SMALL BUSINESS TRADE AGENDA: OPPORTUNITIES IN THE 113TH CONGRESS

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE

OF THE

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Thursday, February 28, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Scott Tipton [chairman of the subcommittee] presiding.

Present: Representatives Tipton, King, Luetkemeyer, Mulvaney, Huelskamp, Murphy, Schrader, and Meng.

Chairman TIPTON. Well, good morning. I apologize for being late. Thank you for being prompt on this.

We would like to go ahead and call our hearing to order, and I would like to be able to welcome our new and returning members to the Subcommittee, especially Ranking Member Murphy. Welcome to Congress.

Mr. MURPHY. Thank you.

Chairman TIPTON. I am glad to be able to work with you here on the Small Business Committee.

I do look forward to working with all of our members in the 113th Congress, and I want to be able to give special thanks to our witnesses here today, taking time away from your full-time jobs, I know, to be able to come here and make this trip to Washington, and to be able to tell us about some of the issues that are inhibiting our ability to be able to grow our economy and to be able to grow jobs and export markets.

Today we will hear directly from small businesses about the obstacles and barriers that limit their ability to be able to compete in the global market. Given the right circumstances and tools, I know America's small businesses can compete with any other company in the world.

There is strong bipartisan support on the benefits of exporting. Exports are a major contributor to the nation's GDP, totaling $2.2 trillion in 2012. They provide new sales opportunities. And, most importantly, exporting creates and supports high paying American jobs. However, of the 28 million small businesses in the United States, only one percent currently export. Increasing the number of small business exporters is a key priority for me, as well as this Committee. Last year alone, I held three Export 101 events in my district so small businesses could learn how to be able to increase their exports and how to develop new relationships in key trading areas.

Along with limited personnel, we know that small firms face a variety of trade barriers that constrain their participation in the global market. A few of the most obstructive hurdles include tariff and non-tariff barriers, anti-competitive technical standards, and complex foreign and domestic regulations. As a result, small businesses that do export rely heavily on negotiated Free Trade Agreements [FTA] that remove complex trade barriers, provide protection for their intellectual property, and help streamline the trade process. In 2010, 41 percent of the total U.S. exports went to FTA countries.

FTAs are an important first step, but they are not the sole solution. We must also work to be able to reduce the domestic bureaucracy and make the overall process easier. The export process can be complicated and overwhelming, and many firms do not know where to start or go for the necessary information. Unlike large corporations, most small firms do not have the personnel and resources to navigate the technical trade barriers.

As we begin, the 113th Congress, it is our Committee's job to review the federal trade promotion agencies to ensure that they are working in a coordinated and an efficient manner to best serve small businesses. Moreover, we need to be able to support an aggressive trade strategy that opens up new foreign markets, streamlines the trade process, and strengthens our fight against unfair trade practices. I look forward to working with my colleagues to be able to identify common-sense and practical solutions that will better assist small business exporters.

Again, I would like to be able to thank our witnesses for their participation and their insights, and I would now like to recognize our ranking member for his opening statement.

Mr. MURPHY. Thank you, Mr. Chairman. And thank you all for being here.

As the ranking member of the Subcommittee on Agriculture, Energy, and Trade, I am looking forward to working together to find common ground and bipartisan solutions. Having been a small business owner myself, I know the obstacles small businesses face, and I know how essential their success is in generating new jobs and driving our economic recovery.

Earlier this week I sat down with the Distinguished Chairman to discuss the important challenges facing America's small businesses. There is clearly much to be done, and as I said, I look forward to working with the Chairman over the next two years, and I feel confident in our ability to drive bipartisan solutions through this Subcommittee.

Today, we hold our first Subcommittee hearing on small businesses, and their ability to participate in international trade, a realm in which big business continues to have a clear advantage, as the chairman said. We have before us four extremely knowledgeable witnesses, and I look forward to hearing their ideas on how Congress can help small businesses export their goods and be more competitive on the world stage.

Right now, our economy is recovering gradually, and yet, unemployment is not expected to drop below 7-½ percent until 2015, which will make six straight years of unemployment above 7-½ percent. As a result, the number one priority for this Committee has to be job creation. And one way to boost jobs is to open new markets to small businesses, which account for 50 percent of all jobs in the United States. Right now, small businesses make up 97 percent of all U.S. exporters, but only about 30 percent of the goods exported. I believe there are measures Congress can take to make international trade more accessible to small businesses and help even the playing field as demand for U.S. products on the global marketplace—which serves 95 percent of the world's consumers-grows.

Right now, the vast majority of our small businesses still do not market their products internationally. Of those that do, many only send their goods to our neighbors to the north and the south, and do not take advantage of markets in Europe and Asia. Clearly, there remains significant opportunity to expand the role of small business and international trade.

To address this area of potential growth, the Small Business Administration, the Export-Import Bank, and the International Trade Administration each offer programs specifically tailored to provide education, networking, technical, and financial assistance to small firms engaging in international trade, and I am particularly interested in hearing about the experiences our witnesses had with these programs. This is one area I am particularly concerned could suffer from Congress's inability to address the sequestration because it is vital these agencies have the resources they need to perform their essential work.

SBA's export programs generated $1.6 billion in sales in fiscal year 2010 alone. That translates to real jobs here at home. We need to amplify, and not reduce, these successful programs, while simultaneously cutting back on programs that have proven ineffective. Mandatory cuts across the board to SBA's budget would not achieve this.

Agricultural exports is one area that is poised for expansion. Small farms constitute more than 90 percent of the sector. In 2011, U.S. agriculture exports reached nearly $140 billion, outpacing the previous record set in 2008 by 20 percent. This growth shows that America's farmers have the potential to help lead our economy forward, spurring development and employment gains across the country.

This is especially true in my own district in Florida, which is recognized for its citrus and vegetable production. However, as we examine the best way to stimulate international trade amongst small businesses, we must recognize the double-edged nature of Free Trade Agreements. Lowering tariffs and other barriers clearly spurs commerce between countries, but at the same time we have seen new imports undercut hardworking U.S. businesses by introducing significantly cheaper goods into our market. For example, I recently visited Adams Ranch in Fort Pierce in my district where I heard from farmers concerned that cheap Mexican tomatoes may be disrupting the marketplace for our growers. Learning what works and what hurts our small businesses is essential for any future trade agreements.

Issues like these will continue to challenge small exporters, but I look forward to small firms' involvement in trade continuing to grow. Over the last decade, exports from smaller companies have doubled and are now valued at nearly $320 million per year. With three-quarters of world's purchasing power outside the United

States, access to foreign markets is no longer optional, but essential, for many businesses' continued success. By helping more small firms export abroad, we can accelerate economic growth and create the jobs Americans so badly need.

I thank the witnesses in advance for their testimony, and I yield back.

Chairman TIPTON. Thank you, ranking member. And as our panel knows, you have five minutes to be able to deliver. I would like to be able to explain the timing lights in front of you. A little bit like traffic lights. When it is green, you are good to go. When it is yellow, speed up. When it gets red, stop. And we would appreciate that. And I do know we have several members that have some other commitments to be able to go to, so I will defer my questions for after your testimony.

Our first witness is going to be Mr. Daniel Ogden. Dan is an attorney, licensed custom broker, and international trade consultant. He is also chairman of the National District Export Council, also known as DECs. DECs are local organizations comprised of international trade experts who volunteer their time to be able to provide counseling and best practices for small businesses interested in boosting their exports. Currently, there are 59 local DECs or about 1,800 members covering nearly every region in the United States. He is testifying on behalf of the National District Export Councils.

Welcome, and we look forward to your testimony.

STATEMENTS OF DANIEL OGDEN, ESQUIRE, ATTORNEY AT LAW AND INTERNATIONAL TRADE CONSULTANT, CARROLLTON, TEXAS, TESTIFYING ON BEHALF OF THE NATIONAL DISTRICT EXPORT COUNCIL; MS. JENNIFER FULTON, CHIEF PICKLE, MISS JENNY'S PICKLES, CEO, KERNERSVILLE, NORTH CAROLINA, TESTIFYING ON BEHALF OF THE THE U.S. CHAMBER OF COMMERCE; MICHAEL MYHRE, ASSOCIATE STATE DIRECTOR, FLORIDA SMALL BUSINESS DEVELOPMENT CENTERS, PENSACOLA, FLORIDA, RAYMOND ARTH, PRESIDENT AND CEO PHOENIX PRODUCTS, INC, AVON LAKE OHIO, TESTIFYING ON BEHALF OF THE NATIONAL SMALL BUSINESS ASSOCIATION, SMALL BUSINESS EXPORTERS ASSOCIATION.

STATEMENT OF DANIEL OGDEN

Mr. OGDEN. Thank you. Good morning, Chairman Tipton, Ranking Member Murphy. I would like to thank you for this opportunity to testify at the hearing and share my views.

My testimony will cover the importance of trade to the well-being and wealth of the U.S. economy, to the health and profitability of small business, and to the creation of job growth in the United States. I will also discuss the challenges to success that small business exporters face from government laws and regulations, both foreign and domestic, and the role the federal government should play in advancing U.S. and international trade interests.

Initially, it must be stressed that small business exporters are small businesses first. They face the same challenges to their profitability that all small businesses face, and some of the most significant of these challenges arise from the U.S. domestic, regulatory, and legislative environment. In fact, small business exporters are unique in this regard as they face challenges to their profitability from both the foreign and domestic arenas. In seeking then to answer the question what can Congress do to assist small businesses increase their exports, one answer quite simply is to stop overregulating, overlegislating, overtaxing small business.

One specific area that does affect small business exporters is U.S. Export Controls Law. While export controls are important to our national security and economic vitality, this does not necessitate that they be so complex and cumbersome that they discourage companies from exporting. The ongoing effort to reform U.S. export controls by simplifying both their administration and ease of compliance will increase the likelihood that U.S. exporters will increase their exports.

I would also like to make a comment about U.S. trade policy in general. International trade contributes greatly to the wealth creation of an economy which should be the goal of any economic policy. Trade is a two-way street. While exports are always praised, imports are not a bad thing. Being able to freely source imports and means of production is critical to the profitability of many small businesses. In spite of this fact, trade protection is a temptation and a disease that is bipartisan in nature. Protectionism is not a creator of wealth, but rather it is a creator of poverty. Avoidance of a protectionist trade policy used either as a strategy or a tactic should be at the core of the U.S. trade policy.

This temptation to engage in protectionist trade policies is not, of course, unique to the United States. Protectionist trade policies in foreign countries are a fact of life that small business exporters have to deal with on a daily basis, and this fact makes trade agreements an essential component of the U.S. trade policy. The major focus of trade agreements in the past has been on tariff reduction or elimination. This has resulted in foreign nontariff trade barriers becoming the protectionist tool of choice. These barriers are especially damaging to our small business exporters. It is imperative, therefore, that ongoing and future negotiations on trade agreements stress nontariff barrier reduction and elimination.

There is one thing that Congress can do immediately, which is to renew trade promotion authority. This renewal is crucial for several reasons. Perhaps most important is the fact that the U.S. has fallen behind other nations and entering into trade agreements, thereby putting our exporters at a competitive disadvantage. The TPA renewal will help to ensure that loss to U.S. export sales from belated passage of trade agreements does not happen again.

I would also like to briefly discuss U.S. export assistance. Why do U.S. exporters need this assistance? The answer is simple and can be stated in one word—competition. In an ideal world, American exporters would not have this need. We do not live in that world, however, as other countries provide assistance through exporters. The federal government therefore has a critical role to play in ensuring that exporters have a level playing field in which to globally compete by providing export assistance. One important feature of this assist is that U.S. export assistance centers are in place locally to interface directly with exporters, which are, of course, part of the U.S. and Foreign and Commercial Service.

Despite the call over the years to eliminate the domestic commercial service, and particularly the USFCS, their continued existence is vital and irreplaceable. The ability of USFCS to directly interface with foreign commercial officers is also critical. It is imperative, therefore, that the U.S. and Foreign and Commercial Service remains the unified agency with both foreign and domestic operations under one roof.

An important feature of export assistance also is that there should be just one federal agency where exporters go for services such as trade counseling. At present, while the U.S. and Foreign and Commercial Service plays this primary role, the SBA also engages in trade counseling. This duplication is unnecessary, wasteful, and confusing. Only one federal agency should be involved in international trade counseling, and that is the U.S. and Foreign and Commercial Service.

Further, the amount budgeted for export assistance should also be increased. Part of this issue can be resolved by transferring to the International Trade Administration from the SBA funds that were used by the SBA for the International Trade Counseling programs. And I would just say also that taxpayer dollars spent on export assistance is money well spent.

One final issue is the Commerce Department's plan to reorganize the International Trade Administration. While one positive feature of this plan is the integration of certain export services that will both help exporters find new markets and customers and actually get their hands into those markets or the goods into those markets and the hands of those customers, it is also important to ensure that under this plan that the operations of the U.S. and Foreign Commercial Service continue to be customer and field focused.

In summary, I am out of time. I would refer you to my written testimony as to my specific recommendations. Thank you.

Chairman TIPTON. Thank you, Mr. Ogden.

Our next witness is Ms. Jenny Fulton, Chief Pickle and CEO of Miss Jenny's Pickles. After being laid off from her financial industry job, Jenny Fulton and co-founder Ashlee Furr, used Jenny's grandmother's recipes to start making pickles. Founded in 2009, Miss Jenny's Pickles is becoming a household name. Their products are sold in over 800 stores and the company exports pickles all over the world. They were also featured in a segment on CBS's 60 Minutes last October. She is testifying on behalf of the U.S. Chamber of Commerce.

Jenny, thank you for being here, and we look forward to your testimony.

STATEMENT OF JENNY FULTON

Ms. FULTON. Thank you. Thank you, Chairman Tipton, and Ranking Member Murphy, and Distinguished Members of the U.S. House, Committee of Small Business, Subcommittee on Agriculture, Energy, and Trade.

I am Jenny Fulton, and I am the chief pickle at Old Orchard Foods, doing business as Miss Jenny's Pickles. Our pickle world headquarters is in Kernersville, North Carolina.

I am extremely honored and grateful for this opportunity to share our story with each of you. I am testifying on behalf of the U.S. Chamber of Commerce.

Miss Jenny's Pickles was born out of the financial recession. Ashlee Furr was laid off in June of 2009, and my layoff followed in January of 2010. Ashlee and I confirmed after spending 16 years in the financial industry we were both burned out and we decided to take a true leap of faith and start our own pickle company. Knowing that 95 percent of the world's population lives outside the United States, we decided that exporting would be crucial to our success. In May of 2011, the North Carolina Department of Agriculture's Export Department and the Southern United States Trade Association [SUSTA] organized an inbound trade mission for Chinese buyers to meet with North Carolina businesses, in which we decided to participate.

Wow. What an adventure. I met Mr. Shen there, and he is our Chinese business partner. After hours of reading Chinese e-mails translated by Google, talking via Skype with a 12-hour time difference, and 32 pages of documents later, we finally exported our first five pallets of pickles to China. Last year, the North Carolina Export Department and SUSTA took a trade mission to Shanghai for a food show. I went along there and it was then that I had the opportunity to visit the stores that carry Miss Jenny's Pickles. I must be honest. I was extremely amazed, humbled, and proud to be standing next to our pickles on the shelf in China. It was rewarding to know that I was representing the United States of America, which has world recognized food safety regulations.

Last year, I also participated in a trade mission to Canada arranged by these same good people. It was there that we hired a Canadian food broker, and this year I will be going to Hong Kong and Germany. And during the early stages of working in the international marketplace, we attended a forum in Charlotte called Small Business Global Access hosted by Senator Kay Hagan, along with chairman and president of the Export-Import Bank, Fred Hochberg. I was so impressed with Fred's remarks on Ex-Im's efforts to help small business exports that I ran out to his car after the forum and I handed a jar of pickles to his driver and I said, "Tell Fred to eat these pickles because we want to export this year." And today, we partner with the Ex-Im Bank so that we can offer terms to our foreign buyers which increases our sales by having this option. Without the Ex-Im Bank, our small business would never have been able to offer terms outside the United States. And without my out-of-the-jar thinking and pure determination to export, I am not sure that our young company would have had such great success.

Now, if more U.S. small businesses were able to seize export opportunities, the gains could be immense. I have seen firsthand for the government to improve communications regarding U.S. export programs. After our company was featured on 0 Minutes, we received hundreds of e-mails and phone calls from Americans all across the country. They want to start their own company, too. Well, small business needs help paving the way to new markets. We are left on our own to find the doors and knock on them. The services, expertise, and dedication of the state and federal export promotion programs are world-class, but I know there are many companies not aware of the government services that are available to help them break into new markets. This is not the fault of America's small business owners.

There are many successful state programs out there that I believe could be replicated in other states. For example, in North Carolina, the Department of Agriculture is aggressively helping North Carolina companies export. These good people encourage companies like mine to consult with trade specialists, to learn more about trade through workshops, seminars, to participate in trade missions, and to meet with international buying delegations. They have even opened an office in Beijing. Without their help we would not have found the international market opportunities.

On the federal level, the government accountability has determined that 17 federal agencies with export promotion programs could be made more effective through better coordination. As the president of a small company, I truly understand the importance of international trade and the impact it can have on small business. It is simple. We want to ship to more countries, we want to grow our client base, and we want to create more jobs.

Congress can do one big thing that will make a really big difference for small businesses today, and that is by creating one website with all the resources, all the links available to export. You can do it in one click. It is going to be that simple because it is really hard out there. And we need to make it easy for small business to succeed and not fail in our global marketplace. By communicating effectively to small business, you will generate billions of dollars in new American exports. There are many seasoned exporters among American small business, but there are many that have never even considered exporting. I know that exporting can be challenging and overwhelming, especially for small business, but in the end it is all worth it.

In closing, I challenge each one of you to better promote the trade resources that are available to small businesses. Thank you for the privilege and opportunity to appear before you today. It has been my honor.

Chairman TIPTON. Thank you, Ms. Fulton. It is easy to see why you sell pickles well.

I would now like to yield to Ranking Member Murphy to be able to introduce our next witness.

Mr. MURPHY. Thank you. Thank you, Mr. Chairman.

I would like to introduce Michael Myhre, the interim State Director of the Florida Small Business Development Center Network. Mr. Myhre has over 22 years of experience in small business development. Prior to his current role, he was state director for the Minnesota Office of Entrepreneurship and Small Business Development, responsible for entrepreneurial and small business policy development and support services. Mr. Myhre is a graduate of the Carlson School of Management at the University of Minnesota and is also a certified public accountant. Welcome.

STATEMENT OF MICHAEL MYHRE

Mr. MYHRE. This is why we do what we do.

Chairman Tipton, Ranking Member Murphy, and Members of the Subcommittee, thank you for this opportunity to testify.

My name is Mike Myhre, and I serve as the interim state director for the Florida Small Business Development Center Network. The Florida SBDC is part of America's SBDC network providing the knowledge resources small businesses need to start, grow, and succeed. I have prepared a written statement and will give you a summary of those remarks.

In the context of my testimony, I ask you to keep a few key statistics in mind on why it is essential to support trade policy and investment in the SBDC program for the benefit of small businesses. Research shows that companies that export grow 15 to 20 percent faster, pay 15 percent higher wages, and are 15 percent more profitable than their domestic market-only counterparts.

The mission of the SBDC program is simple—to help small businesses grow and compete. With a national network of nearly 1,000 centers and 5,000 professionals, America's SBDCs offer a wide variety of programs and no-cost services to assist and encourage their small business clients to expand. In that effort, SBDCs retain specialized professional business consultants who are driven to help their clients research and develop specific strategies to expand into international markets and grow revenues. And we know with more revenues comes more production and with more production comes more jobs.

Now, not all small businesses are ready to export and many should not. At SBDCs around the country, we strive to identify those that are or are close to being export-ready. We provide every small business client with an honest and accurate assessment of the state of their firm and their state of readiness to participate in the global marketplace. We help to examine the exportability of their products and services, research and identify markets and buyers, develop market-entry strategies, establish necessary shipping and distribution networks, determine appropriate payment methods, and identify export financing and insurance needs.

A key competitive advantage large businesses have over small businesses, access and affordability to business and trade data and the means to use it. SBDCs equal the playing field through our educational and partners organizations. Our professionals have access to a wealth of information on export markets, ranging from general country information to specialized information on markets to specific industries and products and countries worldwide. In some cases, SBDCs can also conduct primary research for small business clients needing specific information unavailable through secondary resources. Further, we employ through our professionals the power to interpret and use that data.

