



Remarks Prepared for Delivery by

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Introduction

Thank you, Eric [Zarnikow, Associate Administrator, SBA Office of Capital Access], for that nice introduction. One of the axioms of Washington is if you want a really good introduction, have someone on your staff do it. They have a strong personal interest in making you look good.

When I look out at this impressive audience, I'm encouraged to see so many small business pioneers and entrepreneurs who believe in the promise of international trade, who see the imperatives of market expansion around the globe, and who understand how the case for exports is important now – given the current economic downturn – more than ever.

I'm also pleased to be here with so many of my colleagues from the Department of Commerce, the Small Business Administration, and the Association of Small Business Development Centers.

Global Economy of the 21st Century

There's hardly a more appropriate time for a symposium on small business exports, given the reality that we now live, work, and invest in what *New York Times* columnist Tom Friedman calls a "flat" world. In the global economy of the 21st century, our competition is not just the firm down the road. Our

competition comes from anyone in any corner of the globe with a good idea, a good education, and a good Internet connection.

Global markets and a global economy present not just new competition, but also new opportunities for partnerships. Our business and trading partners can now be anyone, anywhere on the globe. This is why we have asked you to come today, and most importantly, why President Bush and this Administration have been pushing Congress to pass Free Trade Agreements with allied countries in the Americas such as Columbia and Panama. Given that 95% of our customers and workers don't call America home, the case for expanding free-trade agreements should be obvious. Just in case it isn't, consider the following facts:

- Last year, exports accounted for 40% of our economic growth, a trend that has continued into 2008.
- From January to August 2008, U.S. exports totaled \$850.5 billion – a huge economic stimulus that kept America growing despite the slowdown in the domestic housing market. Many economists believe those exports are the MAIN reason that America's economy had positive growth in the first half of the year.

- Since 2004, the United States has annually experienced double-digit increases in exports. In 2007, exports were up by 8.4% (adjusted for inflation), compared to a U.S. economic growth rate of 2%. In 10 of the past 15 years, U.S. export growth has exceeded GDP growth.

The Credit Crisis

These statistics tells us that the capacity to innovate is America's only possible sustainable competitive advantage in the 21st century. But a good idea without capital is simply that – just an idea – and without capital, our innovators and entrepreneurs can't do business. So fully functioning credit markets are critical for innovation, but they are equally important to each of us – whether we are business owners, employees, home owners, or consumers.

For these reasons, many American families and small business owners are concerned about their economic security and our economic future. The wild ride on Wall Street and the credit crunch have all of us – even those who always thought that Wall Street was far away and irrelevant to the lives of everyday small businesses and families – paying close attention to the intricate workings of the financial markets.

Clearly, the credit situation is a serious one, one that requires “real time” strategies that can adapt quickly to an ever-changing 21st century economy, as evident by the credit crisis that came upon us quickly and continues to evolve.

I’m please to report that that President Bush and Secretary Paulson have been following this exact approach since late September. I realize the many announcements subsequent to the enactment of the Emergency Economic Stabilization Act of 2008 can be confusing. But let me assure you that every course of action taken by the President and the Treasury Secretary is authorized by the legislation passed by Congress.

Whether we are talking about the \$250 billion direct capital injection into banks that was announced last month — or the decision last week to help firms that issue student, auto, and credit card loans — or expanded FDIC insurance — or the purchase of commercial paper — all the elements of the President’s plan are intended to unfreeze our credit markets and get banks lending again, especially to small businesses and consumers.

The call last week by the Treasury Department to focus on the consumer credit market, which for all practical purposes grounded to a halt, reflects how closely the Administration is monitoring credit market conditions and our overall

economic situation. Such tactical adjustments — including the evaluation of the optimum use of taxpayers' money — were all envisioned when Congress passed the economic recovery plan in early October.

Furthermore, the Summit on Financial Markets and the World Economy convened this past weekend demonstrates the degree to which the President is working in concert with governments around the world. The Summit not only achieved its five key objectives but even surpassed the expectations of participants and observers alike. The leaders:

- Reached a common understanding of the root causes of the global crisis;
- Reviewed actions countries have taken and will take to address the immediate crisis and strengthen growth;
- Agreed on common principles for reforming our financial markets;
- Launched an action plan to implement those principles and asked ministers to develop further specific recommendations that will be reviewed by leaders at a subsequent summit; and
- Reaffirmed their commitment to free market principles.

