

TESTIMONY FOR “EXPORTS AND JOBS” HEARING

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Good afternoon, and thank you, Madame Chairwoman and distinguished members of the Committee, for inviting me to testify today. My name is Richard Friedman. I am a Boston based hotel developer, working on a national level in a variety of hotel types. We have many hotels in Boston including the Charles Hotel and the Liberty Hotel and right here in NH, we're active right now in the redevelopment and repositioning of the Hanover Inn at Dartmouth.

I was appointed by President Obama as a member of the President's Export Council (PEC). On that council, I'm Vice Chairman of the subcommittee on Manufacturing, Services and Agriculture, which includes tourism policy. The PEC advises the President on increasing US exports and competitiveness. In his National Export Initiative, President Obama tasked the Council with exploring methods to double exports over five years. We've already made great progress toward this goal. In 2010, exports increased 17 percent -- the \$1.84 trillion in exports of goods and services represents the second-highest annual total on record. As of May of this year, goods and services exports are up again--14.9 percent to \$505.2 billion.

As a PEC member and hotelier, I've made it my personal goal to try to help our country's tourism, hospitality and air transit industries. But perhaps most important, as a small business owner, I've sought to help these businesses as a member of the PEC's Small and Medium Sized Business Engagement Subcommittee. Increasing the export capacity of these enterprises is essential if we are to double exports. SMEs (Small and Medium size Employers) are typically credited with creating three of every four of our nation's jobs, and SME exporters—which currently account for 4 million U.S. jobs—tend to grow significantly larger and faster than non-exporting businesses. And, we are making great strides in helping our SMEs to export; in 2010 almost 5,600 companies exported for the first time or increased their exports abroad, 85 percent of those companies were SMEs. But we still have much room for improvement — only one percent of exporters were small and medium sized businesses.

In the last year, the PEC has adopted 15 letters of recommendation in the areas of export controls, FTAs, tourism promotion, veterans retraining, benchmarking export promotion, IPR protection, Russian accession to the WTO, services data, tax reform, business visas, transportation infrastructure, trade facilitation, export financing, and a new 21st century trade policy. If these 15 recommendations were to be adopted, we estimate that we could increase U.S. exports by \$630 billion.

In particular, I would like to talk for a moment about the tourism sector of exports. It may sound odd, but when a foreign traveler comes to the United States it is an export, because they are bringing money here, spent on all sorts of goods and services from hotels, travel, meals, shopping, etc. Northern New England is a very attractive international travel destination. In the post 9/11 years our national tourism performance has suffered dramatically and we have lost 68 million visitors and \$500 million dollars in lost spending, plus over 400,000 lost jobs, and 32

billion dollars in lost tax revenues. The President's Export Council is working closely with the President and the Administration in an attempt to reverse these trends. There are two primary methods by which this is occurring. One is, for the first time ever, to advertise America as a destination and the other is to shorten the visa waiting times at our embassies and to train our border patrol people and others in being more customer friendly. In the early years of the Obama Administration the President signed the Travel Promotion Act, which is a public/private partnership just now getting underway to promote travel to the United States. It is a very promising effort. Secondly, efforts are underway with the Department of State to reduce wait times to obtain visas at our embassies and in some cases to expand the locations at which travelers can obtain visas. Increased tourism has the potential to have a dramatic impact on northern New England in many regards. Hotel and travel destinations in northern New England are well equipped to receive foreign visitors. For example, there is a great potential for foreigners to come and observe the NH Presidential Primary and see our democracy at work. On a national basis, if we double the arrivals from the 36 countries, where there is a visa waiver program, over 200 billion dollars in spending would be generated. Tourism in NH in particular is a major economic factor and the potential for substantial growth is there.

The US is in a great position to increase our exports and our foreign travel business. Currently, each euro is worth \$1.40 – which makes our goods and services a true bargain for foreigners. Worldwide, people want to “Buy American,” and now our currency conversion levels and our trade policies make us very well positioned for export growth.

SMEs face unique barriers to exporting that require targeted action. The PEC SME Business Engagement Subcommittee held six Roundtables around the country with small businesses to explore obstacles to exporting. The recommendations we came up with, adopted by the full PEC in March, fall into three categories: education, access to capital, and regulatory and cost burden issues.

Hundreds of local, state and federal organizations and agencies are engaged in export outreach, marketing and education efforts. But findings by the SME Subcommittee indicate prominent and persistent education gaps and confusion among SMEs on a broad range of export-related issues. We recommend that the federal government provide catalyst grants to foster regional export development strategic planning among identified chambers, Economic Development Centers, academia, state and local governments, non-profits and the private sector to establish organizational coordination and create formal lines of communication between regions and federal resources.

The second challenge we face is a lack of access to information. We recommend the development of new – and maximization of existing – public-private partnerships and the acceleration and expansion of on-demand informational/educational resources on export and trade Web channels- including Tradegov, Youtube videos, Export.gov and USTR.gov.

The third challenge we face are the continuing misperception about Free Trade Agreements. There is a significant disconnect between exporting SMEs and non-exporting SMEs – which comprise much of the economic landscape - on the economic benefits of FTAs. We recommend

working with organizations like the National Association of Manufacturers, as well as some of the Nation's top global exporting corporations, to expand current education efforts.

We also face a persistent lack of access to capital for small businesses. The current loan initiation process lacks transparency and takes too long. We recommend expediting the increase in delegated lending authority to existing trade finance lenders (as noted in the Small Business Jobs Act of 2010); conducting finance trade training to community banks to include receptivity to working with smaller exporters; and working more closely with small businesses in training them to prepare documents for international transactions before going to their financial institutions.

There is also a lack of support for young small businesses. We recommend establishing formal "incubator" programs at the Federal government level that specialize in working with young SMEs to fund their working capital and export finance needs during the start up process. It is equally important to develop the leadership of these young businesses and we have encouraged additional support of Young Entrepreneurship Programs at community colleges.

On the regulatory side, we need to overcome cumbersome export compliance policies/procedures. The President's Export Control and Regulatory Reform Initiatives are a step in the right direction. We should create "one-stop-shops" where small businesses would be able to find guidance on all matters related to exporting, including international trade regulations.

We also need to address the prohibitive cost of intellectual property rights protection, which are inordinately high for SMEs. We recommend working within the World Trade Organization to improve the simplicity, speed and cost of registering and maintaining all IPR.

A final challenge deals with Rules of Origin which are complex and inconsistent, making it difficult for SMEs to be export compliant and/or take advantage of FTAs. SMEs do not have the staff to manage or the market power to leverage suppliers to gain proper origin information from their supply chains. We recommend that the Administration bring this to the attention of the WTO and other trade bodies in order to begin to standardize rules of origin.

As you can tell from these recommendations, SMEs are unique in their needs and abilities. They often lack the resources available to large businesses, and it is therefore critical that as specific programs are rolled out under the NEI, special consideration be given to easing the burden on SMEs so they can unlock their full export potential.

The long and short is that America must learn to think of itself as an exporter, just like Germany, China, Japan, etc. We are uniquely positioned in the world to make this happen. We can be rightly optimistic about our trade and export potential and the President's goals of doubling exports in 5 years is a worthwhile and realistic goal.

Thank you again for the opportunity to speak with you today, and I look forward to your questions.