SBDCs also help balance the playing field by offering guidance and expertise in the realm of regulations that govern international trade. In recent years, the federal government has tightened export regulations in response to growing threats to national security. By working in partnership with the Census Bureau and other agencies, SBDCs help small businesses get their documentation right the first time, ensuring compliance and mitigating the threat of loss and business. Helping small businesses attract and handle financing has always been a cornerstone strength of the SBDC network. Navigating what resources are most applicable can be confusing without the proper guidance. In international trade, SBDCs work closely with SBA's Export Loan Program, the Export-Import Bank, and conventional financial institutions to help small businesses identify and apply for appropriate funding to support their international trade activities. Without these funds, many businesses would face uncertainty and potentially unnecessary risk and loss.

In conclusion, 90 percent of the world market exists outside the borders of the United States. Nonetheless, only one percent of our small businesses export their goods and services.

The biggest barrier to going international a small business owner faces is fear. And fear is a result of lack of knowledge. As you know, international trade assistance is incredibly specialized and complex. SBDCs offer a wide range of international trade services, including helping assess a firm's readiness to export, navigating the regulatory maze, and identifying and applying for appropriate funding. But these services are extremely resource-intensive. What small businesses need to exceed in their further expansion in the world marketplace and the advantages that come with it are Free Trade Agreements that are clear and focused on small business interests, tariff and export controls that are uniform, clear, and specific, but above all else, they need the confidence that comes with the knowledge they get from their SBDC professional that exporting is the right investment for them. Thank you.

Chairman TIPTON. Thank you for your testimony.

And our final witness is Mr. Raymond Arth. He is the president and CEO of Phoenix Products, Inc., based in Avon Lake, Ohio. He started his company with his brothers back in 1977. Phoenix Products is a small manufacturer that produces a line of faucets that are primarily used in recreational vehicles and residential homes. Their products are distributed throughout the United States and Canada, and they are currently working to expand into Mexico and Latin America. He is testifying on behalf of the Small Business Exporters Association.

Welcome, and Mr. Arth, you have your five minutes for your testimony.

STATMENET OF RAYMOND ARTH

Mr. ARTH. Well, good morning. And thank you, Chairman Tipton, Ranking Member Murphy, and the Members of the Small Business Subcommittee on Agriculture, Trade, and Energy. I appreciate the opportunity to be here to testify today.

As you heard, Phoenix Products is a manufacturer of plumbing faucets, and I am here to represent that company. And I am also here on behalf of the Small Business Exporters Association, the country's oldest and largest nonprofit organization devoted to promoting small business and medium-sized export activities. It is an international arm of the National Small Business Association.

Phoenix Products is the last stand-alone company that makes our product category—low cost, primarily plastic faucets. And as you heard, recreational vehicles and factory-built HUD code homes. Think Winnebago motor homes or double-wide mobile homes as the target market.

This is a market that has a lot of demand, but unfortunately, over the last 10 years it has come to be dominated by suppliers from China and Taiwan who are able to offer products at much lower prices than we can meet. So today we are faced with the unpleasant reality of diminishing market shares in our core markets, and we have had to turn to foreign partners to provide some low-end and high-end products. So we are having faucets manufactured for us in addition to what we make in our own factory.

I am pleased to report that in 2012, 70 percent of our faucet sales revenues were derived from the faucets we make in our factory from domestic components. But in 2008, 85 percent of our faucet sales were from domestic products, so our share is diminishing, and we are at-risk of losing the critical mass we need to sustain our manufacturing operation. We need a certain level of activity to make it all make sense. And so we have identified export sales as the important element that will determine whether or not we continue to be a manufacturer of products or evolve into more of a braded distributor of imported products.

In 2009, I spoke with folk at the Small Business Exporters Association, and they suggested we get in touch with the U.S. Export Assistance Centers [USEAC] as a resource to help us make our efforts. And we had selected Mexico for a number of reasons. We contacted the USEAC in March of 2009, and four years later I am sorry to report that we have yet to make our first sale in Mexico, our target market. We have learned a lot. We have had a lot of— we have taken a lot of important first steps, but we are still not able to close that last little gap. So I have a couple observations I would like to share based on our failure so far to crack into this market and how it might affect what you are thinking about as we go forward.

As you have heard, it is very hard for a small business to negotiate and enter into new international markets. There is a knowledge problem finding out who the prospects are, where to go. We have got all the compliance issues dealing with U.S. law and regulations and the laws and regulations of our target country. So the efforts to consolidate technical assistance and coordinating all the providers is an important step that you folk can take. Overall, I will give the USEAC fairly good grades, but the service has been uneven, and the Cleveland office has worked very hard for us, but the commercial officers in Mexico City have not been able to provide the same level of support as the domestic offices.

Related to information, Chairman Tipton, I do want to recognize the transparent rules allowing direct export of trade act for small business and jobs that you introduced in the last session and then suggest that you consider reintroducing it in this section.

A second important factor is that Free Trade Agreements do matter. We have selected Mexico as our first target market because our goods cross the border duty-free, while Chinese and Taiwanese imports face substantial tariffs at the border. This makes our products more competitive vis-&-vis the foreign competition and improves our chances for success in Mexico. In other countries where we have Free Trade Agreements, I think the same rules apply. And Canada, with whom we have had the longest running relationship, we do not even consider to be an export sale. Sometimes we worry more about selling to California than Canada.

Finally, the Ex-Im Bank you have heard is very important and getting paid is the end of the whole cycle. And there is no way for a company like ours to really have entered the market internationally, been able to offer credit terms, identifying credit worthy accounts in the first place, and then the loan guarantees and other programs that Ex-Im Bank can bring to support our efforts will be a key element when we finally make that final step and secure customers outside the United States. Should we prove to be successful beyond our wildest dreams, they may even then serve the role of providing some working capital financing to help us support the growth. We are confident we can support everything in our plans.

So in the time allowed, those are my summary comments today, and you can find more in the written testimony. Thank you very much.

Chairman TIPTON. Thank you, Mr. Arth. And I appreciate the pitch for our bill. We will be introducing that transparency bill again.

We will now begin the questioning portion of our Committee hearing, and I would like to begin with Mr. Mulvaney.

Mr. MULVANEY. Thank you, Mr. Chairman.

Questions for a couple different folks.

Mr. Arth, we will pick up right where you left off, which is you are saying that you are having—you have identified Mexico as a potential export market. You did that because your goods cross the border relatively easily, but then you said you had compliance issues. I thought we had a Free Trade Agreement with Mexico that would make it easier to trade down there. Has that not been your experience? Aside from getting the things across the border, what has NAFTA done for you?

Mr. ARTH. Well, the biggest thing NAFTA has done for us is the fact that our products do cross duty-free, which helps level the playing field with Chinese and Taiwanese imports. There is one compliance issue that is different with respect to plumbing standards. The United States and Canada have a harmonized standard so that if *

Mr. MULVANEY. Have or have not?

Mr. ARTH. Have.

Mr. MULVANEY. Okay.

Mr. ARTH. A harmonized standard, so if I design and build my faucets to the standard of the United States, it is the same as the standard in Canada.

Mexico has a whole different certification process. It is a NOM certification, and I am told that the exact certification is somewhat dependent upon the classification that is assigned at the border. And apparently, it is not as clear cut as some might think. So we are trying to find what we would like as a Mexican agent, a sales rep, or trading company, or some partner in Mexico that we can work with who can actually take the product across the border so we can make that final determination on which standard we need to get to and complete that regulatory hoop.

Mr. MULVANEY. Gotcha. Now, you talked a little bit as well about competing with China and Taiwan, saying you are having some difficulty competing with them at certain price points. Where is their competitive advantage coming from? Is it all labor? Is it also regulatory environment in China and Taiwan? Do you get a feel for where their advantages lie?

Mr. ARTH. I think there are some structural advantages that they do have, and it probably is more regulatory and compliance issues at our end than—or they have fewer of them.

Mr. MULVANEY. Can you give me an example?

Mr. ARTH. Well, I can tell you that the material costs that we are paying are probably all pretty much global material costs.

Mr. MULVANEY. Okay.

Mr. ARTH. My cost for a product at the very end of my assembly line is not that far different if I take just direct labor and material from the invoice price for a product I am importing from China.

Now, I have got a whole lot of factory overhead that has to be added into that, and then I have got my own administrative staff and the cost of people that we have.

A quick example. My father sold his company in 1971. He had 135 employees. I can kind of go through all the capacities they had. They did not have a human resource manager—135 employees. They did their payroll in-house because you took hours worked time s the rate, you paid people, and once a month or once a quarter you sent in your payroll taxes.

I have got 31 people on my payroll. I have a college-educated, part-time HR manager who works for us 20 hours a week. I have my payroll processed by an outside agency because I have got eight payroll deposit periods a month. I mean, all of these things add onto the cost of just running the essential functions of a business here in the United States today.

Mr. MULVANEY. Gotcha. A couple quick questions for both you and Ms. Fulton regarding the Export-Import Bank. Would you tell me specifically, Ms. Fulton, what they did for you? How you used the Export-Import Bank as a small business?

Ms. FULTON. Well, we actually are their number 500 customer on their express insurance, so I will be meeting with Mr. Shen on Tuesday. And he was our first importer of Miss Jenny's Pickles in China.

Mr. MULVANEY. Right.

Ms. FULTON. So I am going to be able to give him terms, which is going to also allow him to buy more pickles from me. So the Ex-Im Bank, without the insurance, I could not afford to take that risk because, you know, normally we would have made them pay upfront. Well, if they pay 100 percent upfront, they reduce their sale order.

Mr. MULVANEY. So it is a bridge loan essentially?

Ms. FULTON. Basically, it is insurance. And their guaranteeing the invoice or the purchase order that Mr. Shen gives me up to 97 percent, 96 percent. And I can afford to take a 4 percent risk. I cannot afford to take 100 percent risk.

Mr. MULVANEY. Mr. Arth, same question to you. How do you all use the Export-Import Bank?

Mr. ARTH. It is pretty much exactly what you have heard here. The first step would be we need to be able to offer credit terms to buyers in other countries, and the Ex-Im Bank, number one, does have knowledge, information resources to help us qualify creditworthy buyers. And then the second piece is this credit insurance that they offer so that if we are not paid after a 60- or 90-day period—I forget exactly—the Ex-Im Bank will step up, basically buy the debt from us at better than 90 percent of its face, and then they will take steps to collect the money.

Mr. MULVANEY. And last question for you, Mr. Myhre. You mentioned very briefly that you wish the Free Trade Agreements that we have and that we are negotiating now would be more focused on small business. Give me two or three examples of how we can do that as we go through these negotiations.

Mr. MYHRE. Well, we know that Free Trade Agreements tend to provide preferential treatment to larger businesses. And small businesses tend to be an afterthought in the Free Trade Agreements that currently exist.

Mr. MULVANEY. But give me specifics as we sit down at the table and say this is what we need for small business.

Mr. MYHRE. I could not probably isolate two or three examples. I can get those for you and provide those to you at a later time.

Mr. MULVANEY. That would be great.

Thank you, Mr. Chairman.

Chairman TIPTON. Thank you. I would now like to recognize Ranking Member Murphy for his questions.

Do we have anybody else? He will defer here as well.

Kindly, the ranking member is willing to defer his time.

Mr. Huelskamp.

Mr. HUELSKAMP. Thank you, Mr. Chairman. I thought this was in violation of the rules. Two republicans in a row. Is that permitted here? I guess so. I apologize.

Thank you for joining us today, and I appreciate the testimony, especially folks from the real world and Jennifer and Mr. Arth.

I had a follow-up question first though for Ms. Fulton. I appreciate your testimony. I am fairly new to exporting. Could you give a little more insight on what you think the biggest barrier to expanding your sales in the future, whether it is in China or are you looking at other countries as well?

Ms. FULTON. Thank you. It has just been a wonderful opportunity.

You know, I knew that 95 percent of the world lived outside the United States being in the financial background. So if I decided to keep our sales just to the United States, I am missing a huge opportunity of clients. What would help us is resources, like I am getting ready to export to Canada. Well, that is a bilingual label that has got to go on there. Well, I have had to contact five different people to figure out how to get that done. Fortunately, the North Carolina Ag Department Export has been essential and crucial and SUSTA. But, you know, I am not saying everybody has got to put everything together, but if we could have a nice umbrella for people to get to to where, okay, if I want to export to Germany because I am going to Germany and that is one of my goals for 2013, I would like to know a little bit of steps in advance on what I have got to do to get my product over there without having to contact 20 different places. So to me, we have got the technology. We have got the resources. Let us put it all together and help us because that is time and money. That is important in our world.

Mr. HUELSKAMP. Thank you, Ms. Fulton.

Mr. Ogden, I had a question. I have got a small company in my district called Vortex Valves that specifically cited tariffs as a real barrier around the world. What markets do you see that present the biggest opportunity for us to open up markets, particularly for small businesses if we are able to reduce tariffs? What should be our next targeted place that would be most small business friendly?

Mr. OGDEN. Well, of course, we have ongoing talks, Trans-Pacific Partnership, and there are a lot of markets in Asia that small businesses are able to go to. The perspective trade agreement with the European Union is essentially—and let me just follow up a little bit on what some others have said. Some of these barriers specifically that really affect small businesses, one of them is standards. One of my fellow North Texas District Export council members, and I mentioned in my written testimony, the International Chem-Crete Corporation, they make construction materials used all over the world. And they comply with the, I think it is the ASTM standards, which are internationally recognized for construction materials but what happens is in many of these other countries that they have to deal with will have different standards. And Mr. Arth talked about this as well, what he is facing.

So what happens is you have to go—to get your product into that country, you have to modify it in some respect, perhaps even change the nature of that product. That adds up to your costs and that puts you at a competitive disadvantage against local producers in that market. And so standards are a big deal. Intellectual property protection trade circuits is a huge deal. I know the Deputy Under Secretary Blank just came out with a new strategy that the Commerce Department has in trade secrets.

So these are just two examples of these barriers. But in terms of specific markets, you know, Asia is very much a growing region right now. I think another area where we need to pay attention to is Latin America. You know, it is always South America. It is always kind of the backwater, so to speak, but I think there are opportunities there. There are frankly opportunities all over the world. We just need to make sure that we have really good commercial diplomacy, really good trade agreements in effect, and that we are very forward thinking in that respect.

Mr. HUELSKAMP. Thank you, Mr. Ogden.

Last question for Mr. Arth. And I also have a constituent that is having difficulties exporting to Mexico, and concerned, we have NAFTA. Why are those happening? Could you describe, I mean, something more general you are seeing outside your particular industry that you say small businesses are trying to export to Mexico. What are some barriers that perhaps we could reduce with our efforts up here?

Mr. ARTH. Well, the problem that I have had really relates to finding a partner in Mexico to work with. The commercial services did a great job. They had a wonderful forum in Mexico City that the Trade Winds Forum on Mexico and the Americas—it was underpriced. Let me make a point that you did not charge enough for that, and so if they had charged more there might have been more resources available at the point people came back.

I had four Gold Key meetings, which were very productive identifying prospective customers. I was ready to go, and I did not expect the Commercial Services staff to work those accounts on my behalf. I need to find a partner in Mexico to work with me.

And where in Cleveland the ICX seems to have connections to local governmental and private sector organizations that are involved in trade, the Commercial Services in Mexico City were not really equipped to connect me to people or even identify a trade rep organization or industry councils or those kinds of folks where I might go to find those people who could assist us.

Mr. HUELSKAMP. I appreciate the comments, and I yield back my time, Mr. Chairman.

Chairman TIPTON. Thank you, Mr. Huelskamp. And now I would like to recognize Ranking Member Murphy for his questions.

Mr. MURPHY. Thank you, Mr. Chairman.

Mr. Myhre, thank you for your testimony and for the Small Business Development Centers' invaluable work assisting small businesses grow domestically and overseas. It is heartening to know that the SBDCs help provide some clarity in the maze of U.S.-foreign government regulation and trade.

You noted in your testimony that we need clear, Free Trade Agreements and uniform tariffs and export controls to help make 90 percent of the world's markets accessible to our small businesses. Can you provide more specifics on what measures would be most helpful for small businesses to expand internationally?

Mr. MYHRE. Well, I cannot specifically answer. I would go back to our national association to get that specific information and recommendations. But what I can tell you is that SBDCs are really working with the agencies to help those businesses navigate the regulatory requirements to making sure that they meet the compliance requirements necessary to do business in international markets.

Mr. MURPHY. That leads to my follow-up. In Mr. Ogden's testimony he stated that SBA's trade counseling program should be eliminated and funding transferred to the U.S. and Foreign Commercial Service. What is your view of that?

Mr. MYHRE. I would not agree with Mr. Ogden's opinion. You know, the SBDC program has been working and doing trade assistance and trade consulting with small businesses for more than 35 years. And we know that the mission of SBA is to help small businesses in all aspects. And as an SBA Economic Development Program, SBDCs are instrumental to that process. It sounds nice to put it underneath a single umbrella with a single focus, but we know that small businesses need more than just simply trade assistance when they are expanding into international markets. It changes their business model in a lot of ways and in SBDC assistance, the broader assistance that we provide is necessary.

Mr. MURPHY. Do any of the other witnesses have any comments on that?

Mr. OGDEN. Yes, Ranking Member Murphy.

My position is that the SBA does a great job when someone comes in and says, "Hey, I want to start a business. How do I get started? How do I, you know, develop a business plan? How do I maybe get some access to start-up capital?" Everything that you would call the pre-export phase. And they do a great job in that, and that is really what they were created to do.

But I think when a company is in the position where they have got some domestic sales, they have got themselves organized, then there needs to be one place they go for export counseling in all respects. And I am not talking about the SBA Export and Loan Program. That is a completely separate thing. In fact, the USEACs work very much with the SBA. What I am talking about is the trade counseling. And this is not just coming from me. This is coming from numerous exporters. In fact, every single District Export Council member I have talked to agrees with me on this, that the expertise that is in the U.S. and Foreign Commercial Service, they should be the place where export assistance and trade counseling is done. And Ms. Fulton talked about some of this, you know, where do I go for assistance? Well, if there is one federal agency providing that assistance, it is going to make it much easier to exporters to go.

And so the point is I think that there is a duplication of effort and the U.S. Foreign Commercial Service has the resources to have the orientation. All they do is provide—they are involved in exports. Export assistance. And trade counseling. And that is their mission. That is their focus. And I just do not think the SBA should be involved in that part. They are certainly great in helping companies get started but when it comes to exporting, that function should go to the U.S. and Foreign Commercial Service.

Mr. MURPHY. As we sit here on the Small Business Committee, I would like to hear your thoughts on if it was all under one umbrella, how many small businesses, how Ms. Fulton, for example, would compete with the Microsofts of the world; and how those huge corporations, they would probably deserve and probably get a lot more attention than Ms. Fulton, for example.

Mr. OGDEN. Well, actually, that is a real good question. And the simple answer is that the Microsofts really do not need the U.S. export assistance centers. They have got the internal resources and the staff to do a lot of things. The biggest consumer of the Gold Key Programs, for example, which is a crucial component of the Foreign Commercial Service, are small businesses. Small businesses are the ones that go to the Export Assistance Centers. That is really where their focus is. In fact, the District Export Councils, even though we have large companies that have members on the DECs, our focus is the SME market. And that is the same focus the Foreign Commercial Service has.

And the idea that a small business is going to be at a disadvantage from a larger company to go and to use that just is not—that is just factually incorrect and it is just the opposite. So that is just not a concern that I have.

Mr. MURPHY. I am sure you are familiar with Boeing and their use of it.

Mr. OGDEN. Export-Import Bank, right.

Well, first of all, this idea that the Ex-Im Bank is Boeing's bank, that is a ridiculous idea. The Ex-Im Bank is the bank for people like Ms. Fulton. Most of their—for example, if you talk about the export credit insurance programs, most of the consumers of those programs are small businesses. Again, large companies, they have the internal resources and the staff. They do not need a lot of the services provided by the USEACs. And of course, the USEACs are separate from the Ex-Im Bank anyway. It is a completely different agency.

So the fact that eliminating the SBA's trade counseling program would in no way inhibit small businesses from going either to the SBA or the Ex-Im Bank for the export financing needs. Again, we are not talking about—I am not advocating at all the SBA get all the export financing aspect. That should remain. Okay? So I want to make that clear. But the fact that the SBA is involved in trade counseling is not going to affect small business in my opinion. In fact, it will help the situation.

Mr. MURPHY. Ms. Fulton.