Given the complexity of all these initiatives, my former colleagues at Department of Commerce recently launched a website, www.EconomicRecovery.gov, to help citizens, consumers, business owners, and

homeowners better understand these government interventions – both macro and micro. Agencies ranging from Treasury, FDIC, Housing and Urban Development, Commerce, and of course SBA, are all contributing content to this site – and I encourage you to check the site periodically to understand fully the resources that are available to you.

Keep in mind that with historically low interest rates, the challenge we face today is *access* to capital, not its cost. It's a lot like finding a product you want to buy – on sale – in store front window, but the doors to the store are locked. So everything we are doing is intended to increase that access to capital.

In all, the President has adopted a “failure is not an option approach” to the credit crisis. While the credit problems will not be solved overnight, we are seeing signs that the President’s plan is working:

- The LIBOR rate continues to fall; and
- Long-term Treasury rates are moving in the right direction.

In fact, nearly two-thirds of economists polled last week by the *Wall Street Journal* said they believe that the President’s plan is helping the markets.

The strategy is bold enough to work in the long run and to preserve confidence in our free market system. Those of us who work for President Bush didn't simply wake up one day and say, "hey, let's give socialism a try." We are living in extraordinary times and extraordinary action was called for. When government, and only government, has the scope, patience, and resources to act, I believe it has the obligation to act – and your government has acted to bolster our free market system.

Role of Innovation and Entrepreneurship

While we are all concerned about the credit crisis, let's not lose sight of the bigger picture. Even in a downturn, innovation is key and small businesses remain the backbone of our economy, providing two-thirds of private sector employment. Small businesses are also drivers of innovation, providing 13-times more patents – on a per capita basis – than larger businesses. This is why smart large companies cultivate close strategic partnership with emerging small businesses – that's where a lot of the new ideas come from.

The importance of innovation cannot be overstated or applied broadly enough. Given the dynamics of our global economy, we can no longer rely on business models – or government approaches – designed for yesterday's environment. If

we know anything about the future, it's that being able to adapt is the key to success.

This is why I suggest that the strategy for the United States in competing in the 21st century is built around the following equation:

Entrepreneurship drives innovation . . .

Innovation drives productivity . . . and

Productivity drives higher wages and higher standards of living.

This is exactly why Free Trade Agreements are so important to America's entrepreneurs. Small businesses are vital drivers of economic growth and job creation – creating 70% of new jobs and are leaders in innovation.

Small businesses also account for 97% of all U.S. exporting companies. Higher costs and barriers to trade are challenging obstacles for companies of any size, but such obstacles are even higher for our American small companies.

Tariff reductions, intellectual property protections, and reduced administrative barriers disproportionately help small firms expand their business into overseas markets – and this is exactly what Free Trade Agreements address. The

proposed FTAs with Columbia, Panama, and South Korea would open up combined markets of 97 million people and \$1 trillion in gross domestic product.

So it is imperative for our public policy makers and businesses – large and small – to understand that the health of our economy is directly tied to the health of small business, and that the health of small businesses is directly tied to their ability to access foreign markets. America’s small businesses – and those they employ – are the chief beneficiaries of Free Trade Agreements.

We live in challenging times, no doubt. But I remain optimistic about the promise of America, and the promise of our free trade, and the promise of small business – even during economic downturns like the one we are experiencing today. Just as this country has addressed and succeeded through previous challenges — we will this time, too.

Closing

This moment is history unique — not just because of the credit crisis we face — it is also a time of transition of power to a new Administration.

President Bush has expressed his firm commitment to a professional, collaborative, and successful transition. The President-elect has pledged the same and I am confident that you will see the most collaborative and professional transition in American history. I am committed to this goal at SBA and am confident that the new team will be able to hit the ground running in January. The new President will have my support and my prayers.

Thank you for leadership and thank you for your kind attention today.