

Testimony of Diana Simek
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U.S. Senate Committee on Small Business and Entrepreneurship

Keeping America Competitive:
Federal Programs that Promote Small Business Exports

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Port of New Orleans, New Orleans, Louisiana

Madam Chair, it is an honor to be here today. I sincerely thank you for your leadership and your continued efforts over the years to help small businesses become more viable and competitive in today's global economy.

I am Diana Simek, Vice President of the Ark-La-Tex Regional Export and Technology Center and manager of the Metro/Regional Business Incubator, both of which are subsidiaries of The Coordinating and Development Corp. Both subsidiaries were founded in April 1995, and I am pleased to remind you that you were the guest speaker at the CDC meeting during which the two subsidiaries were announced. From the comments you made during your presentation, it was obvious that you were already a strong supporter of Louisiana businesses becoming more involved in international trade.

I am speaking today as the former owner of two small businesses, including one which exported wood products to the Pacific Rim, and as a current service provider to entrepreneurs and small businesses.

According to SBA's 2008 State Business Profile for Louisiana, 97.5% of the State's businesses are small businesses and are responsible for 54.1% of its private sector employment. The SBA's 2008 Report to the President, entitled "The Small Business Economy," noted that "small businesses accounted for 28.9 percent of the \$910.5 billion in known exports." The report further stated that while overseas markets can provide new customers for small business owners, entrepreneurs have yet to tap the full potential for growth in the export arena. This is especially true in Louisiana where only 1.6% of small businesses with employees export. *Source: SBA, Office of Advocacy, from special tabulations U.S. Census Bureau, Survey of Business Owners data*

Think of how many new jobs could be created or how our trade deficit could be positively impacted if we could increase that 1.6% to even 10%. What you are doing through this field hearing today and through your efforts with the Senate's Small Business and Entrepreneurship Committee could well be the single most important undertaking to help ensure that in the future more of our small businesses will have access to the expertise they need to help them open new international markets. And, I thank you for your efforts.

I have reviewed several House bills relating to assisting small businesses and International Trade as well as S1196 and S1208. Based upon these reviews, I would like to make comments in three areas as they relate to the bills and SBA's direct services to small businesses interested in exporting.

1. The first area relates to the appointment of an Associate Administrator for International Trade to serve directly under the SBA Administrator and the suggested changes proposed for more involvement of the SBA-sponsored Small Business Development Centers in export counseling.
2. The second area relates to a proposal to provide grants to exporting companies, and
3. The third area relates to the availability of export financing in Northwest Louisiana.

I fully support your recommendation that the SBA's International Trade program have someone in charge who reports directly to the SBA Administrator. I would further suggest that the individual hired for the position should have practical, hands-on exporting experience, not just theoretical/academic knowledge. As currently structured the Director of SBA's International Trade functions is located in the SBA's Office of Capital Access (<http://www.sba.gov/aboutsba/sbaprograms/internationaltrade/leadership/index.html>). While the information provided on the Director's web page states that the Director works to enhance the ability of small businesses to compete in the global marketplace, it specifically states that her office oversees programs that facilitate access to capital, including export financing, and ensures that the interests of small business are considered and reflected in the trade negotiations. There is nothing stated about providing counseling services to small businesses interested in exporting.

During my 15 years of directly assisting small businesses, I have never referred a small business owner to either the SBA or an SBDC for export counseling. One reason is the New Orleans Export Assistance Center, which I will discuss later in this presentation. A second reason is that, although the Louisiana SBDC offers export counseling through their New Orleans office, I personally have a problem with the fact that they charge fees for providing information, such as Country Guides and Market Research Reports, that is available, free of charge, on the U.S. Commercial Services export.gov website.

Virtually everything involved in exporting is vastly different from selling to local, regional or national customers. Coping with the rate of exchange, documentation, International freight forwarders, insurance, getting paid, and so forth is not something that can be easily learned by someone who has not done it.