Ms. FULTON. Well, being the small business person, all I am asking—I do not care who is doing what—is to put it up on the website and say here is what you need to do. Because this is crazy. I am just telling you. All you want to know is, hey, if I want to export here, then I contact the U.S. Export Department or the U.S. Commerce, or the North C Carolina—it is a mess. You cannot find it easy. We have got to grow jobs. You talked about 7-½ percent unemployment. I take a phone call every day from somebody who wants to start their own business and they do not know what to do. They call me. That is not—I mean, I do not mind but then I cannot do my business. We need just an overall website that says if you want to start your business, start with Small Business. Start with SCORE. You do not know how many people I have told go see SCORE. You know, or go here to Export.

So I am just saying you all got to fix this.

Mr. MURPHY. Thank you. And I think that is part of our job here, is to push the President on some of his initiatives that he has laid out to centralize everything into one website, because like you said, we do have the technology. Let us put it to use. So I think that is something that we could probably do in a bipartisan manner here, is to urge the president to do this in a timely fashion.

Ms. FULTON. Thank you so much.

Mr. MURPHY. Did you have a follow-up?

Mr. MYHRE. I do. Just a response to Mr. Ogden's comment. If SBA's mission was to only help pre-venture individuals start businesses then I would completely agree with him. But the reality is that SBDCs help and primarily dedicate their resources, their consulting resources to the small- and medium-sized enterprises that offer the greatest potential to add jobs to our economy.

So in Florida, I can speak specifically that 75 percent of the consulting that we do, the hours that we dedicate in human resource professional consultant time goes to small- and medium-sized enterprises. And a big part of that is helping them develop market expansion strategies and international trade assistance is an important part of that. In Florida and in the national SBDC network, I know our SBDCs are working in partnership with the USEACs and have a very cooperative working relationship with them. We also have in Florida a step program. We help businesses develop export marketing plans where we sit and research and develop those specific strategies and then pass them on to the Gold Key service as part of a program that we have specifically for those small- and medium-sized enterprises.

Mr. MURPHY. Thank you.

Mr. Arth, you point out that the NAFTA created an opportunity for your company by ensuring that products sold to Mexico are duty-free. What are your views on the more recently enacted trade agreements with Korea, Panama, Colombia? And do you feel these agreements will create similar results?

Mr. ARTH. When I was at the Trade Winds Forum in Mexico City I also met with the senior commercial officers from a number of Latin American countries. You mentioned Colombia. The senior commercial officer from Colombia was very enthusiastic about my product and in that time, before we had a Free Trade Agreement, it looked like a good opportunity for me. I have tried to move slowly and not bit off more than I could chew. Mexico could be a huge market for us so I focused all my attention there. But it seemed as though there was a good opportunity for us there potentially before the Free Trade Agreement came into effect, and I would imagine now it could be an even better opportunity for us. I wish I had the resources in-house to understand. I do this when I am not visiting Winnebago or working with an RV dealer or doing all the other things I have to do as company president.

So I do believe that these will create opportunities. For me, I am not so sure Korea is a great market. Calls to Newcastle kind of situation. But I do think in the Western Hemisphere clearly and perhaps the Trans-Atlantic Trade Agreements that are being discussed with the European Union could be worthwhile for a company like mine.

Mr. MURPHY. Thank you.

You noted the important role that Ohio—the state—that they play in your efforts to export. And Ms. Fulton, you praised the state of North Carolina in your trade initiatives. Have you found that the states are filling a void that in some areas should be filled by the federal government? And if so, what are some recommendations you have?

Ms. FULTON. Thank you.

I would say in North Carolina they absolutely are filling some voids. And the fact that they are holding our hand, they are bringing qualified buyers in to North Carolina for North Carolina products. So I think a lot of other states can take note because I worry, when I walked in that room and Mr. Shen said I want to buy Miss Jenny's Pickles, I knew it was okay. Where, you know, maybe that is something we do at a federal level. I do not mind the state doing it. I am just telling you it was really hard and there is, I know, a lot of information out there that I still do not know that I probably need to know. But being only three years old and exporting is our new focus and one of them, it would just make everything easier to help out. And I do think, you know, everybody is busy. I mean, you are busy. I am busy. We have just got to make it simpler. And the state of North Carolina has done a fantastic job.

Mr. MURPHY. Mr. Arth.

Mr. ARTH. I am not sure there is that big a void right now as much as the coordination of all the efforts. As you may be aware, Ohio used to maintain their own international trade offices in a half dozen or more countries around the globe. They had a trade office in Mexico City, and I was working with the folks in Colombia, as well as the USEAC as I was going forward. When things kind of ground to a halt with the USEAC, I was disappointed that Ohio had closed their trade office, but that was really a duplicative function that if it was being doing well once in Mexico City, we should not need them both doing it.

So this whole notion of making, you know, a central point of information and trying to coordinate all these resources, in four years working with the USEAC, I thought I had identified all the good resources and had either gone to work with them or determined that they did not apply quite yet. Yet, this morning, talking with Mr. Myhre and Mr. Ogden, I have discovered that both the SBDC and the DECs have some support features that may well serve what we are going to do going forward. And so I have got a couple more phone calls and contacts to make as we try to cross the border into Mexico.

Mr. MURPHY. Great. I yield my time back.

Chairman TIPTON. Thank you, ranking member.

I would now like to recognize Mr. Luetkemeyer.

Mr. LUETKEMEYER. Ms. Fulton, thank you for your testimony today. It is great to see an entrepreneur, somebody who made—you had a difficult situation. You made lemonade out of lemons or pickles out of cucumbers, whichever one you want to talk about.

Ms. FULTON. Thank you so much.

Mr. LUETKEMEYER. But it is nice to see that the American dream is still alive.

Ms. FULTON. Thank you.

Mr. LUETKEMEYER. You are an example of that; that hard work, initiative, entrepreneurial spirit can make it all work. I know it is difficult to work yourself through the maze of all of the different rules and regulations, programs, policies, and all the other things, but you have done a good job and need to be congratulated for that.

Ms. FULTON. Thank you so much.

Mr. LUETKEMEYER. Whenever you said you all fix it, be careful what you wish for.

Ms. FULTON. I understand.

Mr. LUETKEMEYER. You know, part of the medical creed is first you do no harm. So according to the federal government, maybe that is what we need to do, too, first do no harm.

You have experienced some things obviously that are important from the standpoint of seeing how the system works, what can actually be done and what cannot be done. Just a quick question with regards to do you have an SBA loan by any chance?

Ms. FULTON. I do not.

Mr. LUETKEMEYER. Okay.

Ms. FULTON. I do have a line of credit but I could not get that line of credit until last year when we had been in business right at three years. We did talk to the SBA about a loan in the beginning, and because, remember, I was a financial advisor, not a pickle maker, I had no experience so there was no opportunity for me to get funding.

Mr. LUETKEMEYER. Okay. Very good. Well, I was just curious about it.

What percentage of your business comes from foreign trade right now?

Ms. FULTON. Five percent, and I want to take it to 25 percent.

Mr. LUETKEMEYER. Twenty-five percent?

Ms. FULTON. Yes, sir. That is my goal.

Mr. LUETKEMEYER. Have you had any problems with, at this point, with currency manipulation, currency valuations between the countries that you are dealing with? Is that a problem for you at all?

Ms. FULTON. Well, I will tell you, a little bit. And that is a great point. One thing that we learned is, on our label—and again, these are going to be left for you all to have later—is by putting that America flag on there——

What I was going to say is when people outside the United States see that American flag on our label, they know it is a premium product. They know there are food safety regulations that have produced this product, and they are willing to pay a premium. So in the beginning, you know, our price point in China was a little high. The good news is we have got that American flag on there. You know, not every Chinese person speaks English, so we came up with the international sign. If you want to know how to communicate, it is a thumbs up. And that is what they gave me when they tried Miss Jenny's pickles in Shanghai. And we have also reduced our price. But it was a problem in the beginning. But the flag on the label made a big difference. I will just tell you that.

Mr. LUETKEMEYER. Okay. So you deal with China.

Mr. Arth, you deal with mostly the Latin American countries at this point; is that right?

Mr. ARTH. Actually, we do buy materials from China and Taiwan.

Mr. LUETKEMEYER. Okay. Okay. Have you found a problem with currency valuations between the countries at all?

Mr. ARTH. Are you talking about fair valuation?

Mr. LUETKEMEYER. Yeah. Right. Because I know the Chinese are trying to manipulate the currency a little bit and it kind of causes some problems for some of our manufacturers who buy products.

Mr. ARTH. You know, it is very difficult for us to be able to point to that and say with any certainty that they are manipulating the currency. It has been relatively stable. I mean, our contracts for purchasing materials always have a set exchange rate. And that is true with the Taiwan dollar as well as the R&B.

Mr. LUETKEMEYER. Okay. You are in a business where you compete probably against a lot—I think you made the comment with regards to other products from other countries, especially with a metal product. I know that there is a lot of dumping that goes on, especially from the Chinese, Taiwanese, Philippines, that area of the world, the Asian-Pacific Rim. I have some companies in my own area that have problems with that. Have you experienced that at all with those countries dumping stuff here that compete against your products and need some trade protection perhaps?

Mr. ARTH. I am not sure that dumping is going on today with respect to our core products, which would be the plastic faucets. Metal faucets are going through a whole new adventure right now because of the pending lead law that is going to take effect in January of next year. There may be dumping going on now just to get rid of old inventory while it is still saleable.

With respect to the plastic faucet commodity, I do not think there is a great deal of manipulation or games being played in other countries to promote that product. When they first came into this country there were some prices that looked pretty strange, below material cost almost. But today I think things have normalized.

Mr. LUETKEMEYER. I have just got a few seconds left. One quick question for you. You represent the Small Business Export Association. What percent of small businesses export their products out of this country?

Mr. ARTH. Oh, geez. It is in my testimony, and I do not remember the number off the top of my head. I believe it is less than one percent. Or just over one percent. Two hundred eighty seven thousand small businesses out of the 27.9 million, so a little over one percent are actively exporting.

Mr. LUETKEMEYER. Okay. Do you have an idea, just very quickly, the number of businesses that actually sell a part or a product to another country that export that product then?

Mr. ARTH. That I do not have a clue but I am confident that my faithful staff can provide a response to that.

Mr. LUETKEMEYER. I am just curious because it all ties together with regards to, even though you may not import or export directly, if you are having problems with—if the country that you sell your product to has problems, then that means you have problems as well.

Mr. ARTH. Correct.

Mr. LUETKEMEYER. Thank you for our testimony. I am out of time.

Mr. Chairman, I yield back.

Chairman TIPTON. Thank you, Mr. King for your questions.

Mr. KING. Thank you, Mr. Chairman. And I thank the witnesses for your testimony.

As I am listening to this I am starting to think, I remember back in 1975 when I started a business my biggest fear was government regulation and how many different hurdles did I have to leap over that I did not know existed. And I would find them usually at my peril. So the burden of even domestically starting a small business that many years ago has to be multiple times greater today. And once you jump through all those hoops it would seem to me that you would be acclimated to get through a few more in foreign countries. However, different hoops in each country, and that can be the barrier.

I am curious, and I go first to Mr. Arth, how many countries do you do business in? Export to?

Mr. ARTH. Today we sell—we have distributers in Canada that we sell to, and then also U.S. distributors who take our products across the border into Canada. We do very small export sales to Australia, to Colombia. We used to do Panama. I am not sure if that is still current. I did list the countries in my testimony. There are a handful. But we are not yet selling anything into Mexico.

Mr. KING. And the reason I ask that question is how many of those countries, just to get a general understanding, I do not need to pry into your business practices, but a general understanding of how many of those countries you travel to before you can open up a market in order to build a network that you can work with?

Mr. ARTH. To tell you the truth, I have never been to Australia or any of the other countries with the exception of Canada, which if you live in Cleveland, Ohio, is right across the lake. So they are our next door neighbor. Travel to that country has not been—to those countries has not been a crucial element. But in all of those cases we may have kind of fallen into—those were accidental export markets as opposed to deliberate accomplishments where we can say we are selling products into Colombia.

Mr. KING. But generally speaking, you had accidental markets, but when you decide you want to sell into a country do you make a commitment that you travel there and build a network?

Mr. ARTH. At this point I am not working on those other incidental markets. Canada I visit and I do work some shows in Canada on a regular basis.

Mr. KING. Thank you.

Mr. ARTH. But the others are small pieces right now.

Mr. KING. Ms. Fulton, I know that you have some ambitious export plans, so I am curious as to how that networking has worked for you in the past and what countries you are shipping to now and how that is going to work for you to build your network in the future.

Ms. FULTON. Well, thank you. We export to China. I did go to the country and Canada last year and meet with buyers to build that market. And we hired a Canadian broker. And so we should be exporting to Canada hopefully within the next 60 to 90 days. I have also met with buyers from Mongolia. We also have buyers in Europe that I have met with, but I do not have a presence in Hong Kong. I do not have a presence in Germany. So I am going over there to pave the way to get our product over there.

Mr. KING. I brought that up because that is my suggestion. It is just my belief that this world runs on networks and if you are looking people in the eye and taking the measure of them you can be a lot more effective than if you are transferring things electronically these days. It still comes down to people, and it comes down to trust and professionalism and efficiency. So, and you mentioned Germany. How do you intend to crack into that market?

Ms. FULTON. I forgot to mention, so thanks for coming back to me, as a small business though, without SUSTA, the Southern United States Trade Association, I would have never been able to go to Germany or Hong Kong. And so what we are doing is we get subsidized once we go over there. We get reimbursed for part of our airplane and our hotels. And they also set up one-on-one buyer meetings for me so that I am not wasting my time because, again, I have never been to Germany. I am going to have to figure it out. But by having SUSTA and North Carolina Export with me, holding my hand a little bit, even though they will not knock on the door and they know I will, but they are going over there with me, and that makes a big difference.

Mr. KING. I think as Mr. Myhre said, the biggest barrier is fear of the unknown. Absolutely.

Do you run into any sanitary or phytosanitary issues trying to market into Europe?

Ms. FULTON. I have not got that far yet but I will get back to you on that.

Mr. KING. I will be looking forward to that.

We are in the process of opening up our negotiations with the Trans-Atlantic Trade Agreement. I do not know if that was mentioned here before I arrived, but those issues have been huge barriers, especially from the agriculture and the food side. And one of those things is an issue that I see is trade protectionism on how we process chickens that are not allowed into Europe right now. I actually just came back from some fairly intense negotiations over there on this, and I am not at this point optimistic we are going to get something done because trade protectionism is often masked in those kind of issues, like sanitary, phytosanitary issues, GMO issues, et cetera. But I am going to take it those are natural-born cucumbers turned into pickles at your place.

Ms. FULTON. Yes, sir.

Mr. KING. And I appreciate the chairman for holding this hearing and all of the witnesses. It is a breath of fresh air for me, as Blaine said, to hear from real people doing real work. I think that was you, Blaine, but maybe not. But I know that is what you believe.

Thanks. I yield back.

Chairman TIPTON. Thank you, Mr. King. And we are going to have votes called in just a couple of minutes.

I had a couple of questions but I would like to yield to Ranking Member Murphy. You had a couple of follow-up questions you wanted to ask.

Mr. MURPHY. Just one more and then I yield back.

Mr. Myhre, as you highlighted in your testimony, regulations on exports have been an increasingly significant part of what is happening nowadays. In addressing national security concerns though, these rules place a high degree of scrutiny on products, but they also demand more resources from firms to navigate the complex and time-consuming process. Do you believe there can be a more balanced approach between security and commercial interests and implementation of these export controls?

Mr. MYHRE. Certainly. I do not have any specific recommendations. I have to go back to my area experts to find out what those are but there certainly has to be a balance we understand and understand the challenges which you have to balance national security with the red tape in which, you know, small businesses have to navigate. What we try to do is make sure that we mitigate that by staying attune to what that red tape is and then working with those small businesses to work through those.

Mr. MURPHY. Do these more stringent controls compel foreign companies to avoid U.S. products or to retaliate against their American competitors?

Mr. MYHRE. I have not heard that there is any resistance against it.

Mr. MURPHY. Okay. All right. Thank you.

Chairman TIPTON. Great. Just to be able to follow up on that just a little bit, can, maybe very briefly because they have now called votes for us to go over, can you give us a month, two months, about how long does it take you to be able to get all of the information you need together, you know, for the foreign transactions to actually take place?

Ms. FULTON. Well, I will just answer real quickly because I met Mr. Shen in May, and we did not export until October. And it took actually seven weeks to get my product from the boat all the way over there. So again, met in May and then it left my dock on October.

Chairman TIPTON. Okay.

Mr. MYHRE. That is the fast track. I would say that the normal experience for most of our small business clients, we work intensively with them. It takes anywhere from 80 to 100 consulting hours to research, to develop, and then identify specific market strategies. But then they have to go to, as the congressman highlighted, to the country to develop the networks, find the buyers, et cetera. We find that it takes anywhere from 6 to 12 months at a minimum.

Chairman TIPTON. You know, I am a small businessman and that has always been our experience. And time investment and capital investment to be able to create those markets to tell the field, if you will, and then to be able to ultimately get there and then have 60–90 days before you get that first check coming back after you have established the market is always a real cost that we have got to understand.

I believe our panel almost unanimously has stated that some of the largest barriers to exporting is understanding and complying with those foreign regulations. Can you explain, and again, if you keep it brief—I apologize for our time constraints on our end here—how you keep up with those foreign regulations, including technical barriers and changes to the tariffs.

Ms. FULTON. What I would say to that, Chairman, I keep different folders for each different country, and I print off everything that is supposed to go to China, everything that is going to Canada, and keep it totally separate and keep a large file on it. But again, I am sure there is information out there I need to know that I do not.

Chairman TIPTON. All right.

Mr. MYHRE. From our professional expertise, all of our people are certified in their area of expertise, so they are required to continue to have professional development training to stay attune to their area of expertise.

Chairman TIPTON. Okay.

Mr. ARTH. We do anticipate when we finally get going in Mexico that we will actually retain counsel in Mexico to keep us appraised of the situation in that country and then working with domestic resources, USEAC, and others to stay up on U.S. trade regulations.

Chairman TIPTON. Believe me, I have a lot of great empathy for the idea of having one-stop shopping to be able to get that information. I think having a myriad of different websites to be able to go to when we are starting out and all we want to do is make pickles or to be able to sell faucets, that is our real business. And the better position I think from the federal end of the world, and we have some great examples in North Carolina and in my home state of Colorado as well, being able to work with people wanting to be able to export going out. I think simplification and consolidation of that information is going to be really critical for us.

I guess just for me to be able to close here, just real quickly if I could get maybe Ms. Fulton and Mr. Arth to be able to explain, if you just had one bit of quick advice to be able to give other businesses that wanted to be able to export, what would that be?

Ms. FULTON. Take the risk. Do it. It is worth it in the end.

Chairman TIPTON. Great.

Mr. ARTH. You know, call USEAC was the best advice I got. It has not been complete and totally satisfactory, but they have done a good job and I think I would make the same recommendation to someone who asked me.

Chairman TIPTON. Great. Well, thank you all so much for taking the time to be able to come in for this I believe important Committee hearing. This is about jobs. I believe Ms. Fulton this is probably your family if I am seeing the same eyes sitting behind you.

Ms. FULTON. Yes, sir. Very proud.

Chairman TIPTON. It is about these kids. It is about their future and it is about American entrepreneurialism to be able to get this country moving and to be able to get our people back to work. And small business can help lead the way. And when we have only got one percent of small businesses having that opportunity to be able to really get in right now there is a big market for us to be able to capture and to be able to put that American flag on our products. No country in the world does it better than the workers and the entrepreneurialism of this country.

Thank you again. First meeting together with our new ranking member here as well. This Committee will continue to closely follow the barriers and issues faced by small business exporters, and I look forward to working with you and my colleagues in Washington on new solutions to be able to make overall trade practices and processes easier for small businesses.

I ask unanimous consent that the members have five legislative days to submit statements and supporting materials for the record. Without objection, so ordered. This hearing is now adjourned. Again, thank you.

[Whereupon, at 11:21 a.m., the Subcommittee was adjourned.]

A P P E N D I X

Testimony of Daniel Mark Ogden, Esquire

Attorney at Law and International Trade Consultant

On behalf of the National District Export Council, Inc.

