesses, as well as small businesses located in rural or non-metropolitan areas. Each of these populations faces significant barriers to success even under the best economic conditions. For example, according to a recent report published by the U.S. Minority Business Development Agency, the average African-American household has a net worth of less than \$5,446 and the average Hispanic household has an average net worth of \$7,950. While these populations represent some of the fastest growing segments of the small business community these barriers, when coupled with the costly and time consuming nature of exporting, mean that many of these small businesses never seriously consider exporting as a way to expand their businesses.

Finally, small businesses located in rural or non-metropolitan locations also face significant barriers to exporting. For example, many rural small businesses often face high fixed costs when doing business, due in large part to difficulties accessing resources, including broadband technology, transportation and other basic business services. As a result, it is estimated that fewer than 20 percent of existing exporters are businesses located in rural areas. Further compounding the problem is that the vast majority of Federal export assistance resources are often located in major cities or metropolitan areas and are inaccessible to rural small businesses.

Combined with significant cuts to travel budgets in recent fiscal years, many of the Federal agencies most responsible for offering export assistance have little or no presence in rural areas.

Update Existing Federal Export Assistance Programs

Another important aspect of the NEI will be the evaluation, modernization and improvement of existing Federal export assistance programs. In particular, updates to a number of existing export financing and business counseling programs are needed. For example, the U.S. Small Business Administration's (SBA) export financing programs have not been updated in some time and insufficient amounts of capital, low loan guarantees and outdated collateral and re-financing requirements have rendered these programs both unattractive and insufficient for the needs of small exporters. Further compounding these issues is the inability of small exporters to access capital due to tightened credit standards. In fact, according to a quarterly survey conducted by the Federal Reserve of senior loan officers at leading domestic and foreign banks, credit standards have tightened for the last 10 fiscal quarters.

Accordingly, it is paramount that the Administration work to improve these programs to provide small businesses with practical export financing solutions. Specifically, the maximum loan amount for SBA exporting financing programs should be increased from \$2 million to \$5 million (or as appropriate, depending on the program), a permanent 90 percent loan guarantee should be established to encourage banks to support small exporters, and finally, improvements should be made to the collateral and refinancing requirements to make these programs user-friendly. Further, SBA export financing programs should be streamlined and coordinated with the export financing programs available through other Federal agencies, including the U.S. Export-Import Bank (Ex-Im Bank), the U.S. Department of Agriculture (USDA), and the Overseas Private Investment Corporation (OPIC), with an emphasis placed on the SBA's ability to offer startup and working capital financing.

Additionally, as the primary Federal agency responsible for assisting U.S. small businesses, it is critical that the SBA retain and expand upon its capacity to assist small businesses with the beginning aspects of the export process, by offering basic business counseling and technical assistance. At present, only about 25 of the existing 1,000 Small Business Development Centers (SBDC) offer in depth export counseling. However, many of the programs offered by these SBDC's are tremendously successful and could be easily replicated and modified in other state SBDC, Women's Business Centers (WBC) and Veterans Business Outreach Center (VBOC), and SCORE networks to accommodate the needs of local businesses and industries. I would note that in recent years, the Association of Small Business Development Centers (ASBDC) has also worked to certify SBDC counselors in basic export assistance through annual training sessions, an approach that could be easily replicated with other SBA resource partner, as well as with public and private entities that partner with TPCC agencies.

Finally, the NEI should incorporate new programs targeted at easing the burden of startup costs associated with exporting. Many basic startup activities associated with exporting—including participation in trade shows, the purchase of U.S. Department of Commerce (DOC) services, or the translation of a business's website to a foreign language—although not overly expensive, are often just out of reach of small businesses. As a result, small businesses are faced with barriers that effectively prevent them from even exploring exporting as a business development opportunity. Accordingly, new programs, such as the STEP program included in S. 2862, the *Small Business Export Enhancement and International Trade Act of 2009* that I authored with the Committee's Ranking Member, Senator Olympia J. Snowe, could be adopted in coordination with state export agencies and partners in the private sector, to help remove these barriers and relieve the burden of the startup costs associated with exporting.

Improve Coordination among Federal Agencies

Beyond increasing outreach efforts and modernizing Federal export assistance programs, it is critical that the Federal government present a coordinated and unified network of assistance for small businesses seeking export opportunities. With as many as 20 Federal agencies offering export assistance programs, many small businesses simply do not know which Federal agency or program to turn to when seeking export assistance. An examination of the export promotion systems employed by foreign countries with high export volume, particularly those with high rates of export participation by small business, reveals that many countries possess single governmental entities or agencies that offer all forms of export assistance.