Therefore, in lieu of the SBA adding a complete export counseling program through their SBDC program, I would suggest that the SBA instead form a partnership with existing export assistance agencies, such as the U.S. Department of Commerce's International Trade Administration (ITA) and their U.S. Commercial Service's U.S Export Assistance Center (USEAC), the USEAC's District Export Councils (DECs), USDA's Foreign Agriculture Service (FAS), and NIST's Manufacturing Extension Partnership (MEP) to assist small businesses that are interested in exporting.

- The International Trade Administration's (ITA) lead business unit for trade promotion is the U.S. Commercial Service, which supports U.S. businesses through its Export Assistance Centers (USEACs) and its global network of foreign offices. The U.S. Commercial Service offers four ways to help a small business grow their international sales, including:
 - counseling through every step of the export process
 - introductions to qualified buyers and distributors
 - trade events that promote your product or service to qualified buyers
 - world class market research

Additionally, the ITA provides other services to help businesses including: Market Access and Compliance which resolves market access issues, identifies and reduces trade barriers and ensures that foreign countries are in compliance with trade agreements; Manufacturing and Services which advocates policies to help U.S. companies be competitive at home and around the world and ensures industry's voice is reflected in policy development; and Import Administration which administers various trade laws, monitors subsidies and promotes textile exports.

I'm not sure how long the ITA and the USEACs have been in existence, but my first contact with the New Orleans USEAC goes back nearly 25 years to 1985, when as a consultant for the Caddo-Bossier Port Commission, I began working on applications that resulted in the opening of the Shreveport-Bossier Customs Port of Entry in 1986 and the Shreveport-Bossier Foreign Trade Zone, Port #145, established in 1987.

In the mid 1990s when the New Orleans USEAC was considering opening a subsidiary office in Shreveport, I worked with Max LeComte, President and CEO of The Coordinating and Development Corp., to offer free space for an office. An MOU was signed between the Department of Commerce and CDC, and free office space was provided for several years, first at CDC's main office, and later at its Business Incubator.

- The District Export Councils (DECs) are composed of exporters and export service providers who are willing to work with individual businesses to help them resolve problems. DEC members volunteer their time to sponsor and participate in numerous trade promotion activities, as well as supply specialized expertise to small and medium-sized businesses that are interested in exporting. They hold seminars on exporting basics, trade finance, and e-Commerce, and help build export assistance partnerships to strengthen the support given to local businesses interested in exporting. I have been fortunate in that I have twice served as a member of the Louisiana DEC, and served as the first Chair of the North Louisiana DEC when the state DEC temporarily split into two DECS in the late 1990s. When the two DECs recently reunited, I was pleased to be asked to serve as a Northwest Louisiana representative with the DEC.
- USDA's Foreign Agriculture Services (FAS) program is designed to create economic opportunity for American agriculture by expanding global markets. FAS staffs 102 offices in 82 countries around the world, and also monitors and reports on the agricultural trade matters of an additional 71 countries. FAS does not offer exporting loan assistance programs similar to SBA export loan programs, so encouraging the two agencies to work closer together might help expand the export of food products and wood products, especially packaged food and finished wood products, to international markets.

FAS offers three programs which might be looked at with the idea of modification for inclusion in other ongoing U.S. assistance programs for small businesses.

Market Access Program -- The MAP forms a partnership between non-profit U.S. agricultural trade associations, U.S. agricultural cooperatives, non-profit state-regional trade groups (for Louisiana, this is SUSTA, the Southern United States Trade Association), small U.S. businesses, and USDA's Commodity Credit Corporation to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

Online System for U.S. Exporters and Banks -- The General Sales Manager Online System enables U.S. exporters and U.S. banks to submit required documentation online, or electronically, for the GSM-102, Supplier Credit Guarantee and Facility Guarantee Programs. These programs facilitate commercial financing of U.S. agricultural exports.