House Committee on Small Business

Subcommittee on Agriculture, Energy and Trade

Hearing:

Small Business Trade Agenda: Opportunities in the 113th Congress

February 28, 2013

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I. INTRODUCTION

Chairman Tipton and Ranking Member Murphy, I would like to thank you for the invitation to testify at this hearing of the House Committee on Small Business Subcommittee on Agriculture, Energy and Trade on the subject of Small Business Trade Agenda: Opportunities in the 113th Congress, and for the opportunity to share my views on this subject with the members of this Subcommittee.

Witness Background

My name is Daniel Ogden. I am an attorney, a licensed customs broker, and an international trade consultant who for over 25 years has counseled and represented U.S. and foreign companies of all sizes on a multitude of international trade and business legal and regulatory issues. I am also the current Chairman of the National District Export Council, a former Vice Chairman of the North Texas District Export Council, and a Director and Corporate Secretary of Export University, Inc.

I am appearing here today on behalf of myself as well on behalf of the National District Export Council, Inc., of which I am the Chairman. My testimony will be based upon my knowledge of international trade not only from the insights I have gained from working with numerous exporters in my law and international trade consulting practice, but also from my experiences in interacting with many small business exporters in the 8 years that I have been affiliated with the District Export Councils. The views I will express represent my own personal views as well as those of the National District Export Council, unless otherwise noted.

Subject of Testimony

The subject of my testimony today will cover the importance of trade to the well-being and wealth of the U.S. economy, to the health and profitability of small business, and to the creation of job growth in the United States. I will also discuss the challenges and barriers to success that small business exporters face from government laws and regulations, both foreign and domestic, and the role that the government in the United States should play in advancing the international trade interests of the United States.

District Export Councils

Please allow me to first provide a brief overview of who and what are the District Export Councils. The mission of the District Export Councils (DECs) is to encourage and support exports of U.S. goods and services that strengthens the profitability of individual companies, stimulates U.S. economic growth, create jobs, and improves the international economic competitive position of the United States. This mission is supported through activities such as:

- Counseling and mentoring of local businesses in exporting;
- Identifying export financing sources for businesses;
- Creating greater export awareness in the business community locally;
- Supporting programs and services of the U.S. Export Assistance Centers;

- Providing export training and education through Export University® programs;
- Identifying issues affecting export trade and suggestions for improvement;
- Advocating trade policy and legislation supporting exporters and the U.S. export sector.

District Export Council members, of whom there are over 1,400 nationwide, are leaders from the local business community who volunteer their time to be mentors of exporters within their local area. DEC members are appointed by various U.S. Secretaries of Commerce based upon their expertise on various facets of international trade and whose knowledge of international business provides a source of professional advice for local firms. Closely affiliated with the Commerce Department's Export Assistance Centers and the U.S. & Foreign Commercial Service, the 59 DECs currently existing nationwide support the U.S. Government's export promotion efforts and serve as a communications link between the business community and the U.S. & Foreign Commercial Service. Individual District Export Councils focus on carrying out their mission in their local communities. While DECs and individual DEC members engage in advocacy on a variety of export and trade issues, neither DECs or individual DEC members represent the U.S. Government in any capacity, nor do DECs or individual DEC members engage in any activity requiring lobbyist registration.

National District Export Council

The National District Export Council is an umbrella group that represents local District Export Councils on a national basis. The National DEC consists of 16 District Export Council members who have been elected to the National DEC by DEC members from each of the eight U.S. Commercial Service Networks. The mission of the National District Export Council is provide support and guidance for fulfillment of the mission of the DECs, and to facilitate communication between the DECs, between the DECs and the U.S. Department of Commerce, and between the DECs and the international business community and policymakers. The National DEC, in essence, serves as a coordinator of DEC activities that occur on a national basis as well as serving as a representative of local DECs by interfacing directly with the Department of Commerce and other U.S. governmental trade agencies.

The National District Export Council also represents America's exporters on a nationwide basis. It is unique in its ability to do so due to its close relationship with the U.S. Department of Commerce and the fact that District Export Councils are constituted and managed by exporters at the grass roots level. Unlike other organizations such as trade associations that are managed by professional staff, exporters participate directly in District Export Council management and make decisions themselves on the various activities undertaken by a District Export Council. Further, District Export Councils work very closely with the U.S. Department of Commerce and this is particularly true with the National District Export Council. As a result, District Export Councils have unique relationships with both American exporters and the U.S. Department of Commerce that no other organization can claim.

As an example of these relationships and how the National District Export Council is able to represent American exporters, the National DEC has established a close working relationship with the Market Access and Compliance ("MAC") unit of the Commerce Department. MAC, along with the USTR office, plays the key role in the effort of the U.S. government to reduce and eliminate foreign trade barriers. One to the objectives that the National DEC has in its relationship with MAC is to inform exporters on the role played by MAC in reducing foreign trade barriers that exporters face, and to inform MAC as to the specific nature of these barriers. While MAC does a great job in identifying foreign trade barriers in general, and maintains a web site where exporters can report trade barriers, the simple fact is that there is no way for MAC to exhaustively know the specific trade barriers that individual exporters face.

As a result, the National DEC prepared a survey in 2011, which it sent out to more than 1,400 DEC members who were either exporters or export service providers, in an attempt to obtain detailed information on specific types of foreign trade barriers, which countries they existed in, and what the response was of exporters to these barriers. Following completion of this survey the National DEC provided the results to MAC in order to assist MAC in understanding more fully the foreign trade barriers that are hampering U.S. exporters. This information has proven useful to MAC in its operations and also introduced to many exporters and export service providers the fact that there is a federal agency that is engaged in an effort to reduce or eliminate foreign trade barriers, a fact of which even many experienced exporters and export service providers were not aware. Subsequently, as a follow-up to this survey, the National DEC and MAC (with the assistance of the USTR's office and the U.S. Chamber of Commerce) put together a workshop on Foreign Trade Barriers in 2012 that gave exporters a chance to meet with MAC personnel where they could directly discuss the foreign trade barriers they were facing, and where they could learn about the efforts of both MAC and the USTR in overcoming specific trade barriers.

This relationship between the National DEC and MAC is merely one of many examples where the National District Export Council, and the District Export Councils in general, are helping to advance the interests of America's exporters in some unique ways that no other organization is able to do.

Export University

I would also like to mention at the outset the mission of Export University, Inc. Export University is a "branded" approach to conducting trade education and training which is offered by DECs nationwide with the full support and partnership of the U.S. Department of Commerce. Export University is the premier export education and training program in the United States. From its founding in 2005 by the Florida District Export Council, Export University has grown into a national program which is exemplified by excellence in export education. Export University is not an academic program but is rather a trade education and training program designed to provide companies with practical information which can be immediately utilized in their export efforts. It is one of the primary methods by which District Export Councils provide export mentoring and education to companies within their local communities.

In sum, the District Export Councils are not only a vital link between the U.S. government and the exporting community, but as a result of their exporter mentoring, trade advocacy and educational efforts such as Export University, they have come to play an essential role in the increasing success of the U.S. export sector.

II. OPPORTUNITIES AND CHALLENGES FOR SMALL BUSINESS EXPORTERS

The focus of this hearing is on the opportunities for the 113th Congress to develop a small business trade agenda. This is an eminently worthy goal for international sales by U.S. small businesses constitute an every-increasingly large proportion of U.S. exports. In order for my testimony to be helpful in providing insights for developing this trade agenda, it will be beneficial for me to first discuss the nature of small business exporters and the opportunities and challenges they face.

The Nature of Small Business Exporters

Like exporters of any size, small business exporters face both opportunities and challenges in the international marketplace. However, because of the nature of small business exporters, their opportunities are affected by these challenges disproportionately as compared to larger exporting firms. In order to understand the disproportionate effect of the challenges, a discussion of the nature of small business exporters is in order.

Small Business Exporters are Small Businesses First

Initially, it must be stressed, and this is a key point, that small business exporters are small businesses first. The fact that they derive a significant portion of their revenues from exports does not detract from the fact that they face the same challenges to their profitability that all small businesses in the United States face. Some of the most significant of these challenges that all U.S. small businesses face arises from the U.S. domestic regulatory and legislative environment which has a significant impact on their profitability. In fact, among all small businesses, small business exporters face unique challenges in this regard as not only do they have challenges to their profitability in the foreign arena but also from the domestic arena in the United States as well. Therefore, before discussing the challenges faced by U.S. small business exporters from foreign regulatory and legislative environments, and how Congress can assist in those challenges. it is important to first examine this environment at home.

The Impact of U.S. Regulatory, Legislative & Tax Policies on the Health of Small Businesses

Healthy small business exporters are healthy small businesses. The health of any business is measured by its profitability. While this profitability is impacted by numerous factors, the regulatory, legislative and tax environment in the United States unquestionably is a significant factor as relates to small business profitability. For example, many small business exporters are manufacturers (part of the resurgence in U.S. manufacturing is being led by small business exporters). Like any other manufacturer, small business manufacturer-exporters are greatly affected by U.S. regulatory agencies such as OSHA and the EPA and the voluminous regulations they produce. Additionally, like many small businesses, small business exporters are affected by laws such as Dodd-Frank, which is greatly limiting access to loans for small businesses, and Sarbanes-Oxley, which, as a result of its numerous and burdensome financial and other reporting requirements for publicly-traded corporations, discourages small businesses from seeking investment capital through public stock offerings. Finally, the fact that many small business exporters are Sub-Chapter S corporations, like many other small businesses, means that current tax laws severely impacts their ability to reinvest their retained earnings in their operations.

One unintended consequence of these U.S. regulatory, legislative and tax policies is that in many instances these policies forces manufacturers to move production to other countries that have regulatory, legislative and tax environments that are more conducive to the profitability of a business. This fact often is not true just for large manufacturers, but for small manufacturers as well. When it comes to small business manufacturers, while the decision to locate production facilities overseas is determined by a multitude of factors, one of those factors is often U.S. regulatory, legislative and tax policies. The more that small business manufacturers locate their production facilities overseas, the less they will export from the United States and just as important, the less Americans will be employed in such production.

In seeking, then, to answer the question "what can Congress do to assist small businesses in increasing their exports?", one answer quite simply is to stop over-regulating, over-legislating, and over-taxing small business in general. That answer may perhaps do more for the health of small business exporters than other single thing the United States government could do.

The Impact of U.S. Export Controls Reform on Small Business Exporters

While general U.S. regulatory, legislative and tax policies that are friendly to small business will help to improve the health of U.S. small businesses in general, including small business exporters, there is one specific area of U.S. regulatory and legislative policies that in particular affects small business exporters. By its very nature U.S. export controls laws and regulations directly impact all American exporters, but, as is the case in general with laws and regulations, they have a disproportionate impact on small business exporters. Large exporting firms generally have the requisite staff and resources to manage the complexities of export controls compliance. As a general rule, small business exporters usually do not such resources and often will have a single employee with other responsibilities who is also responsible for export compliance. Or, instead, they may instead be forced to outsource export compliance to an outside consultant. Many exporters, however, do neither and therefore are non-compliant in various degrees when it comes to export controls.

There are, of course, very good policy reasons for the U.S. to have export control laws as they help to protect U.S. national security and economic vitality. And further, it is the responsibility of all U.S. exporters to ensure that they are in compliance. The importance of export control laws, however, does not necessitate that they either be so complex and cumbersome that they discourage companies from exporting, or that they fail to be updated and modernized to reflect the current stage of technological developments and the realities of the international marketplace. It does no good, for example, to have stringent controls on the export of computer chips that are several generations old and can be purchased on eBay for a few dollars. The challenge faced by the U.S. government, then, is to have export controls that are effective in meeting U.S. national security, foreign, and commercial policy, yet do not discourage exports. While meeting this challenge–which on its face may appear to be contradictory–is difficult, a continuous review and updating of export control law and regulation can overcome this challenge and accomplish the dual goal of both protecting vital U.S. interests and increasing U.S. exports.

Fortunately, there is at present on ongoing attempt by the current Administration to reform U.S. export controls, called, appropriately, export control reform or ECR. This process, although for many years being called for by those both inside and outside of government, was really begun in earnest at the prompting of former Defense Secretary Robert Gates. Without getting into the weeds of ECR, the overall objective is to simplify both the administration of and compliance with U.S. export controls law and regulation. While there are many things that the executive branch can itself do to advance this objective, Congress also has a vital role to play. The simpler it is for the U.S. government to administer our export control laws, and the simpler to is for U.S. exporters to comply with them, the greater the likelihood will be that U.S. exporters will in fact comply with such laws and regulations–thereby accomplishing the policy objectives behind such laws and regulations–and the greater the likelihood that U.S. exporters will increase their exports due to the fact that U.S. export controls law and regulation will not be a negative factor in their export efforts. These facts are doubly true for small business exporters.

The Defining Characteristics of Small Business Exporters

In considering the opportunities it has to develop a small business trade agenda, Congress needs to have a firm understanding about the defining characteristics of small business exporters. When thinking about small business and exporting, first a definition is in order. When one thinks of a small business, quite often the thought is that of a business like your favorite dry cleaners. While dry cleaners are certainly small businesses, when it comes to small business exporters, they run the gamut from a single entrepreneur who drop ships his products to his overseas eBay customers to a company with 500 employees who ships its products to multiple countries. What really defines a small business in general is not so much the size of a company in terms of its employees or annual revenues, but rather its level of entrepreneurship. To be successful, small businesses by necessity have to be entrepreneurial and the founders and owners of small businesses must be and generally are entrepreneurs. What defines entrepreneurship? In a word, risk-taking. The degree by which a company is willing to take risks, calculated and reasonable risks, but risks nevertheless, to a large extent determines its level of entrepreneurship. And when it comes to exporting, this is exponentially true.

To be a successful small business exporter means by definition that you are willing to take risks in order to increase your market share, grow your company, and improve your profitability. This need to be a risk-taker is due to the fact that the international marketplace is fraught with risks arising from political, economic, cultural, legal and other factors. But as any true entrepreneur knows, risk means opportunity. And it is this opportunity that drives small businesses to become exporters. It is true that many small business exporters are occasional exporters, meaning that they export not as a result of a deliberate strategy, but rather in reaction to requests for orders. But when many a small business sets out to deliberately survey the global square, because by nature it is a risk taker, it often sees not just roadblocks but also opportunities.

The reality is, of course, that these roadblocks to exporting do exist and present barriers to exporting that U.S. firms of all sizes, and particularly small businesses, have a difficult time overcoming. American small business exporters, of course, like all exporters, do not operate in a vacuum as their operations are affected by numerous factors. Perhaps the most single important factor is U.S. trade policy. Therefore, before discussing some of the unique and specific challenges small business exporters face in regard to trade policy, a few comments about U.S. trade policy in general are in order.

U.S. Trade Policy Fundamentals

Rather than cite numerous statistics indicating the importance of trade to the U.S. economy, it is sufficient to state that more than ever, due to the increasingly foreign competitive challenges faced by U.S. companies (and particularly small businesses), as well as to the global marketplace that has become a reality, trade policy is arguably–along with national security policy–the most critical policy the federal government faces today. If the U.S. economy is to have sustainable growth and generate wealth, which should be the goal of any economic policy, then we must have the right trade policy. It is not an option. It is a necessity.

The question then is, what should that trade policy be? This is a complex question that demands detailed answers. For the purposes of today, I would like to provide some answers to that question from the standpoint of small businesses in the United States.

Trade Policy and Wealth Creation

Before I do so, however, I would like to make a few general points about international trade and it relationship to the wealth creation of an economy. Exporting, at least for most, is generally praised as a worthy and worthwhile activity. Importing, on the other hand, is frowned upon for obvious reasons which are not necessary to recite. The simple fact of the matter is, however, that trade is a two-way street. Every export is also an import and vice versa. Imports in of themselves are not a bad thing and in fact are vital to the success of many U.S. firms, and especially for small businesses who quite often have very thin profit margins. Being able to freely source the inputs and means of production is critical to the profitability of small business, including small business exporters. Those who do decry imports also–and oddly–generally ignore the existence and importance of exports to wealth creation and the U.S. economy as they tend to be anti-trade in general.

At its fundamental core, trade policy should be based on one underlying principle–free market economics. This principle was postulated over 200 years ago by Adam Smith in his seminal work the *Wealth of Nations*, which set forth the proposition that mercantilism–in today's parlance, protectionism–leads not to wealth but rather to poverty. Smith argued that the mercantilism of his day distorted a market by introducing artificial barriers to trade and thus impoverished a country as a whole.

An accompanying principle, which is also an important component of a free market trade policy, was advanced by David Ricardo in his *Theory of Comparative Advantage*. This theory, in simple terms, states that a nation should sell what it is good at producing and buy what it is not. This theory actually is borne out every day in the business practices of companies. A Coca-Cola bottler, for example, does not turn raw materials into the glass for which it uses to bottle Coke because it is not good at turning raw materials into glass. Rather, it purchases the glass which it uses to produce the bottles which contain the world's most recognized and consumed soft drink. The same principle holds true for countries. In Africa, for example, many countries have abandoned their comparative and natural advantage in the agricultural sector in an attempt to become producers and exporters of heavy industrial products, largely due to the bankrupt Soviet-inspired economic philosophy that a strong economy is by necessity a heavy industrial economy. As a result, many of these countries are now net importers of food, having neglected or destroyed their agricultural sectors and therefore have created not wealth, but poverty. And the failure of countries all around the world to recognize this principle is a prime driver of trade protectionism.

Dangers of Protectionism

In spite of attempts by politicians, economists, political philosophers and ideologues over the last 150 years to the contrary, these fundamental economic principles spelled out by Smith and Ricardo have been proven by economic reality to be factually true. Protectionism is the mother's milk of economic depression. It is not a creator of wealth but rather is a creator of poverty. Trade policies that are protectionist in nature are a dead end and only hurt the very persons they are ill-designed to help. Protectionism was one of the major causes of the Great Depression. "Beggar thy neighbor" trade policies, such as the 1930 Smoot-Hawley Tariff (which is still on the books as the default tariff for non-MFN and non-GSP nations), merely led to a rapid and calamitous reduction in economic growth and activity both in the U.S. and abroad. The Great Depression was the price we paid for such a policy.

Avoidance of a protectionist trade policy used either as a strategy or a tactic should be at the core of U.S. trade policy. Protectionism is not a monopoly held by either party in our historically two–party system of government. It is a disease that is bi-partisan in nature. As a nation, we cannot afford its fruits no matter how loud the cries are for it.

Importance of Trade Agreements to Small Business Exporters

The temptation to implement protectionist trade policies is not, of course, unique to the United States and as a general measure is succumbed to far more often in most other countries. Protectionist trade policies are a fact of life that small business exporters have to deal with on a daily basis. This fact makes trade agreements an essential component of U.S. trade policy.

Reduction and Elimination of Tariffs

Since the conclusion of the Second Would War, the focus of trade agreements has been the reduction or elimination of tariffs on imported goods. These reductions or eliminations that have resulted from both bilateral and multilateral trade agreement, starting with the GATT in 1947, have been extremely beneficial to U.S. exporters in that the they have leveled the playing field for U.S. exporters to compete against local producers in foreign markets. Tariffs are, in fact, the number one barrier to trade and trade agreements should continue to focus on them.

Non-Tariff Trade Barriers

The tendency of trade agreement to focus on reducing and eliminating tariffs, however, while certainly vital, has resulted in an increased focus on non-tariff trade barriers. The temptation of protectionism is a constant. As more countries enter into free trade agreements and as a result reduce or eliminate their tariffs, non–tariff trade barriers have become the protectionist tool of choice. These barriers include such matters as customs facilitation and procedures, local product standards, intellectual property protection, packaging and marking requirements, consumer product health and safety requirements, just to name a few. While it may be argued that these barriers in of themselves are an essential exercise of the inherent police powers of government (to regulate for the health, safety and welfare of a society), the problem when it comes to trade is that these barriers are often applied *discriminatorily* against foreign producers exporting to that country and in fact are often designed solely for the purpose of either keeping imports out of that country or making it very difficult for foreign exporters to compete against local producers.