While this model of export assistance is effective, the NEI should not incorporate a whole-sale restructuring of the Federal export promotion system. In fact, I believe that it is the diversity of Federal agencies and the wealth of programs that they offer that has allowed the U.S. to become a leader in international trade and ensure that successful U.S. exporters are and will remain highly competitive with their foreign counterparts for years to come. However, our current system is confusing and does not always benefit our small businesses. Changes must be made to adopt best practices employed by other countries with successful small business export promotion programs and, above all, our system must become more user-friendly, faster and more efficient. In particular, this will require increased and stronger coordination between Federal agencies, especially among the core TPCC agencies—DOC, Department of State (State), USDA, Office of the United States Trade Representative (USTR), SBA, Ex-Im Bank, OPIC, and the United States Trade and Development Agency (USTDA).

Stronger Advocacy for Small Business

While I am pleased by the Administration's inclusion of small business as a central component of the NEI, it is important to ensure that it remains so for the duration of the initiative and beyond. To accomplish this goal, I believe it is essential to develop stronger advocacy mechanisms for small businesses at the highest levels of the Federal government. More specifically, improvements need to be made in two areas to ensure that the concerns and needs of

small businesses are heard: first, in the formulation of U.S. international trade and export policy, and; second, during the negotiation of trade agreement and reduction of barriers to trade.

First and foremost, the needs and concerns of small business should be central to the development and formulation of U.S. trade and export policy. With small businesses accounting for 97 percent of all identified U.S. exporters, the needs of small business are, inherently, the needs of the majority of exporters. However, this is dynamic not always reflected in U.S. trade and export policy. Each TPCC member agency must make this a central focus of their policy making process. One way to immediately begin addressing this issue is to strengthen Federal trade advisory committees, for example the President's Export Council, to ensure that small businesses are adequately and appropriately represented within such bodies.

Additionally, it is essential that small businesses have a seat at the table during the negotiation of free trade agreements, as well as a mechanism by which to voice their concerns regarding barriers to trade, market access issues, and trade disputes. The Administration has made progress in each of these areas and I was pleased by the announcement earlier this year of the creation of an Assistant United States Trade Representative for Small Business. With three pending free trade agreements, this position—for which I strongly advocated the creation of—will be more important than ever. The Administration should devote more resources to this position to ensure that it truly serves as a conduit and sounding board for the concerns of the small business community. Further, additional steps should be taken to improve existing programs intended to assist small businesses involved in trade disputes, that incorporate stronger improved mechanisms to refer small businesses involved in trade disputes to appropriate legal resources in the private sector.

Increase Resources in Support of Small Business Exporting Programs

None of the improvements that have been outlined here, nor the overall goals of the NEI, can be achieved if we do not adequately support the Federal agencies and programs that will deliver export assistance to the small business community. Despite representing some of the most efficient and sound investments of taxpayer dollars, many agencies have reduced funding for their export assistance programs in recent fiscal years. For example, every dollar invested in the SBA's Office of International Trade has resulted in an average of \$382 in export sales over the last five fiscal years. However, the budget for this office, including funding for the SBA's export finance specialist program, has either been reduced or remained stagnant in each of the last five budget requests to Congress.

Similarly, key export assistance programs operated by DOC have also experienced significant reductions in funding, despite impressive track records and high rates of return on investment. For example, funding for the U.S. and Foreign and Commercial Service, one of the most important Federal export promotion programs in terms of connecting U.S. businesses with foreign buyers, has been significantly reduced since 2004. Despite boasting a return on

investment ratio of nearly 57:1, funding reductions for the program have resulted in the loss of more than 200 personnel in key posts throughout the world.

The current Administration has taken steps to address funding for certain export promotion programs and particularly those operated by DOC. While these actions are commendable, these increases in resources have not been uniform across the Federal government or even among the core TPCC agencies. This is especially true of the Federal agency primarily responsible for assisting our small businesses, the SBA. Providing adequate resources for programs that directly serve small businesses must be a central component of any efforts by the Federal government to promote exports by small businesses.

In closing, I would reiterate that for the NEI to achieve its goal of increasing exports by U.S. small businesses, the issues outlined in this letter must be addressed. Increased outreach, improvements to existing programs, stronger coordination, greater advocacy and sufficient support are all issues that have been repeatedly voiced to the Committee by the small business community as being essential components to a successful export promotion strategy for small businesses. Above all else, the NEI must present small businesses with exporting opportunities that are both user-friendly and economically beneficial.

Thank you for the opportunity to comment on the development of the NEI, as well as for the Administration's commitment to our nation's nearly 29 million small businesses. Even a modest increase in exports by our small businesses will help to reduce the trade deficit, create new jobs, and transform our economy in ways that will allow our small businesses to remain competitive with their foreign counterparts for years to come. I look forward to working with you on behalf of our nation's small businesses.

Sincerely,



Mary L. Landrieu
Chair

CC: The Honorable Francisco J. "Frank" Sanchez, Under Secretary for International Trade
International Trade Administration, U.S. Department of Commerce

MLL:jrh