Exporter Assistance Information -- This link provides information about programs available from FAS for individuals or companies who plan to export their agricultural products including links to trade shows, trade leads, supplier lists, foreign buyers' lists and a U.S. distributors' directory. This is similar to what could be done on a revamped SBA website.

- The Manufacturing Extension Partnership of Louisiana (MEPOL) offers a wide array of services to small and mid-sized manufacturers that can help them become more efficient, resilient, and competitive in today's global economy. The MEP program is constantly looking at ways to help the companies they work with. In so doing, MEP undertook research that indicated that there is an enormous opportunity to assist small manufacturers to expand international sales. They found that many of the manufacturers they work with don't export at all - and of those that do, about three-quarters of them ship to only one -- or at most -- a handful of foreign countries. To address

this issue, MEP has introduced several programs designed to assist U.S. small manufacturers go global. Collaboration with the US Commercial Service underlies all of these programs.

The ITA, the U.S. Commercial Services, USEACs, DECs, and the USDA's FAS program have been helping small businesses for years, and during that time, their staffs have acquired tremendous exporting knowledge and expertise. Even MEP, the newcomer, recognizes that collaboration is the best way to help the manufacturers they work with. Rather than spending the large sums of money and time to recreate another separate export assistance program under the SBA, it seems to me that developing strong collaboration and referral programs among all of these agencies would offer the best solution to enhancing and encouraging our state and nation's small businesses to look at exporting as a way to increase their sales, create new jobs, and help bring down the nation's huge trade deficit.

Before I leave this subject, I would like to add a few items that I think SBA could do immediately with little cost to help small businesses that are interested in exporting.

- Change the SBA website to give more prominence to export assistance resources already available through other Federal agencies to small businesses interested in exporting.
- The SBA link to USEACs, <http://www.sba.gov/aboutsba/sbaprograms/internationaltrade/useac/index.html>, currently lists only USEACs that have SBA loan representatives; therefore, the New Orleans USEAC is not listed. The listing is currently by cities, and listing all USEACs by states would be more helpful.
- It also would be helpful if exporters could access trade leads from the SBA's International Trade website. The Department of Commerce's Stats-USA/Online provides information on business, trade, and economic information. Under its Global and National Trade Data Base (NTDB), www.stats-usa.gov, trade leads that are identified by the agency's international offices are available for a subscription. The required subscription fee is currently \$200 a year, a real bargain. Note: My wood processing company sold wood products to a Thailand company nearly 20 years ago thanks to a trade lead that came through the U.S. Commercial Service. At that time, the leads were published daily in the "Journal of Commerce."
- Encourage the development of Export Management Companies (EMCs) and Export Trading Companies (ETCs), perhaps with some type of federal tax incentive program (provided the incentive would not violate international trade laws). With the possible exception of one company in Louisiana that exports limited food products, I have not been able to identify any other EMCs or ETCs based here. These companies serve as export intermediary agencies for small businesses that prefer not to export themselves. SBA should develop a method of registering EMC and ETC, similar to what they do with Franchise companies, and provide a list of these exporting agencies, broken down by product types, on their website. This might be a useful tool to involve more small businesses, especially those located in rural areas, to export their products to countries such as China and Cuba.
- In 2008, our trade deficit with China totaled more than \$266 billion (China imports totaled nearly \$338 billion while exports to China from the U.S. totaled less than \$71.5 billion). According to the U.S. Census Bureau's Foreign Trade Statistics, if the first three months of 2009 are any indication, the difference between our imports and exports will lead to another record high deficit by the end of this year. The SBA should work with The Commercial Service in an effort to encourage the development of more trade leads for U.S. products that, in turn, would be brought to the attention of small businesses interested in exporting.