Real World Examples of Non-Tariff Trade Barriers Faced by Small Business Exporters

I would like to cite a few real world examples to illustrate the nature of these barriers and their effect on small business exporters. One of my fellow North Texas District Export Council members owns a small business, International Chem-Crete Corporation, that produces construction materials that it exports around the world. One of the prevailing standards for his company's industry are the standards promulgated by ASTM International for materials, products, systems and services used in construction, manufacturing and transportation. The implementation of these standards by any country makes perfect sense as these standards are internationally recognized for their role in producing high quality products and services. While International Chem-Crete produces its construction materials according to the applicable ASTM standards, it often finds that many countries to which it has targeted for exports have local standards that differ from the internationally recognized ASTM standards. The only rational explanation for this fact is that these countries maintain these local standards in an attempt to raise the costs of foreign producers exporting to that country, which costs invariably result due to the necessity of product modifications required to be able to meet such local standards for sales into that particular market. International Chem-Crete also has to deal with the EU REACH regulations that regulate sales of chemical-related products in the European Union by foreign-owned companies (these regulations do not apply to EU-owned companies). Its need to comply with REACH is true in spite of the fact that International Chem-Crete has even set up a local production facility in Slovakia for the purpose of supplying the EU market. The EU REACH regulations are a clear example of a non-tariff trade barrier designed to protect local industry from foreign competition.

A second real-world example is that of a small business client of mine that produces a paint coating that protects against and reverses rust oxidation which it presently exports to several countries and regions. This company has patents covering its product formulas but, as often is the case in these situations, has not disclosed in its patents all of its proprietary technologies in order to prevent reverse engineering of its products. As a result, the maintenance of its non-publicly disclosed proprietary technology as trade secrets is vital to the success of its business. A major component of this company's export strategy is to license its technology through patent and trade secrets licenses for production of its products in local markets. The prevention of the theft or unlawful disclosure of its trade secrets in such local markets is crucial due to the risk of reverse engineering. As any company who has ever dealt with trade secrets issues will tell you, the only even partially effective legal remedy against a theft or unlawful disclosure of trade secrets is an injunction enjoining a party from using such secrets and even then the effectiveness of this remedy is often questionable.

The challenges to exporters regarding the theft or unlawful disclosure of their trade secrets in their export markets is a hugely significantly and growing problem. In just the last week Deputy Secretary of Commerce Blank has stressed the importance of this issue in what the Commerce Department is calling a "Strategy to Mitigate the Theft of U.S. Trade Secrets". While much of this strategy is targeted at thefts of trade secrets by foreign parties that occurs in the United States, the point has been made that a prevention of the loss of trade secrets is more and more being seen as a critical component of the international competitiveness of the U.S. economy. This is not only true for a loss of trade secrets in the U.S., but also in other countries. The non–tariff trade barrier in this instance is the lack of an effective remedy in many countries, such as injunctive relief, for the consequences of a theft or unlawful disclosure of a trade secret. If American exporters are unable to obtain remedies such as injunctive relief in foreign markets for a theft or an unlawful disclosure of their trade secrets, it will greatly reduce their willingness to do business in such markets where their trade secrets may be at risk.

A third real-world example comes from a fellow member of the National District Export Council. His employer, NOW International, is a producer and world-wide exporter of various health and food products. As an example of the barriers it faces, NOW International is subject to food laws which differ from region to region. For example, for fish products such as omega 3 oils, cod liver oil or shark cartilage, in many countries it needs to register such products in order to obtain a veterinary certificate. The same holds true for its dairy products. In some instances it has taken more than 7 months to complete the process to obtain a registration number and an accompanying certificate. Fortunately, NOW International has been in the financial position where it was able to wait until these certificates were issued. Had it not been able to do so, it was looking at the loss of over a million dollars in business in 2013 alone. Many other U.S. companies in the same industry may not be in the financial position of being able to wait until such certificates are issued and therefore will lose export sales. An additional barrier specific to NOW International's industry is the implementation of an EU Directive by the European Food Safety Authority as this directive is arguably designed to keep American companies out of the EU market.

Again, the point needs to be made that while government regulations in all countries are all too often a fact of life that businesses of all sizes and types have to deal with, when it comes to trade, many of these regulation are not designed or implemented for legitimate or rational reasons, but are merely used to create non-tariff trade barriers for the purpose of discriminating against foreign producers and exporters.

Effect of Non-Tariff Trade Barriers on Small Business Exporters

While non-tariff trade barriers are damaging to all American exporters, this is particularly true for our small business exporters. Large companies have the resources to hire teams of specialist that can manage the requirements imposed by these barriers and often have the requisite cash flow necessary for the time it takes to overcome such barriers. An example of this can be illustrated by the experiences of the employer of another one of my fellow North Texas District Export Council members, Mary Kay, Inc. Mary Kay is famous worldwide for its beauty products. One of its core strategies is establishing local production facilities in many of the countries in which its products are sold. Much if not most of the components of the end products produced in those countries, however, are exported from the U.S. to those countries. As an example of a non-tariff barrier faced by Mary Kay, Brazil is notorious for using customs procedures to make it difficult to export to Brazil. While products can eventually clear Brazilians customs, getting them to do so is often onerous and time-consuming. Although it is very frustrating and expensive, a large, multinational company like Mary Kay has the resources and patience to eventually get its end product components through Brazilian customs as it is an integral part of its international business strategy. Small businesses, however, do not have such resources and have limited patience due to the nature of their business. Quite often they are operating on paper-thin margins and have very limited cash flow. Rather than dealing with the hassles of getting their products into a country such as Brazil where they face customs delays, which in turn results in having to wait for payment by customers to whom they have provided trade credit, they often will just refrain from exporting to such a country even though there is a demand for their products in that country.

Non-tariff trade barriers are perhaps the number one impediment to the increase in small business exports for the United States. The reduction or elimination of these barriers must be addressed if America's small businesses are to increase their exports and market shares in the reality of the global marketplace in which they operate.

The Need for Inclusion of Non-Tariff Trade Barriers Provisions in Trade Agreements

The U.S. at present is negotiating a multilateral trade agreement, the Trans-Pacific Partnership, and is contemplating a trade agreement with the European Union. It is essential that these agreements, along with future trade agreements, have provisions that substantially deal with non-tariff trade barriers, including enforcement mechanisms. In recent years there has been a trend to include such matters as labor provisions and environmental protections in trade agreements. While there are disagreements over the merits of having such matters in trade agreement, these matters are less important than the inclusion of non-tariff trade barriers provisions in trade agreements as they do not specifically deal with trade issues and would be better left to treaties that focus specifically on such matters. Non-tariff trade barriers, on the other hand, directly affect the ability to engage in trade and are vital components of future trade agreements.

At present, unless a non-tariff barrier falls under the coverage of a trade agreement of some nature—which does provide the U.S. government a means to ultimately legally challenge such barriers if commercial diplomatic negotiations to eliminates such barrier fails—commercial diplomacy is in fact the only recourse. While the enforceability of trade agreements through the WTO or other means may be uneven, the fact that a trade agreement includes provisions to reduce or eliminate non-tariff trade barriers–such as standards barriers, for example–makes it far more likely that such barriers will be successfully challenged due to legal remedies than having to rely solely of the good graces of U.S. commercial diplomacy, valuable though it is. It is imperative, therefore, that, ongoing and future negotiations on trade agreement stress not only tariff reduction and elimination but also non-tariff trade barriers reduction and elimination. While trade agreement provisions reducing or eliminating non-tariff trade barriers will help all U.S. exporters, they particularly will help small business exporters proportionally more.

Trade Promotion Authority Renewal

The last several years have seen trade agreement being approved by the United States at a snail's pace for various reasons, most of which have been political in nature. One of those reasons has been the expiration of Trade Promotion Authority (TPA). The National District Export Council over two years ago passed a Resolution supporting the renewal of TPA. This renewal is crucial for several reasons. First, the U.S. is not in a position to have 535 members of Congress negotiate international trade agreements. The U.S. needs to speak with one voice in negotiating these agreements. Second, TPA historically has worked very well in providing an effective means for the U.S. to negotiate trade agreements. Third, the interests of the United States when it comes to trade should be bi-partisan in nature. TPA helps to achieve that objective. And finally, and perhaps most importantly of all, the U.S. is falling behind other nation in entering into trade agreements, which thereby putting its exporters at a competitive disadvantage versus U.S. trade competitors. The tardy and belated enactment of the Korea, Panama and Colombia FTAs cost U.S. exporters lost sales in the millions of dollars. TPA renewal will help to ensure that this does not happen again.

Additionally, TPA in no way limits the Constitutional authority of the Congress to approve trade agreements. Rather, it only gives the Executive Branch the power to negotiate these agreements, not approve them. If Congress is concerned that trade agreements contain certain provisions, such as those I have recommended regarding non-tariff trade barriers, it can under TPA for a particular agreement broadly require that such provisions be included while leaving to the Executive Branch the negotiation of those particular provisions.

Renewal of Trade Promotion Authority would be beneficial to all American exporters as it would increase the number of trade agreements the U.S. enters into and would do so more quickly. This renewal should be part of any small business trade agenda that the U.S. Congress develops.

Opportunities and Challenges for Small Business Exporters: Conclusion

In conclusion, among all exporters small business exporters face unique challenges to their profitability and success. While fortunately the opportunities in exporting have never been greater, those opportunities to a significant degree will depend in part upon the development of a trade agenda by the 113th Congress that is forward looking and addresses these challenges. Before I provide some specific recommendations for this agenda, I would like to discuss what I believe should be the proper role of the federal government's executive branch in assisting U.S. small business exporters in overcoming these challenges and taking advantage of these opportunities.

III. THE ROLE OF THE FEDERAL GOVERNMENT IN EXPORT ASSISTANCE

While Congress has a critical role in assisting small business exporters by fashioning a trade agenda that will result in legislation reducing the barriers and challenges, both foreign and domestic, faced by small business exporters, the Executive Branch also plays a critical role in assisting small business exporters by providing services such as trade counseling and commercial diplomacy. I would like to address some issues related to this assistance.

Basis for the Role of the Federal Government in Export Assistance

While a detailed discussion of the constitutional and legal basis for the role of the federal government in providing assistance to U.S. exporters is beyond the scope of my testimony, I would like to briefly mention this basis as this issue is one about which many in Congress have questions. Initially, it is helpful, as is always in these types of discussions regarding the constitutionality of federal government actions, to separate out what the federal government may do and what it should do. These two separate and different questions are often combined with the result of a lack of clarity in answering these questions.

Constitutional Basis for Federal Export Assistance

In terms of what the federal government may do, briefly, the U.S. Constitution grants from the States to the federal government the exclusive power to regulate both foreign commerce as well as the exportation and importation of goods. While the power to regulate is often seen as only the power to restrict or prohibit, it also includes the power to promote and assist as that is the nature of regulatory power. Therefore, the federal government under the Constitution has the power to control which items may be exported to certain countries as well as the power to provide assistance to exporters through trade counseling and commercial diplomacy.

Policy Basis for Federal Export Assistance

In terms of what the federal government should do, the primary issue is whether in this current time of budget deficits and the attendant debate over government spending, whether federal dollars should be spent on assisting private businesses. Without delving deeply into the whole "corporate welfare" discussion, I would argue that the dollars spent on exporter assistance are among the most productive use of taxpayer money. Unlike situations where subsidies are paid to various industrial and agricultural concerns, federal dollars spent on assisting exporters fund in-kind governmental services and involve no transfer of taxpayer money to private businesses. For example, the U.S. Export–Import Bank is often cited as an example of government subsidization of business. This charge is patently false as no taxpayer funds are used in the operations of the U.S. Export–Import Bank as it funds its operations from its earnings, which in turn are derived from the fees it charges. Even with the Small Business Administration, which is funded by taxpayer dollars, it cannot be legitimately argued that its international trade finance program is a subsidy as it makes loans not transfer payments. Other than these two export finance programs, the federal government's assistance to exporters is in the nature of services, such as Gold Key programs, trade missions, and the like. Not only do these programs not provide any transfer of taxpayer dollars to private businesses, they also have a direct and measurable effect on the generation of export sales, which leads not only to increased profitability of exporters, but also to U.S. economic growth and job creation. The dollars that the federal government spends in assisting American exporters are the best return on investment that the American taxpayer has and is taxpayer money well spent.

The Need for Federal Government Export Assistance

I would like to make one final and important point in this regard and that is to answer the question, why is it that U.S. exporters need governmental assistance in the form of services provided by the federal government? The answer to this question is simple and can be stated in one word--competition. In an ideal world, American exporters would not have a need for federal government export assistance as no other country would engage in the same for its exporters. We do not live in that world, however, and until we do, we are foolish if we place our heads in the sand and pretend that our exporters do not need a level playing field in terms of governmental export assistance and can be successful without such a level playing field.

The National District Export Council has done a study, which is appended to my testimony, of the comparable levels of assistance provided to exporters in other countries which are chief competitors of the United States when it comes to trade. This study reveals that the U.S. spends far less per exporter on export assistance than our chief competitors. By pointing this out I am not calling for a massive increase in federal spending in this regard. Rather, I am answering the question of why it is that American exporters should be provided federal government assistance in the first place in regard to their exporting efforts. This study directly answers this question.

As one of my colleagues on the North District Texas Export Council frequently states to me, "Dan, the way business is being done around the world is changing and as a country we must adapt if we are to be successful." He is right and in ensuring that our exporters have at least somewhat of a level playing field in which to globally compete, the federal government has a role by leveling that field through export assistance. And, it goes without saying that this role is especially needed by small business exporters.

Federal Government Export Assistance Services

Department of Commerce

At present, the primary federal agency for export assistance, including trade counseling, is the U.S. Department of Commerce's International Trade Administration (ITA), and specifically, the U.S. and Foreign Commercial Service (US&FCS). The US&FCS offers a wide variety of exporter services such Gold Key programs and Trade Promotion Programs (TPP). These services are jointly provided by both the US&FCS Office of Domestic Operations (ODO) and its Office of International Operations (OIO). As mentioned earlier in my testimony, the Market Access and Compliance unit of the International Trade Administration also play a critical role in assisting exporters in overcoming foreign trade barriers by engaging in commercial diplomacy and trade agreement compliance enforcement.

The United States & Foreign Commercial Service

The US&FCS is the federal agency with which the District Export Councils work most closely. DEC members will tell you to a person the importance of the role that the US&FCS plays in export assistance. As an example, the Gold Key program is designed, among other things, to assist U.S. exporters in finding overseas distributors and agents that can help them sell their products in foreign markets. What is critical in this regard, as well as in other US&FCS programs, is that U.S. Export Assistance Centers (USEACs), which are the main vehicle by which the ODO delivers its services, are in place locally to interface directly with exporters, and that the USEACS have the ability to directly interface with OIO Foreign Commercial officers (FCOs) since they are all part of the same agency. As exporters who use Gold Keys will tell you, one of the major advantages of having a FCO with you at a meeting in a foreign country is that by having a U.S. government official at the meeting with you, potential local distributors or customers are often impressed since in the culture of many countries, having a government official with you is critical to closing a deal. And it is in the coordination between the domestic and foreign operations within one unified agency that makes this possible.

This ability to work with a unified domestic and foreign commercial service is critical for U.S. exporters. Previously, the foreign commercial service component was under the province of the State Department. As a result, commercial assistance to exporters in foreign countries was often spotty as commercial service functions gave way to other State Department objectives. The movement of the foreign commercial service function to the Commerce Department, and the creation of a unified commercial service having both foreign and domestic functions, was and is a win for U.S. exporters. Despite the calls by some to once again move the operations of the foreign commercial service function to the State Department–largely made for policy instead of customer service reasons–it is critical that if the most efficacious export assistance is to be provided to exporters that the U.S. Commercial Service remains a unified agency with both domestic and foreign operations under one roof and that such agency remain within the Department of Commerce.

The Dual Roles of the US&FCS and the SBA in Export Assistance

An important policy objective of federal government export assistance should be that there is one federal agency where exporters go for services such as trade counseling and export assistance. This helps to eliminate duplication, which is a waste of taxpayer dollars, and confusion on the part of the customer of these services, which is the American exporter.

At present, the US&FCS plays the primary role in trade counseling for exporters at the federal level. However, there is another agency, the Small Business Administration, that also engages in trade counseling. The SBA has an Office of International Trade which includes programs for export loans, STEP grant, and international trade counseling. The SBA export loan and STEP grant programs are not offered by the US&FCS and therefore do not duplicate any services provided by the US&FCS. (While it may be argued that the SBA export loan program is duplicative of the export loan programs of the U.S. Export-Import Bank, that is a discussion for another day.)

The issue at present is whether there should be two different federal agencies that offer international trade counseling programs. While the SBA international trade counseling program does not provide the broad expanse of services that is provided by the US&FCS, nevertheless there is a duplication of effort in the trade counseling programs of both the US&FCS and SBA that is unnecessary, wasteful and confusing.

The rationale often provided by both agencies for this dual effort is that each agency serves different customers, i.e. exporters. The argument is that the customers served by the SBA are and should be what are called "New to Export" exporters and that the customers served by the

US&FCS are and should be what are called "New to Market" exporters. This idea in simple terms is that the SBA will help those companies who are new to exporting and that the US&FCS will help those companies who are already exporting and want to expand their export markets. The key to this rationale is the distinction that is made between "New to Export" and "New to Market" exporters.

This distinction is a phony distinction that exists on paper or in one's mind only, that does not work in the real world, and in fact is counterproductive to the objective of the services that are designed to be provided to exporters. As an initial comment, the SBA was created to serve small businesses. Therefore, this distinction between "New to Export" and "New to Market" exporters makes no sense from a small business perspective as not all "New to Export" exporters are in fact small businesses (a false assumption that is often made).

Secondly, and most importantly, this supposed line between "New to Export" and "New to Market" exporters does not in fact exist in the real world. What is a "New to Export" exporter? Is it a company that has never ever sold it products outside of the U.S. It is a company that only makes drop shipments to foreign eBay customers? It is a company that is an occasional exporter who only makes export sales in response to occasional foreign orders? Is it a company who has a well-developed product line of domestic sales who and who has a deliberate export strategy but has never actually had a single foreign sale? All of these companies might perhaps fall under this definition and, except for the first example cited, also arguably fall under the "New to Market" exporter definition. Also, what is a "New to Market" exporter? Is it also an occasional exporter who only makes export sales in response to occasional foreign orders but does not have a deliberate export strategy? Is it a company who has never exported but has a plan to export to several foreign markets? Again, these two examples arguably will fit under either the New to Export" or "New to Market" definition.

Finally, this distinction leads to confusion over where a company who desires some trade counseling should go as between these two agencies. While these definitions are only internally used, for the exporter they make no sense. Businesses don't like to have to be bounced around in terms of where they go to seek government help. While it is very unlikely that either agency would refuse to provide trade counseling of some nature should the "wrong" company walk into their office, that only makes this point even more, that the trade counseling provided by these two agencies is duplicative in nature.

There is a much simpler way to define what the types of customers are that the SBA and US&FCS should serve and it is easy to understand–"Pre-Export" and "Export Ready". This distinction is as follows. A "Pre-Export" customer is a situation where someone has decided that they want to start a business and needs some information and help on how to get started, how to write a business plan, how to set up a corporation or limited liability company, how to get access to venture capital, and the like. These types of questions are exactly what the SBA was designed for, to help would be entrepreneurs to start a business or to help small businesses improve their basic marketing and financial operations. Many of these small businesses will never become exporters because they do not have exportable goods or services (such as hair stylists and dry cleaners), or because they are content to serve local markets and have no compelling reason to look to foreign sales. For those small businesses who, however, will eventually become exporters, the SBA is able to help them to set up their businesses in the first place and to get off the ground. Then, when they have developed an exportable product, have some sustained cash flow, and have profitable operations in the U.S. domestic market, these businesses will then be "Export Ready" and they can be referred by the SBA to the US&FCS who can provide them assistance in beginning to export. Even for those entrepreneurs who deliberately plan to start a business for the purpose of exporting products, and therefore will not necessarily be engaging in a linear progression from domestic sales only to including foreign sales, this definition of "Pre-Export" and "Export Ready" still works as the SBA can provide counseling on the fundamentals of starting a business and the US&FCS can provide counseling on exporting.

This distinction would provide a far more rational way of doing international trade counseling by the federal government and would avoid a duplication of services. This distinction also eliminates the rationale for having two different federal agencies engage in international trade counseling and supports the argument, that is offered here, that there should be only one federal agency involved in providing international trade counseling, namely the US&FCS.

The rationale for the US&FCS being the exclusive federal agency for international trade counseling also is supported by the fact that while at present the SBA has a broad focus on both domestic and foreign business operations, the US&FCS' only focus is on exporting. Further, the level of understanding of international trade is far superior in the US&FCS than it is in the SBA. Recently, the SBA has taken to providing training in international trade to its personnel that have never previously had such training whatsoever. The US&FCS, on the other hand, hires personnel who already have some knowledge and orientation to international trade–many of whom have exporting experience in the private sector–and provides ongoing training. In conclusion, as regards the role of US&FCS and the SBA in export assistance, the SBA should be limited to its export loan and STEP grant programs and the SBA international trade counseling program should be eliminated as unnecessary and duplicative of the international trade counseling program of the US&FCS.

US&FCS Capabilities and Resources

The US&FCS is, by its very nature, is the far most capable federal agency of providing U.S. small businesses export assistance This is due to its at present unified domestic and foreign components, its relationship with sister agencies within the ITA, and its core of personnel who have exporting experience in the private sector. This is not to state, however, that the US&FCS does not need to have better and more capable personnel. I have received many reports from exporters that they have received varying levels of service in Gold Key programs from foreign commercial service personnel. They attribute part of this problem to the use in foreign embassies of local citizens who may not have received much training. There is a need for continual training by the US&FCS of it personnel, both foreign and domestic. While I earlier mentioned that the US&FCS does engage in ongoing training, this needs to be strengthened. I have personally attended training sessions of US&FCS personnel and while this training has been very good, there needs to be more of it, a point in which US&FCS administrators agree.

If the US&FCS is to become the exclusive federal agency for international trade counseling, and if they are to ensure that their personnel receive the necessary training to provide high quality assistance to their customers, the American exporter, then the US&FCS will need additional resources both human and financial. Part of this issue can be resolved by transferring from the SBA budget to the ITA funds that were used by SBA for their international trade counseling programs. While at present the appropriations process does not appropriate funding specifically for the US&FCS (which, arguably, it should), at least by shifting funding from the SBA to the ITA, additional funds will freed up that the ITA will be able to use in its US&FCS operations.

Additionally, a legitimate concern that the US&FCS has had in supporting the rationale that it should focus on "New to Market" exporters has been that it does not have the resources, both human and financial to counsel "New to Export" exporters. A transfer of funding from the SBA to the ITA resulting from the elimination of the SBA international trade counseling program would help to alleviate this concern. While under the previously discussed categories of "Pre-Export" and "Export Ready" the US&FCS would refer new business startups to the SBA, those businesses of any size who are already in business and who are ready to export could be counseled by the US&FCS using the dollars that would have been used by the SBA for counseling "New to Export" businesses.

Finally, as I discussed earlier, and as indicated by the documents appended to my testimony, the amount spent on export assistance by the US&FCS should be increased. While there is no such thing, as is often contended inside the Beltway, as insignificant government spending (nowadays this amount is usually anything below one billion dollars), it is a fact that the return on investment for federal government spending on export assistance is higher than perhaps any other government program. If the federal government is going to engage in discretionary spending, as of course it will, it should prioritize that spending to fund those programs that provide the best return. A great deal of federal government spending provides little or no return for taxpayers or is better spend at the state level. Since the federal government is in the best position of government at any level to provide assistance to exporters, and since the return to the U.S. economy as a whole is substantial, then taxpayer dollars spent on federal government assistance to exporters is money well spent.

Role of State Governments in Export Assistance

In recent years state governments have begun to play a larger role in providing export assistance to U.S. exporters. Quite often this assistance is duplicative of that provided by the federal government. However, with our system of dual sovereignty, state governments have the right to provide this assistance and the federal government has no arguable basis to ban it, not that it would ever contemplate doing so. Therefore, unlike the situation presently existing where both the US&FCS and SBA provide duplicative services of international trade counseling, which duplication can and should be eliminated by the federal government, when it comes to state export assistance services which are duplicative, the proper model is coordination between the federal government and the states that provide export assistance. Proper coordination will help to eliminate duplication and can actually be beneficial for exporters in that state and federal resources can be combined in jointly providing certain types of export assistance. There is a need for stronger coordination so that the resources employed by both state and federal governments can be more effectively utilized.

I would like to offer, however, one caution in this regard, which is that Congress should avoid the temptation to think that it can merely offload certain types of export assistance, such as trade counseling, to the states and thereby reduce federal spending. This would be very problematic for several reasons. First, not every state has export assistance programs and under our system of government there is no way to force states to do so. Second, states lack the federal capability to work together with U.S. commercial service personnel overseas in the same way that the US&FCS does. Third, the level of expertise in international trade maintained by state governments is uneven and is below that of the federal government. For these reasons, the federal government should remain the lead governmental unit in the United States providing that assistance.

Organization of the Federal Government Trade Function

One final topic I would like to address that is tangentially related to the role of the federal government in export assistance is to very briefly discuss how the federal government trade function should be organized as well as to discuss a proposed plan by the Commerce Department to reorganize the ITA.

Federal Trade Function Reorganization

There have been in the last few years various proposals floated to create a unified single trade agency, the latest being the Administration's proposal to create a Department of Business. While the National District Export Council has not taken a formal position on this issue, as a general matter it is concerned that any reorganization that is done may perhaps negatively impact the trade position of the United States and also may perhaps negatively affect the export assistance that the federal government currently provides to American exporters. Any reorganization that is done needs to be carefully thought out and done not for political or budgetary reasons.

One possible alternative to a major reorganization that creates a single federal wide trade Department would be to merely combine all of the international trade functions of the Department of Commerce into a new Department of International Trade, yet leaving intact the USTR, the U.S. Export-Import Bank and other trade-related agencies outside of the Commerce Department as they presently exist. In essence, this would merely be a rationalization of the Commerce Department's present international trade functions, which now exist in several Commerce constituent agencies, and would create a Department that is focused singularly on trade rather than the multi-focus that the Commerce Department currently has. Historically, the Commerce Department has been an area where the federal government has placed agencies that it did not know what else to do with. As a result, perhaps more than any other federal department, the Commerce Department has a multitude of governmental functions. Spinning off its international trade functions all into one new Department would not create any new federal bureaucracy since those functions already exist in current Commerce Department agencies and would also avoid the cross-Departmental culture clash that the Department of Homeland Security has suffered. While this alternative would also need careful consideration, it is arguably a better one than combining all of the U.S. federal agencies that have anything to do with trade into one big new Department.

International Trade Administration Reorganization

Finally, the Commerce Department has informed Congress of its plan to reorganize the International Trade Administration. The National District Export Council has had numerous discussions with ITA officials about this reorganization plan. The National District Export Council is not per se opposed to this plan and thinks that many of its features are positive. One positive feature is that the goal of this plan to improve the integration of the market access and compliance functions currently administered by MAC with the export assistance functions currently administered by the US&FCS. If done properly, this would be an important improvement as it would benefit U.S. exporters by having a unified approach taken by the ITA in terms of assisting exporters both in finding new markets and customers and being able to actually get their goods into those new markets and into the hands of those new customers. At present, the operations of the US&FCS and MAC are not integrated and the intent of this plan to do so could prove beneficial as to the export assistance provided to exporters by the ITA.

One concern that the National District Export Council has it whether the plan will ensure that it actually increases the service provided to ITA customers, meaning American exporters. In particular, it wants the plan to ensure that the operations of the US&FCS continue to be customer focused and managed by the field as much as possible. There is always a natural tension in governmental services between the field and departmental headquarters for services that have a field component. The National District Export Council understands that such tension exists and also understand that finding the ideal middle ground between management by the field and management by headquarters is often very difficult. Nevertheless, on balance the field is closest to the customer and as any smart business knows, maintaining that closeness is critical to customer service. One way to help ensure that this would be the case is for this the appropriate Congressional committees that have oversight of this plan to seek the input of exporters as to the importance that such exporters place on the field operations of the US&FCS and how this plan might affect those operations.

IV. RECOMMENDATIONS

In summary, I would like to recommend the following be part of the small business trade agenda of the 113th Congress:

1. Congress should maintain an aggressive trade agenda that increases the number of trade agreements, both bi-lateral and multilateral, including the Trans-Pacific Partnership, a trade agreement with the European Union, and other new agreements;

2. Congress should require that new trade agreements have provisions, including enforcement mechanisms, that reduce or eliminate non-tariff trade barriers;

3. Congress should renew Trade Promotion Authority in order to expedite the passage of trade agreement to ensure that the United States is not falling behind other nation in entering into trade agreements and thereby putting its exporters at a competitive disadvantage.

4. Congress should maintain the unity of the United States commercial service function by

keeping the commercial service function's domestic and international operations within one agency, namely the U.S. and Foreign Commercial Service within the Department of Commerce, and should not transfer either the domestic or international operations functions to another agency or department, thereby ensuring the survival and unity of both commercial service functional components;

5. Congress should eliminate the trade counseling program of the Small Business Administration and shift the funding for such program to the U.S. and Foreign Commercial Service, thereby eliminating the unnecessary and wasteful duplication of export assistance services;

6. Congress should increase the funding of the International Trade Administration, which will benefit the services provided to American exporters by both the U.S. and Foreign Commercial Service and the Market Access and Compliance unit;

7. The appropriate Congressional committees that have oversight of the International Trade Administration reorganization plan should seek the input of exporters as to the importance that such exporters place on the field operations of the US&FCS and how this plan might affect those operations;

8. To the extent that it is able, Congress should improve the coordination of federal and state resources that are being used by both federal government and state governments to provide export assistance to U.S. exporters;

9. Congress should enact reforms to the U.S. export control laws that simplifies both the administration by the federal government and the compliance by U.S. exporters of such export controls;

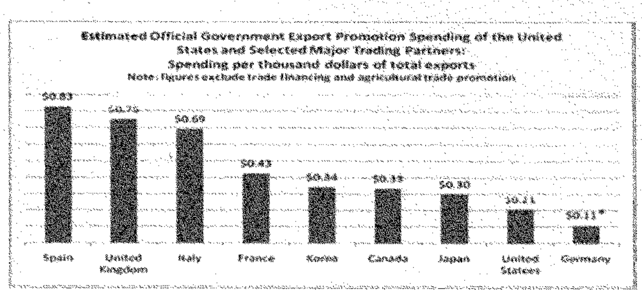
10. Congress should pursue regulatory, legislative and tax policies that reduce or eliminate the negative impacts that these policies have on U.S. small businesses, including small business exporters, and specifically those regulations, laws and taxes that affects their proclivity to manufacture goods in the U.S., that limits their access to loans and investment capital, and that limits their ability to reinvest their retained earning back into their business operations, all of which damages small business profitability and job creation and which diminishes economic growth in the United States and improvement in the U.S. international economic competitive position.

DISTRICT EXPORT COUNCIL
Working for America's Exporters

Foreign Competition and Trade Promotion Assistance

U.S. firms face stiff competition from foreign companies whose governments provide higher levels of direct and indirect support. Governments of our major trading partners outspend and out staff the United States on trade promotion. Examples:

- Canada's population and economy are one-tenth that of the United States'. Yet, Canada's Trade Commissioner Service is similar in size and budget to the U.S. Commercial Service.
- With an economy less than one-fifth the size of the United States, the United Kingdom outspends and out staffs the United States in absolute terms.



* Excludes substantial indirect support funded by mandatory fees. German firms are required by law to join a domestic chamber. Mandatory membership fees are used to support the German Chambers of Commerce Abroad. Additionally, the Association of German Trade Fairs organizes trade fairs abroad on behalf of the Government. Association funding comes from a fee levied on all exhibitors at German trade fairs.

Several competitor countries subsidize services to small companies, including participation on trade missions, in foreign trade shows, and to introduce SMEs to key markets. Highlights:

- The UK's Passport to Export program for SMEs provides free one-on-one mentoring, subsidized training, and a subsidized visit to an overseas market.
- Germany provides support to firms exhibiting in trade fairs abroad. 60 percent of all German firms participate in trade fairs; two thirds of which exhibit abroad.
- France's Trade Missions Overseas program provides up to $3,750 to SMEs and includes French pavilions at trade fairs, products and displays, and other trade promotions.
- The Netherlands and Australia have grant programs that pay (up to $110,000 in the Netherlands) for new exporters' market development costs.

www.districtexportcouncil.com

originally published 2008

DISTRICT EXPORT COUNCIL
Working for America's Exporters

Country Comparative Analysis

May 19, 2010

Country	United Kingdom (UK Trade and Investment)	Canada (Canadian Trade Commission)
Mission	Deliver maximum value for the UK economy and for business in an increasingly globalized and competitive world, and to market the UK as a springboard for global growth.	Works to expand the participation of Canadian business in world markets and to increase the interaction of Canadian entrepreneurs with global business partners; promotes Canada as a competitive location and partner for investment, innovation, and value-added production.
Key Programs	"Enquiry Service" (like the TIC) call center, Marketing, Public Web Presence knowledge center, Inward Investment, and Market Research; sector teams.	Going Global (a grant program that encourages the innovation, science and technology pillar of the Global Commerce Support Program), Increasing Free Trade Agreements, and Invest in Canada.
Key Services	Fiscal Compass Programme (helps UK companies access foreign major projects), Gateway to Global Growth (consulting service to help companies diversity into markets) Tradeshow Access Programme (grants for NTE or inexperienced exporters to exhibit at select trade shows), Olympic Legacy, Passport to Export (for new to export companies), Export Communications Review for SMEs, and Overseas Market Introduction Service (i.e. Gold Key).	Four core services: 1) export capacity 2) market potential 3) qualify contacts and 4) problem solving.
Funding (US$)	$507 million (2009-10), including $386 million for trade promotion programs and $121 million for investment programs.	$196 million (2008-09)
Number of Employees	2400 (2009-10)	900 (2008-9)
Number of Offices	98 countries; 165 cities worldwide; 12 Offices in the UK	150 offices across world, 23 offices in the U.S. and 18 Canada.
Priority Industries	Financial services, creative industries, life science, information/communication technologies, and energy technologies.	Determined by priority market.
Priority Markets	China, India, U.S., and emerging markets.	13- Brazil, Latin America/Caribbean, Mexico, U.S., ASEAN, Australia/New Zealand, China, India, Japan, Korea, Europe, Russia, and Gulf Cooperation Council (GCC).

Country	China (MOFCOM, CCPIT, CIPA)	Japan (Japan External Trade Organization)
Mission	Three organizations cover the Commercial Service portfolio: MOFCOM: market access, advocacy, major projects, CCPOIT: trade mission, trade shows, promotion, and CIPA: investment.	Assist SMEs both in Japan and overseas. Promote FDI into Japan. Promote cross-border business tie-ups in high tech and other key industry sectors, and ontribute to Japan's trade policies.
Key Programs	Uses "soft power" to leverage foreign purchases by state owned enterprises to win deals.	Venture Incubation Program: support for high-tech companies in the U.S.; Invest Japan Business Support Centers (IBSCs): FDI promotion; and Regional Industry Tie-up (RIT) Program: Partner building.
Key Services	Exhibitions, familiarization and orientation visits, matchmaking, investment promotion, advocacy, publications and outreach, and trade policy. CIPA on average sends 60 trade missions a year overseas and 2 a year in China to promote investment in China.	Counseling, trade & investment seminars, market research, trade fairs (support participation of SMEs in major trade fairs overseas), trade missions (dispatch trade missions to help SMEs connect with foreign buyers/business partners abroad), and trade policy/IPR protection.
Funding (US$)	CIPA's annual budget for investment promotion is 10,000,000 Yuan Renminbi (US$1,464,483)	$255 million (FY06)
Number of Employees	MOFCOM: 1,163 officers; CCPIT: 2,673 CIPA: 71.	1580 (FY10) (800 in Japan, 780 overseas including 600 trade specialists and 100 consultants).
Number of Offices	MOFCOM: 209 offices worldwide; CCPIT: 16 countries; CIPA: Budapest, Hungary, partners with 112 economic sections in overseas embassies.	Overseas: 54 countries, 71 cities Domestic: 36 cities
Priority Industries	Construction, manufacturing, re-exports/outward processing metals; raw materials (lumber); mining and oil processing machinery, clothing; IT; computers, machinery; and electronics.	Textiles, food, design; content, and machines/equipment and parts (sectors were determined based on requests from industry and producer organizations).
Priority Markets	Vietnam, Hong Kong/Macau, U.S., Australia, and Thailand.	U.S.

DEC NATIONAL DISTRICT EXPORT COUNCIL
Working for America's Exporters

Country	Italy (Institute for Foreign Commerce [ICE])	Germany (Germany Trade & Invest [GTAI])
Mission	Trade Promotion	Trade Promotion
Key Programs	Counseling; customized market research, and tariff/customs research.	Seminars and events, pavilions at trade fairs, trade delegations, market research, export credit guarantees, and investment guarantees.
Key Services	Advice on trade contracts, labor and investment law, contact lists, partner lists, business meetings, background checks, and promotional events.	Counseling, trade fairs, visa services, recruiting, legal, customs, background checks, partner searches, business trips and events, advertising, office representation, education, and promotion.
Funding (US$)	2010: $225 million; plans $33 million for "Made in Italy" promotion	2010 Germany Ministry of Economics and Technology (BMWI) budget for export promotion $134.8 million. Federal annual budget for trade missions $1.7 million (50% for renewable energy) via consultants.
Number of Employees	690	approximately 2,700 (not including German Chambers of Commerce)
Number of Offices	117 offices in 87 countries; 17 offices in Italy	120 Foreign Chambers of Trade (AHKx) in 80 countries, German Federal Foreign Office has commercial service staff in 220 Germany embassies and consulates in 145 countries
Priority Industries	tbd	Aircraft, machinery, vehicles, plastics, optical/medical instruments, pharmaceuticals, mineral fuel, iron/steel products, furniture, and organic chemicals.
Priority Markets	tbd	France, Netherlands, US, UK, Italy, Austria, Belgium, China, Switzerland, and Poland.

DEC NATIONAL DISTRICT EXPORT COUNCIL
Working for America's Exporters

Country	France (UBIFRANCE L'Agence française pour le développement international des entreprises [PAPEETE])	Spain (Spanish Ministry of Industry, Tourism and Commerce. Foreign Trade Institute [ICEX])
Mission	Trade and investment promotion.	Spanish Ministry of Industry, Tourism and Commerce (www.mityc.es) conducts international trade and promotion. The main instrument for commercial promotion is the Foreign Trade Institute (ICEX) (www.icex.es).
Key Programs	Programme France's "one stop shopping" helps with export promotion and export financing.	Trade mission, trade fairs, visits by potential buyers to Spain, promotion events and development of marketing materials.
Key Services	Counseling, matchmaking, marketing and PR services, and student programs.	Sector marketing plans, internship programs, marketing "Made in Spain" brand, regional authorities, and chambers of Commerce.
Funding (US$)	$160 million	tbd (Spain's efforts in U.S. for the "Made in Spain" program's 2009 budget is EUR 20 million (20,000,000 EUR = US$24,404,715) for 289 programs (trade mission, trade fairs, etc) for 1,500 Spanish companies. With a similar budget for 2010).
Number of Employees	1,500 (2010)	approximately 1,500
Number of Offices	64 offices in 44 countries	80 countries
Priority Industries	Wine, food, building, IT, bio tech, trade events, heavy industry, fashion, capital goods, energy, environment, and chemicals.	Agricultural products, consumer products, industrial products, services, and cultural industries.
Priority Markets	EU, US, China, Russia, UAE, Canada, Japan, Algeria, Morocco, and Brazil.	Brazil, China, Russia, Mexico, US, India, Algeria, Morocco, Japan, South Korea, and Gulf States.

DECX NATIONAL DISTRICT EXPORT COUNCIL
Working for America's Exporters

Country	Brazil (Agência de Promoção de Exportações (APEX])
Mission	Promote the export of products and services, help increase the exports of Brazilian businesses, and attract foreign investment. Works to increase the number of exporting businesses, add value to the portfolio of exported products, consolidate the country's presence in traditional markets and open new markets abroad for national products and services. Provides assistance to businesses of all sizes at any stage of exporting maturity, ranging from non-exporting enterprises to advanced. Promote foreign direct investment.
Key Programs	Integrated Sectorial Projects (PSIs) – carried out through partnership between Apex-Brasil and associations representing sectors of the Brazilian economy for trade promotion programs. Operating in 70 sectors of the Brazilian economy. Multi-sector fairs: focuses on exporting companies that are not strictly associated with PSIs. Multi-sector fairs are EXPOCOMER (Panama), FILDA (Angola), FIHAV (Cuba), ANUGA (Germany) and SIAL (France). Buyer Program promotes meetings in Brazil, between Brazilian businesses and foreign clients in specific sectors and markets, and match-making. Trade Mission: promotes missions and prospective visits abroad. Provides support system for companies, workshops, visits to trade centers, retail chains, trade associations, and Chambers of Commerce. Trading Companies Program: Brings companies onto the international market, through export and trading companies, promotes business meetings between representatives and international buyers.
Key Services	Country profiles; product group profiles; opportunity studies; local market studies; Apex-Brasil Internationalization and Market Workshops; Importer Lists; Trade Intelligence Capacity Building; Trade Intelligence Consultancy; and Exporter Qualification.
Funding (US$)	R$250 million (250,000,000 Brazil Reais = US$137,333,878)
Number of Employees	250
Number of Offices	Business Centers (CNs) in Miami (USA), Dubai (UAE), Warsaw (Poland), Beijing (China), Havana (Cuba) and Moscow (Russia). Opening office in Angola in 2010
Priority Industries	Operates in 79 sectors of the Brazilian economy. Support provided to more than 7,000 business companies in all regions of Brazil.
Priority Markets	USA, UAE, Cuba, Poland, China, Angola. Developed by sector priority. Annually conducts over 200 studies on markets and sectors.