- Encourage small businesses that have won SBIR/STTR research grants (with the possible exclusion of awardees with critical innovative products developed for use by Departments of Defense or Homeland Security) to export their technology overseas. Companies participating in SBIR/STTRs are required to report their Commercialization efforts to the awarding agencies. Adding a section to these reports dealing with exporting activities would serve as a reminder to small businesses that they need to think global when considering future commercialization opportunities.
- Develop a method to work more closely with the nation's Business Incubators, which today total more than 1,000 nationwide. Business Incubators, especially those linked to universities and/or those who assist their clients with the SBIR/STTR programs, are the entities that work closest with new high tech and innovative companies. These are the types of products that can help the U.S. in its efforts to reduce our trade deficits.
- Small business owners are often hard pressed to attend extended seminars held far from their home location. The Internet offers a great solution in webinars. SBA, in collaboration with other export assistance programs, should offer a series of webinars covering all of the important aspects off what a new-to-exporter needs to know. The webinars should be moderately priced for those who can participate in live webinar presentations. The presentations should continue to be available on the SBA website after the live broadcast, where they could be viewed at a reduced cost, or possibly even free of cost, at the convenience of small business owners and/or their staff members. DEC members across the country would be great resources to develop and provide the content for a series of exporting webinars.

The second area I would like to cover relates to providing grants to exporting companies as proposed in S1208.

The proposed \$5,000 matching grants to exporting small businesses would be better used if the funds were given to an agency within a state or region that can prove that they have the wherewithal to initiate and implement an effective export assistance program – *provided* there is some method of ensuring that the funds will be used to help primarily small businesses that are new to exporting or have little exporting experience. It would be a waste of money to have a grantee agency parcel out funds to companies that have years of exporting experience.

Funds could be used to help these small businesses participate in trade missions, advertise in Commercial News USA (including the online version which costs \$399 annually), pay for a subscription to the National Trade Data Base (\$200 annually), offset the costs of developing and translating product/service literature for particular countries, take advantage of the Commercial Service's GoldKey program, etc.

The grant program could be patterned after the SBA's Federal and State Technology (FAST) Partnership and Rural Outreach program for the SBIR/STTR program, <http://www.sba.gov/SBIR/indexfast.html>. However, the criteria to apply for the grant should be more innovative and inclusive. The FAST Partnership and Rural Outreach Program allowed only one application, signed by the governor, to be submitted by a state. That restriction should be eliminated under any Exporting grant program, since it tends to limit innovative, creative ideas in favor of simply providing an additional source of funding for an existing state agency or program. The only reason for a new grant program should be the implementation of a totally new, innovative program that addresses expanding U.S. export activities by small businesses. Therefore, the process should include some type of competitive basis for the granting of funds.

Rather than initiate such a grant program nationwide, a pilot project might be considered and monitored to see if the use of funds under such a project would truly benefit small exporters and the nation. Another thought would be to examine the possibility of adopting a program similar to the USDA's FAS Market Access Program, whereby an organization such as SUSTA would handle requests for government subsidy funding for small exporters.

And, lastly, I would like to comment on the availability of export loans in Northwest Louisiana.

There are no banks in the Shreveport-Bossier area that have international departments; therefore, an exporter who requires an SBA export loan must work with a New Orleans bank or a New Orleans-based branch of a north Louisiana bank. At one time, representatives of Hibernia Bank had representatives that regularly came to north Louisiana to let exporters know that they were available to help with export financing. Years ago, we also had regular visits from Ex-Im representatives based in Texas. Today we have neither.

I personally have developed a relationship with an export finance company based in the Dallas area and occasionally refer clients needing export financing to him. The company is owned by a former south Louisiana banker, who still has family living in Bossier City. The best thing about this agency is that they can help an exporter with both SBA export financing and Ex-Im financing and insurance programs.

In closing, I would like it understood that my comments relating to SBA reflect solely upon their International Trade services. I fully acknowledge that they are the premier Federal agency when it comes to offering business counseling and seminars for small businesses, their loan programs are excellent, and I regularly refer my clients to SBA's online training courses.

Again, I thank you for holding this hearing and inviting me to testify on this subject. I welcome any questions that you may have regarding my comments.