Statement of the U.S. Chamber of Commerce

ON: Small Business Trade Agenda: Opportunities in the 113th Congress

TO: U.S. House of Representatives, Committee on Small Business, Subcommittee on Agriculture, Energy and Trade

BY: Jenny Fulton, Chief Pickle/Executive Officer, Miss Jenny's Pickles

DATE: February 28, 2013

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

Thank you Chairman Graves, Ranking Member Velazquez, and distinguished members of the U.S. House of Representatives Committee on Small Business Subcommittee on Agriculture, Energy and Trade. My name is Jenny Fulton, and I serve as the Chief Pickle Officer/Chief Executive Officer of Old Orchard Foods, LLC or Miss Jenny's Pickles. Our pickle world headquarters is located in Kernersville, North Carolina. I am extremely honored and grateful for this opportunity to share our story with each of you today. I am testifying today on behalf of the U.S. Chamber of Commerce, which is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, as well as state and local chambers and industry associations.

Starting Miss Jenny's Pickles

Miss Jenny's Pickles (*www.missjennypickles.com*) was born out of the recession. Ashlee Furr, my business pickle partner, was laid off in June 2009, and my layoff followed in January 2010. Ashlee and I confirmed that we were both burned out with the financial industry and decided to take a true leap of faith—like many during the hard economic times—and start our own company.

Coming from financial backgrounds, we had very little knowledge in the food industry, but using a family recipe we decided to start our very own pickle company. We began by researching other small food businesses, but we needed help. The first resource we turned to was Service Corps of Retired Executives (SCORE) in Greensboro, NC. After they stopped laughing at us, they began to point us in the right direction and were instrumental in helping us start a small business. However, we faced another hurdle. We needed a certification to manufacture food products for mass markets. Ashlee & I attended NC State University for three days of chemistry in food science and looked to the North Carolina Department of Agriculture for guidance.

For the first two years we grew our own cucumbers and jarred every jar. We formed a partnership with a local YMCA to use its kitchen which saved us thousands of dollars by not having to build a commercial kitchen to produce our product. We still use the YMCA kitchen today for some of our products but a co-packer makes the majority of Miss Jenny's Pickles. This allowed us to expand our market and brand.

In the beginning, we knocked on doors of local independent stores to carry our product and attended local food shows to meet buyers from grocery stores. Once we were approved by the stores we had to deliver inventory which consisted of very early morning deliveries to stores, then returning home to get our children to school, then returning to the field to pick cucumbers, and then taking them to the YMCA for processing. We did this day in and day out. By the end of 2010, we had our pickles in 50 stores. By the end of 2011 we had pickles in 200 stores, and by the end of 2012 we were carried in over 800 stores.

In our short three years, Miss Jenny's Pickles has grown its business to five full-time employees and a part-time CFO, Barry Safrit who is wonderful with our planning and financials. We have created jobs through the growth of exports. We have been exporting for two years now, with pickles going to China, and soon to Canada, Hong Kong and Germany. Today, we continue to look for new markets, bringing our products to customers all over the world. I am pleased to be before you today to discuss the opportunities that small businesses would like to see made more available, so we can grow even more.

Breaking into the International Market

Knowing that 95% of the world's population lives outside the United States, we decided that exporting would be crucial to our success. In May 2011, the North Carolina Department of Agriculture's Export Department (*www.ncagr.gov/markets/international*) and the Southern United States Trade Association (SUSTA) (*www.susta.org*) organized an in-bound trade mission for Chinese buyers/distributors to meet with North Carolina businesses, in which we decided to participate. Wow, what an adventure! It was there that we met our business partner in China, Mr. Shen. After hours of reading e-mails translated using Goggle Translate, talking via Skype with a twelve-hour time difference, and 32 pages of documents, we finally received our first order from China. The North Carolina Export Department was wonderful to work with. They stuck by us through the good times and the bad. Miss Jenny's Pickles sent off its first five pallets of pickles to China, and from there started to receive more inquires about our products and expanding our exports.

Last year, the North Carolina Export Department and the SUSTA took a trade mission to Shanghai for the SIAL (*www.sialgroup.com*) food show. SIAL is the global marketplace for those involved in the food industry. I went along, and it was then that I had the opportunity to visit the stores that carry Miss Jenny's Pickles. I must be honest; I was extremely amazed, humbled, and proud to be standing next to our pickles on the shelf in China. It was rewarding to know that I was representing the United States of America, which has world-recognized food safety regulations, and a product "Made in the USA" with the American flag on the label, for which people in China are willing to pay a premium. This March, Mr. Shen is returning to the United States, and I will be visiting and hosting him and his team while they are here to build on our relationship and increase our exports to China.

Last year I also participated in a trade mission to Canada, arranged by the same two organizations. It was there we hired a food broker in Canada. This year, with the help of NC Export Department & SUSTA, I will be attending food shows in Hong Kong and Germany to build our international brand as we look for more markets to do business in.

During the early stages of working in the international marketplace, we attended a forum in Charlotte, NC, called *Small Business Global Access* hosted by U.S. Senator Kay Hagan along with Chairman and President of the Export-Import Bank Fred Hochberg. I was so impressed with Mr. Hochberg's remarks on Ex-Im's efforts to help small businesses export that I ran out to his car after the forum and handed a jar of pickles to his driver. I said to the driver, "Please make sure Mr. Hochberg tries our pickles because I want to export this year!" Today, we partner with Ex-Im so that we can offer terms to our foreign buyers which increase our sales by having this option available. Without the Ex-Im Bank our small business would never have been able to offer terms outside the United States. The trade and export promotion programs funded by the International Affairs Budget are essential to expanding U.S. activity in new and emerging markets. They will play a vital role in our international sales going forward.

Without my "out of the jar" thinking, and pure determination to export, I am not sure that our young company would have had such great export success. As a result, we are creating jobs, increasing revenue, and exporting our pickles around the world.

Improve U.S. Trade Promotion Programs to Help Small Businesses Export

International trade plays a central role in creating American jobs and boosting economic growth at home. More than 38 million American jobs already depend on trade, and over 97% of the 275,000 U.S. companies that export are small and medium-sized enterprises (SMEs). However, this figure represents just one of every 100 U.S. SMEs, underscoring how difficult it is for smaller firms to enter export markets.

If more U.S. small businesses were able to seize export opportunities, the gains could be immense. I have seen firsthand the need for the government to improve U.S. export promotion programs. After our company was on *60 Minutes,* we received hundreds of emails and phone calls from Americans that want to start their own company just like us and tap into the resources available. However, they don't know where to begin. People flew all the way from Seattle to Kernersville to meet with us and ask for help. I can't tell you the number of hours that we spend helping other companies. We need to put a central resource in place to help American entrepreneurs to succeed in the global marketplace.

Small businesses need help in paving the way to new markets. We are left on our own to find the doors and knock on them. Many doors are not open to us. The services, expertise, and dedication of the state and federal export promotion programs are world class, but I know that many U.S. companies are not aware of the government services that are available to help them break into new markets. This isn't the fault of America's small business owners. The assistance offered by the state and federal government needs to be promoted more effectively. Small businesses need a roadmap for export success.

There are many successful state programs that I believe should be replicated in other states and ideally on a federal level. In North Carolina, the Department of Agriculture is aggressively helping North Carolina companies export. These good people encourage companies like mine to consult with trade specialists, to learn more about trade through workshops and seminars, to participate in trade missions, and to meet with international buying delegations. Without their help, we would not have found many of the international opportunities we've identified.

On the federal level, the Government Accountability Office (GAO) has determined that the 17 federal agencies with export promotion programs could be made more effective through better coordination, elimination of duplicative activities, and better allocation of resources. In particular, GAO found that strengthening the interagency Trade Promotion Coordinating Committee would improve the effectiveness of U.S. export promotion programs. GAO also found that effective export promotion programs can provide significant benefits to SMEs in the competitive global economy. I am a member of the White House Business Council and have the opportunity to participate in calls that discuss trade promotion programs among other small business issues.

There are also private companies and organizations such as the SUSTA that engage in export promotion. Other export-minded organizations that I am a part of include the National Association for the Specialty Food Trade (NASFT), which is dedicated to helping specialty food companies thrive and promoting the specialty food industry on an international scale. We are also members of Pickle Packers International (PPI), which has served the pickled vegetable industry for over 119 years by sponsoring research, representing industry before government agencies, producing educational materials, and providing networking opportunities to its members. Membership of PPI represents 87 percent of the cucumber tonnage grown for pickle-use in North America, valued at more than $1.5 billion. I also sit on the Board of Directors for the North Carolina Specialty Foods Association which has been a great help to our business.

There are many seasoned exporters among America's small businesses, but there are many others that have never even considered exporting. I know that exporting can be challenging and overwhelming at times, especially for small businesses. Each country is different, and each culture is unique. Introducing U.S. products is always time consuming, challenging, and expensive. But in the end, it is all worthwhile.

Trade Policies That Bring Growth and Prosperity

As the president of a small company, I truly understand the importance of international trade and the impact it can have on small business. It's simple: we want to ship to more countries, grow our client base, and create more jobs. The more we diversify our client base, the more stable we will be.

Standing in the way, however, is a complex array of foreign barriers to American exports. Those barriers are alive and well, and they pose a major competitive challenge to U.S. industry and agriculture and the millions of U.S. workers whose jobs depend on exports.

From a business perspective, the foremost goal of U.S. trade policy should be to tear down those barriers so companies like mine can start exporting to new markets. Free trade agreements have helped us accomplish this in the past and will help our business grow in the future.

American workers and businesses are facing one of the harshest economic storms we've seen in years. Over eight million Americans have lost their jobs since the recession began, and we need to put Americans back to work. Recognizing that 95% of the world's consumers live overseas, I applaud President Obama's goal to double U.S. exports. An efficient way to promote U.S. exports is for Congress to support trade policies that will generate billions of dollars in new American exports. These include:

- Restoring the president's traditional authority to negotiate trade agreements;
- Concluding a comprehensive, high-standard, and commercially meaningful Trans-Pacific Partnership trade agreement; and
- Launching negotiations for a comprehensive Trans-Atlantic Trade and Investment Partnership that will eliminate tariffs and non-tariff barriers to trade, ensure compatible regulatory regimes, and liberalize investment, services, and procurement.

Let me touch a bit further on a few of these priorities.

Trade Promotion Authority

First, the president needs the authority to negotiate trade agreements—Trade Promotion Authority (TPA). Congress has granted every president from Franklin D. Roosevelt to George W. Bush the authority to negotiate market-opening trade agreements in consultation with the Congress.

The U.S. Constitution gives the Congress authority to regulate international commerce, but it gives the president authority to negotiate with foreign governments. TPA rests upon this constitutional partnership: It permits the executive branch to negotiate agreements in consultation with the Congress; when an agreement is reached, Congress may approve or reject it, but not amend it.

TPA lapsed in 2007. That's unacceptable; every American president needs TPA, and every president should have it. Potential partners won't negotiate seriously if they know agreements could be picked apart by Congress. The Obama Administration and Congress should begin discussions on new negotiating authority as soon as possible.

Trans-Pacific Partnership

Once TPA is renewed, how should the President and Congress use it? Clearly, the United States needs to engage in the Asia-Pacific region as never before. The region accounts for half of the world's population and boasts many of its fastest growing economies.

The U.S. may be falling behind in the world's most dynamic region. Over the past decade, the growth in U.S. exports to Asia has lagged behind our overall export growth. As the think tank Third Way has pointed out, the U.S. share of the import market of 12 key Asia-Pacific economies actually fell by 43% between 2000 and 2010. In short, Asian nations are designing a new architecture for trade in the global economy's most dynamic region—threatening to draw "a line down the middle of the Pacific."

This is the case for the Trans-Pacific Partnership (TPP), which is the one trade agreement under negotiation today in which the United States actually has a seat at the table. The TPP is our chance to ensure the United States is in the game in Asia. The American business community needs the TPP to succeed so we can be competitive in Asia-Pacific markets. With Canada and Mexico joining the negotiations in 2012, the TPP today embraces 11 countries.

Trans-Atlantic Partnership

As we consider new trade accords with our biggest commercial partners, Europe calls out for attention. Together, the United States and the European Union generate half of global GDP. More than $1.5 trillion in goods, services, and income receipts flow between the United States and the EU annually. U.S. firms have direct investments of nearly $2 trillion in the EU—20 times what they have invested in China. These European investments generate some $3 trillion in annual revenues for American companies that have invested in the European Union to sell their wares to its more 500 million citizens. The numbers are similar for European firms' investments in the United States. Our economies are so closely integrated that about 40% of U.S.-EU trade is intra-firm.

In his State of the Union address earlier this month, President Obama issued the long-awaited announcement that the United States and the European Union will negotiate a Trans-Atlantic Trade and Investment Partnership. The U.S. business community strongly supports this initiative. For too long, the United States has ignored the untapped potential of its ties to the world's other economic colossus. For the sake of jobs and growth, it's time to turn that around.

Conclusion

In closing, I challenge each of you to expand upon and better promote the trade resources that are available to small businesses. Investing in the export potential of America's small and medium-sized businesses could bring dramatic gains and stimulate the economy. If America fails to look abroad, our workers and businesses will miss out on huge opportunities.

Thank you for the privilege and opportunity to appear before you today. I greatly appreciate the opportunity to testify today on behalf the U.S. Chamber of Commerce and Miss Jenny's Pickles. Thank you very much.

Association of Small Business Development Centers®

Statement of

Michael Myhre

Interim State Director

Florida Small Business Development Center Network

Association of Small Business Development Centers

Committee on Small Business

Subcommittee on Agriculture, Energy and Trade

United States House of Representatives

February 28, 2013

Chairman Tipton, Ranking Member Murphy, Members of the subcommittee, thank you for the opportunity to submit testimony on strategies to improve small business participation in international trade. I have prepared a written statement for the record and will give you a summary of my remarks.

Over 90 percent of the world market exists outside the boards of the United States. Nonetheless, only one percent of small businesses export their goods and services. The single biggest reason small businesses don't export is their simple lack of knowledge of the opportunities that exist and their simple readiness to navigate the process. This loss opportunity severely inhibits, or at least limits, both their individual growth and overall national economic growth.

The mission of Small Business Development Centers is simple—to help small businesses grow and compete. In that effort, SBDCs retain specialized professional business consultants who are driven to help their small business customers research and develop specific strategies to expand markets and grow revenues. Through the growth of revenues businesses are able to hire more workers and contribute to the expansion of our economy. In the Florida SBDC Network we brand these specialize consultants as our Growth Acceleration Professionals, or GAP experts.

With a national network of nearly 1,000 centers, America's Small Business Development Centers offer a wide variety of programs and services to assist and encourage small businesses in their efforts to access international market opportunities. By accessing these specialized growth and international market consultants, we strive to identify those firms that are or are close to being "export ready" and assist them with developing the tools and strategies they need to succeed beyond our domestic boarders. What we consistently find is that small businesses, including our smallest small businesses with fewer than 20 employees, are at a competitive disadvantage to their large business counterparts in their readiness to export due in large part to the daunting complexity of trade regulations and the potential uncertainty of international business transactions.

Export Readiness

At SBDCs around the country small businesses receive honest and accurate assessment on the state of their firm and their state of readiness to participate in the global marketplace. Unlike other programs or resources, our network of SBDC specialists assists small business owners in reaching, developing and, most importantly, executing international trade strategies. Through one-on-one consulting, training, customized research, and access to a network of trade professionals and partners, the SBDC provides its customers with the tools and strategies to successfully and profitably navigate the expanding world of international trade. Meeting with small businesses, SBDC consultants help determine the exportability of their products or services, identify appropriate markets and buyers, develop market entry strategies, establish shipping and distribution networks, determine appropriate payment methods and identify export financing and insurance needs.

Trade Research

Another key disparity between large and small business is access and affordability to business data. To aid in the process of getting a small business export ready our SBDC export specialist provide strategic international market research to help its small business customers make informed decisions on the best international market opportunities for their product or service. Our SBDCs have access to a wealth of information on export markets, ranging from general country information to specialized information on markets for specific industries and products in countries worldwide. In some cases, our SBDCs can also conduct primary research for small business clients needing specific information unavailable through secondary sources. Examples of research SBDCs provide include:

- General information on doing business in different countries
- Demographic, economic, political and cultural information on different countries
- Information on specific industries/products in export markets, including:
  - market size, characteristics and trends
  - competitive environment
  - trade barriers and regulatory environment
  - pricing infrastructure
  - sales & distribution channels
  - key contacts (manufacturers, distributors, end-users, trade associations and journals, government offices, etc.)
  - trade shows
- Detailed statistical information on U.S. exports by state, product and country

Compliance Assistance Programs

Another major hurdle small businesses face is the various export control regulations that govern international trade. Our SBDCs export specialists offer Export Compliance Assistance Programs. Through these programs, they educate small businesses on export regulations and practices that can be implemented to ensure compliance.

In recent years, the federal government has significantly tightened export regulations in response to growing threats to national security. Government export enforcement officials are actively pursuing companies whose export operations are not compliant with U.S. regulations. Lack of export regulatory awareness on the part of an exporter can lead to audits and a whole host of penalties, including fines, revocation of export privileges and debarment from contracting that could threaten the very going concern of small business firm.

Many small businesses mistakenly believe that they are not affected by export regulations because they produce products or sell only to "friendly" countries. Whether they know it or not, all exporters operate under U.S. export control laws, which are broad and far-reaching. Even with the help of a freight forwarder, small businesses can unknowingly violate these laws. The exporter is ultimately responsible to have a thorough understanding of export regulations and to establish operating procedures aimed at preventing violations.

At SBDCs export compliance assistance is a *free* service offering:

- Counseling and technical assistance on the full range of U.S. export regulations
- ECCN classification guidance
- Export license determination assistance
- Assistance in establishing an Export Management System
- In-house training on the Export Administration Regulations, documentation and procedures
- Targeted referrals to government authorities responsible for export controls
- Low cost seminars on export compliance issues
- Onsite assistance available through the network of offices

SBDCs also regularly collaborate with the US Census Bureau's Foreign Trade Division to host seminars on the Foreign Trade Regulations (FTR) and the Automated Export System (AES). These seminars provide two days of training on changes to the FTR, common mistakes and how to avoid them, Export Controls and Enforcement and Commodity Classification. In addition, the seminars help familiarize small businesses with the Census bureau's extensive trade statistics system.

By work with the Census Bureau and other agencies SBDCs help small businesses get their documentation done right the first time and develop the skills they need to handle exports on their own.

Export Financing

Helping small businesses attract and handle financing has always been a cornerstone strength of the SBDC network. Navigating what resources are most applicable can be confusing without the proper guidance. In international trade SBDCs work closely with SBA's Export Loan program, the Export-Import Bank and conventional financial institutions to help small businesses identify and apply for appropriate funding to support their international trade activities. Without these funds many small business would face uncertainty and potentially unnecessary risk and losses.

Conclusion

As you can see, international trade assistance is incredibly specialized and complex. SBDCs offer a wide range of international trade services, but these services are extremely resource intensive. SBDCs do an outstanding to assist small business whenever and wherever they have opportunity to do business. We help navigate the regulatory maze but efforts to streamline and coordinate export services are necessary and we welcome the committee's focus on unraveling some of this complication and bringing a small business focus to the national effort to increase trade to our country's trade partners.

The complexity and the cross-agency jurisdictions are not the fault of the Obama Administration, the Bush Administration or Congress. Rather they are a product of years of changing economic realities and the many responses to those issues. However, it isn't just assistance and guidance that is necessary. We need Free Trade Agreements that are clear and focus on small business interests, and we need tariff and export controls that are uniform, clear and specific. We appreciate the efforts of the Trade Promotion Coordinating Committee, they are a great help in our efforts to educate small business on trade. Likewise, the US Trade Representative has been a solid advocate for small business concerns and a solid supporter of SBDC expansion worldwide. Those efforts are vital but to truly make our small businesses competitive in the global marketplace there is much more work to be done.

Thank you.

SBEA™ THE SMALL BUSINESS EXPORTERS ASSOCIATION OF THE UNITED STATES
America's Premier Association for Small and Mid-Sized Exporters℠

A COUNCIL OF NSBA

Testimony of Raymond Arth
President & CEO

Phoenix Products, Inc.

On behalf of the Small Business Exporters Association and National Small Business Association

Committee on Small Business Subcommittee on Agriculture, Energy and Trade

Hearing:

"Small Business Trade Agenda: Opportunities in the 113th Congress

February 28, 2013

1156 15th Street, N.W., Suite 1100
Washington, DC 20005
202-293-8830

Good morning. I would like to thank Chairman Tipton, Ranking Member Murphy and the members of the Small Business Subcommittee on Agriculture, Energy and Trade for inviting me to testify today. I am Raymond Arth, co-founder and President of Phoenix Products, Inc. a manufacturer located in Avon Lake, near Cleveland, Ohio. Our company produces faucets and also imports finished faucets, hand showers and other accessories that are sold under our company brand names. Our products are sold throughout the U.S. and Canada, from the Rio Grande to the Arctic Circle. In addition we have very modest export sales to Australia, Costa Rica, Guam and Panama with ambitions for robust exports in the near future.

About Phoenix Products, Inc.

Phoenix is a small company; we have thirty-one employees, several of whom work part-time. As demand requires, we supplement our factory staff with up to 10 temporary employees. Like many small manufacturing companies our labor force is primarily comprised of workers skilled in a specific trade—meaning we have very limited in-house resources when it comes to pursuing new market opportunities such as exporting.

To the best of my knowledge, Phoenix is the last, stand-alone company that still manufactures low cost plastic faucets in the U.S. Since our founding in 1977 we have sold our products primarily to the Recreational Vehicle (RV) and Manufactured Housing (HUD Code) industries. For the first 25 years or so we were able to withstand foreign competition and stemmed the tide of low cost imports into our market segments. Unfortunately, we have been forced to supplement our product line with Chinese-produced faucets in order to remain competitive in an industry which has continually been undercut over the last 10 years by Chinese and Taiwanese product price points that are impossible to match here in the U.S.

I am pleased to report that today we still produce and sell more faucets in our factory than we import. But our customers are increasingly more interested in lower prices and the trend is toward the imported products. In 2008 sales of imported faucets represented only 15 percent of our total faucet sales. Today imports account for 30 percent of the faucet sales category with growth coming from both the low-cost and high-end designs.

Exporting Phoenix Products

The long-term survival of our factory depends on developing foreign markets for the products we produce in the U.S. Undoubtedly, we can adjust our business model in other ways, but at the end of the day, as the share of imports grows and our domestic production shrinks we lose our economies of scale and the savings associated with high volume purchases. Eventually we could lose the critical mass that makes it possible to sustain our manufacturing capability. Equally important, we are overdue for a design face-lift that I cannot justify given the uncertain long-term viability of our manufacturing function. I have made plans for Phoenix to survive as a distributor of branded imports. But I am a manufacturer from a family of manufacturers. The Arth family has been pouring metal and/or building faucets in Cleveland since 1894. It is what we know and I would hate to see it end.

Our original core market, the factory-built HUD Code home industry collapsed at the turn of the century and we made our first attempt to develop export sales to Mexico in partnership with another domestic supplier and a partner in Mexico. That effort failed and we shelved the project until after the Great Recession. For the last four years we have made a more concerted effort to sell our products to the social housing market in Mexico and as any exporter will tell you—starting out is something short of trial by fire.

I am proud to be here representing not only my company, but also the Small Business Exporters Association (SBEA)—the largest and oldest nonprofit association in the country dedicated exclusively to small and mid-size exporters, and is the international trade arm of the National Small Business Association (NSBA). I was familiar with SBEA and asked for their advice on initiating an export sales effort. They suggested that I first consult the U.S. Export Assistance Center (USEAC) for assistance.

In March 2009, I contacted the Cleveland USEAC office. It took two months before we managed to arrange a meeting with a Commercial Officer at our facility. We exchanged frequent emails and phone calls but did not accomplish much for over a year. In Sept. 2010 a new Commercial Officer named Jay Biggs was assigned to our case. I mention Mr. Biggs by name because he did a great job for us during him time in Cleveland and in my mind deserves commendation. He succeeded in getting useful information from the Commercial Specialist in the U.S. Embassy in Mexico City. He also suggested that I attend a trade conference sponsored by the Department of Commerce.

The *Trade Winds Forum on Mexico & the Americas* was held in Mexico City in April 2011. It was an excellent program that included a number of very informative workshops and seminars. The networking events provided contacts that may prove valuable in the future. As part of the program, I also had four Gold Key appointments, one-on-one meetings with prospective foreign customers that had been arranged by the embassy staff. The Commerce Department's Gold Key program accomplishes many of the factors that SBEA believes are important—it cuts transaction and opportunity costs, it helps minimize fear factors and it aids in assessing upside potential. The companies appeared to be solid prospects and I left the conference encouraged that we could finally begin to establish a market in Mexico. Unfortunately, after the conference it was difficult to get ongoing support from the Commercial Services staff in Mexico City and in June, a couple of months after the conference, Mr. Biggs was transferred to Guangzhou—leaving us without our primary stateside resource.

I should also mention that during the *Trade Winds Forum,* I met with the Senior Commercial Officers (SCO) from Argentina, Chile, Columbia, Costa Rica, Dominican Republic and Panama. Several of the SCOs were enthusiastic about our market opportunities in their countries. Due to our limited resources, however, I chose to focus our attention on the Mexican market so that we can offer complete service and support when the time comes. Perhaps we would be further along with sales in Columbia or elsewhere had I elected to pursue multiple markets at once.

In order to pursue sales in Mexico, we asked Commercial Services for assistance in identifying a sales representative in that country, who we would pay for their services in selling our products on our behalf. In July 2012, over one year later, we did receive one referral but it was not a practical option, as the sales organization wanted significant up-front payments for investigation and development that we deemed impractical. So now we are working with U.S. industry contacts to identify prospective Mexican sales agents.

Determined not to give up, eventually the Cleveland USEAC and U.S. Small Business Administration (SBA) arranged a meeting with the Export-Import Bank of the United States (Ex-Im Bank) that provided critical insight and information about establishing our terms of sale and how to ensure we get paid. They also connected us to Global Target, an educational program offered by the Global Business Center at the Monte Ahuja College of Business at Cleveland State University. This program broadened our knowledge and helped us identify further resources to assist us.

The State of Ohio also provided assistance. The Ohio Department of Development has a robust International Trade Division. We have received a great deal of support from the International Trade Advancement Center (ITAC) especially with respect to NAFTA compliance, county of origin training and so forth.

The bottom line is that—despite receiving some valuable assistance and training—two years after my initial trip to Mexico we are still trying to make that critical connection that will make the next steps possible.

Challenges of Exporting for Small Businesses

I have never been one to complain—I'm too busy running my business, but in looking to craft policy to bolster exporting from small- and mid-sized enterprises (SMEs), it is critical to understand the vast differences between large and small companies and the inherent competitive disadvantages small firms face when looking to go global.

Large companies in the U.S. are, for all practical purposes, fully globalized. They have a good sense of where their export markets are and what is needed to sell in those markets. They know where to go to finance their foreign sales and have the resources to handle common types of foreign trade barriers to U.S. exports. The situation among small and mid-sized companies in our country is dramatically different.

The economic difficulties over the past few years, coupled with ongoing outsourcing, have put small businesses at a distinct disadvantage in the global economy. NSBA and SBEA have been urging for years—decades, even—that more must be done to emphasize the needs of small business within the scope of U.S. trade in order to enhance exporting opportunities for small U.S. companies.

According to the SBEA's *2010 Small Business Exporting Survey,* among those small-business respondents not currently exporting, the largest barrier is information. Thirty-eight percent of non-exporters said they don't know enough about exporting and aren't sure where to start. Twenty-eight percent cited concerns over getting paid from a foreign costumer. When asked whether they would be interested in exporting if some of these concerns were addressed, 43 percent said they would. Interestingly, those small businesses currently exporting named the same top two challenges, but in reverse order.

For a new product or a new market, the learning curve can be pretty steep especially when most smaller companies, such as Phoenix Products, have only a few key people working on export transactions. According to the SBEA's Exporting Survey, an overwhelming majority, 96 percent, of small exporters handle exporting operations within the company—only four percent use an export management company. The time that we devote to an export transaction is time that we won't be devoting to some other, equally important business operation. You have to wonder—especially in my case, after two years of no results, is it even worth it?

So while we have learned a great deal, I have yet to make our first sale in Mexico. Despite persisting steadily we remain frustrated by the lack of progress. I anticipate making the necessary connections this year, but I will be relying on contacts made through industry associates and not any of the governmental support organizations.

So Phoenix Products is the poster child for "Disappointed and Disillusioned Exporters."

What insights or suggestions can be derived from our experience?

Improve Technical Assistance and Coordination

Let me begin with the obvious: developing foreign markets is a challenge, especially for a small firm with limited human and financial resources. There are cultural factors to learn, language barriers, legal snares and obstacles, and the complex array of logistical and governmental issues surrounding cross-border trade. We have had to learn a great deal about Mexican labor laws and their VAT, about NAFTA and international logistics. We are still trying to identify a sales representative or other partner in Mexico that will present and promote our products to our target customers.

We could not have made any progress without expertise and training. The Cleveland USEAC was very helpful in linking us to educational resources, the Ex-Im Bank and the Trade Winds Forum.

In our dealings with the Department of Commerce we have seen very uneven levels of responsiveness and support. The Cleveland USEAC was initially ineffectual, then actively promoting our efforts and now responsive to us when asked but unable to help us make that critical connection with a Mexican entity to promote our products.

The *Trade Winds Forum on Mexico & the Americas* was a great success. It was under-priced; actually it turned out to be free. The fee was only $1,650 for the conference and four Gold Key meetings complete with a driver and translator. At that price it was a steal.

But then, First Energy, our local electric utility, subsidized the full amount.

My advice is do not give away valuable support services; charge a fair price at the front end so you can afford to provide sufficient support to move us along if there is an opportunity. I think it is a mistake at any time, but especially now, to charge too little as was the case with this conference. I wonder if part of my problem getting follow-up on support was an overload created by a program that was under-priced. Developing export markets is expensive and the Department of Commerce might be able to offer better support if they set the bar higher at the front end and had fewer, but more committed clients.

There are many resources available at the federal, state and local level but it is extremely hard to figure them all out. We have dealt with:

- The U.S. Commerce Department: USEAC and Foreign Commercial Services
- SBA with respect to the Ex-Im Bank
- Ohio Department of Development—International Trade Division
- The Northeast Ohio Trade & Economic Consortium (NEOTEC) and its affiliate International Trade Assistance Center (ITAC)
- Global Target Business Center at Cleveland State University

The good news is that these organizations seem to work together well. USEAC brought in the SBA and Ex-IM Bank on my behalf. They directed me to *Trade Winds Forum on Mexico & the Americas.* In the Global Target program all the named organizations were participants and collaborators. Equally important is that these public entities included and embraced private sector providers and advisors.

Theoretically, most of the local organizations are overlapping with the Department of Commerce. But as a practical matter they have proven better able to provide more in depth service and support. Although I have not felt that I had too many choices for the same service, it is more a case of having various providers for different services. Knowing who to call for what is the trick.

It is important to realize that most small exporting companies will not be interacting with agency officials in Washington; they will be dealing with lower-level government officials in federal offices across the country. These officials must be fully invested partners in the President's National Export Initiative: well-recruited, well-trained, and well-incentivized to think broadly about exporting and helping local exporters succeed. Accountability for successes and failures must reach down to the local level.

With more than twenty federal departments and agencies playing some role in international trade, it is important that SME's have a place to turn. Many of these agencies overlap and offer duplicative services. I would recommend a One-Stop Shop—ideally the Department of Commerce and more specifically the International Trade Administration (ITA)—create a centralized staff dedicated to field small business "how to" calls on exporting and to assist small businesses in transferring their exporting thoughts and ideas into reality. It would be beneficial to develop a "beginning-to-end" focus on each company—staying with a company from initial inquiry through the completion of the transaction and any necessary follow-up.

Increased coordination between agencies will help more small businesses access the tools they need to export—enhanced export training and technical assistance are key. Especially for small companies that are new to exporting and those with specialty products for exotic markets, there are undeniable fear factors, knowing exactly where to go and who to call could alleviate some of this anxiety. Cross-agency outreach guides and learning materials on the intended foreign markets with virtual marketplace and virtual trade missions would make it easier and less expensive for small businesses to reach foreign partners.

Interpreting and comprehending government regulations has proven to be another challenge that exhausts a small firm's human resources and even drains our wallets when we have to turn to outside professionals. It should come as no surprise that the results from the SBEA Exporting Survey shows that fifty-four percent of SME's export to less than 5 countries. Foreign laws and regulations can change daily, making it increasingly difficult for a small business to stay up-to-date on when and how to comply with these regulations, and it acts as a deterrent to explore new markets. Currently, I am having problems identifying the applicable plumbing standard accrediting bodies in Mexico for a product as simple as a kitchen faucet.

SBEA and I encourage you, Mr. Chairman, to reintroduce your legislation from the 112th Congress, *H.R. 5513,* the *Transparent Rules Allow Direct Exporting (TRADE) for Small Businesses and Jobs Act.* As you know, the measure would direct the pertinent agencies to monitor and collect up-to-date information on tariff and non-tariff laws, regulations, and practices. It will then be presented in a clear and easy-to-read format, and will serve as a resource for businesses looking to enter a new market. I would recommend that this information is then published on one centralized website.

Promote Free Trade Agreements

Free trade agreements are extremely important as they lower foreign barriers to our exports and produce a more level playing field. It is critical the president has the authority to negotiate trade agreements through Trade Promotion Authority (TPA). TPA, which expired in 2007, is critical to the passage of trade deals through Congress because it allows the agreements to advance under "fast track" rules with no amendments. New and expanded market access through trade agreements has been an important catalyst for increased small business exports.

At Phoenix we consider selling into Canada to be a routine matter, the paperwork is simple and the logistics network is just an extension of our normal domestic carriers. Canada is not a huge market for our products, but we have national distribution through Canadian and U.S. wholesalers.

NAFTA is the critical factor that makes it possible for us to seriously pursue business in Mexico. We will face competition from Asian suppliers in Mexico but their products are subject to significant import duties. The fact that our products are duty free under NAFTA makes our products cost competitive and improves our prospect for success.

Expand and Improve Export Finance

The Ex-Im Bank is also an important part of our export strategy. To be competitive we need to offer credit terms to prospective customers. Until I met with the Ex-Im Bank I didn't know how we could prudently extend credit. With their support, I am confident we can offer competitive terms to qualified buyers and be assured of collection in the long-term.

Phoenix Products has adequate financial resources to support our expected growth through export sales. But should we achieve success beyond our wildest dreams, the working capital loans available through the Ex-Im Bank could also proved to be an essential contributor to our success.

The Ex-Im Bank is self-supporting and actually has generated excess revenues of nearly $2 billion dollars over the last 5 years. I cannot understand why the reauthorization of its lending authority has been so controversial. It is crucial the Bank maintain its congressionally approved lending authority allowing the Bank to operate without restrictions, so companies, such as Phoenix Products, have the certainty and predictability we need to level the playing field and compete in the international marketplace.

Additionally, more focus needs to be on Ex-Im meeting and maintaining the 20 percent mandate of financing dollars going *directly* for small business. Congress should not allow the percentage to drop below 20 percent or re-definitions of Ex-Im "financing" that are indirect (i.e. via suppliers). New formulas that turn the 20 percent into a goal rather than a mandate, or allow Ex-Im to avoid the mandate—as it has in the last couple of years—should not be an option.

Stepping back a little, we need to realize that Ex-Im is the "bank of last resort" or even "bank of only resort" because relatively few U.S. commercial banks finance exports and most of those that do prefer to deal with larger companies.

On a more broad scale, we need to get more community banks into export finance and educate them on available government lending programs so they can better advise their small business customers who are considering exporting. This can be achieved by streamlining paperwork, externalizing some of the banks' administrative costs for smaller export finance deals, providing export finance training, enhancing outreach to banks on the benefits of trade finance and improving bank recruitment practices.

The U.S. financial sector is far less engaged in world trade than the financial sectors in Europe, Asia and other parts of the world, where banks themselves encourage business customers with promising products to export. To truly step up American exports, our banks must do more.

Conclusion

While there is no doubt that some of America's biggest companies can continue to increase their exports, the largest untapped resource for American exports is small and medium-size companies. SME's struggle with real and perceived challenges to exporting. Just over one percent, or 287,000, of the approximately 27.9 million small businesses in the U.S. currently export. Although the number of small exporters has been steadily growing their share of overall U.S. exports—34 percent in 2010, up from 27 percent in 2002—exporting is still not as much a part of the business culture in the U.S. as it is worldwide.

Many SME's think exporting is too burdensome or too risky, or they just do not know where to start. As highlighted throughout my testimony, some of the top barriers for small exporters are: (1) problems identifying foreign business opportunities and federal export assistance resources, (2) limited information on how to analyze foreign regulations and contact potential foreign customers, and (3) the need for external financing in order to undertake an export transaction. Federal and state agencies play an important role in helping to reduce these types of exporting barriers for small businesses. Lowering more of these barriers will help small exporters tap into new market and grow.

Given the specter of a jobless economic recovery and lagging consumer spending, exporting holds many opportunities for small businesses during the domestic economic malaise, and supports long-term domestic growth and job development. Though small business exports represent less than five percent of the GDP, with aggressive support from the U.S. Government this contribution would be significantly increased.

Let me conclude with several key points:

- Developing viable export markets for our products improves our long-term ability to manufacture products in Ohio.
- Free trade agreements, especially NAFTA and others with Latin American countries, promote exports and jobs here in the U.S. by increasing emerging economies' ability to purchase U.S. goods and services.
- The Ex-Im Bank is a self-supporting entity that promotes foreign trade through its credit and loan guarantees and working capital support. It is crucial the Bank maintain its congressionally approved lending authority allowing the Bank to operate without restrictions.
- Charge a fair price for the services provided so there can be adequate resources to support your customers.
- The USEAC has provided advice and connected us to education and training. So far the Department of Commerce has not been able to provide the level of support we needed to establish a presence in Mexico. They have taken us most of the way, we still need that final connection to a Mexican based sales representative or distributor to get it started.
- Increased coordination between agencies—including a One-Stop Shop—will help more small businesses access

the tools they need to export. Enhanced export training and technical assistance are key.

Again, I would like to thank Chairman Tipton and the members of the Subcommittee for the opportunity to speak today. I would be happy to answer any questions you may have.

STATEMENT OF CONGRESSWOMAN GRACE MENG

Over the last few decades, our world has become increasingly connected. Businesses that are unable to adapt to the new and future economy will find it difficult to keep up. Globalization has realigned the way in which our nation, and the world, does its business. The increased access to world markets has provided a **great** opportunity for businesses in our country, yet only 1 percent of small businesses currently export their products. I agree with the many Members and our witnesses who spoke before me, that we must improve, and break down, barriers to export for U.S. small businesses. We need to cut away the red tape, and educate our communities on the benefits to becoming involved in, or at least considering, the export of their goods.

For companies with the resources to enter it, the international market has proved to be very beneficial. But that first step is the most difficult; and I believe there are ways for us in Congress to improve the ExportImport Bank and the Small Business Administration's ability to educate and reach out to small businesses. This type of proactive outreach will only serve to improve small businesses' opportunities in the global marketplace.

When entering the world market, a small business owner must make that decision carefully; doing so may not be the right decision for every small business owner; and is not a decision that should be made haphazardly. **But,** if a small business decides exporting is in its best interest, we should make sure that the resources exist for them to succeed. The benefits of U.S. businesses that decide to export are clear—small businesses that exported averaged a 37 percent revenue growth from 2005 to 2009, compared to a 7 percent decline for small businesses that did not.

As I've said many times before, small businesses are absolutely essential to the recovery of our economy and the strength of our nation's workforce. Let us ensure that America's small businesses have the resources they need to compete in a global environment, and that the federal government can be an ally in their success, not a hindrance.

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