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“Keeping America Competitive: Federal Programs that Promote Small Business Exporting”
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Introduction

Senator Landrieu, thank you for the opportunity to speak before you today about the role of export promotion in our efforts to strengthen and support America’s economy.

However, let me first state that Secretary Locke would be here today except for a conflict with his schedule. Let me assure you though that the Secretary recognizes the important role small businesses will play in pulling America out of this once-in-a-generation economic crisis. The Secretary recognizes that it is important to streamline government bureaucracy and bring services and solutions directly to businesses and entrepreneurs to help create and sustain family-wage jobs. My testimony today will provide you with insight on how the Department of Commerce has and will continue to implement such a strategy.

I welcome the subcommittee’s interest in this topic and look forward to outlining the International Trade Administration’s (ITA) efforts to promote U.S. exports. The mission of ITA is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements that enhance the ability of U.S. firms and workers to compete and win in the global marketplace. This mission is critical to enhancing America’s global competitiveness and expanding commercial opportunities for American manufacturers, farmers, and service workers throughout the world.

In short, ITA helps American firms and workers navigate the often complicated and unpredictable waters of foreign trade so that U.S. firms’ sales abroad help to support jobs here in the United States.

In ITA, I serve as the Acting Deputy Assistant Secretary for Domestic Operations in the U.S. & Foreign Commercial Service (Commercial Service). The Commercial Service operates a global network of trade professionals in U.S. Export Assistance Centers (USEACs) in 109 U.S. locations and in U.S. Embassies and Consulates in 77 countries. Commercial Service staff works with U.S. companies to provide numerous services ranging from counseling, advocacy support, and market research to industry expertise and identification of potential international buyers or partners. We guide companies through every step of the export process, from learning how to export to logistics and shipping issues.

The Commercial Service focuses its programs on three priorities: (1) increasing the number of U.S. companies that export, (2) helping smaller companies expand to new export markets, and (3) helping exporters overcome hurdles in foreign markets. In particular, the Commercial Service focuses on assisting small and medium-sized enterprises (SMEs) succeed in the international economy. Ninety-seven percent of U.S. exporters are small and medium-sized businesses, and Commercial Service programs are designed to help these companies export to the 95 percent of the world's consumers that live beyond our borders.

In fiscal year 2008, U.S. firms assisted by the Commercial Service reported 12,659 export successes; 426 of these successes were from companies that had never exported before, and 3,627 were from firms that had exported to a new market. Eighty-two percent of these successes were reported by small and medium-sized businesses. In total, these successes supported over \$67 billion in exports.

Role of Exports in the U.S. Economy

As you know well, Chairman Landrieu, our economy is dependent on the global economy. In 2008, exports accounted for 13 percent of Gross Domestic Product (GDP). To put this in historical context, exports were 9.5 percent of U.S. GDP five years earlier (2003), and 5.3 percent 40 years ago (1968). Last year, the United States exported an astounding \$1.84 trillion worth of goods and services.

These export figures translate directly into the creation of jobs in the United States. The latest available employment numbers (2006) indicate that roughly six million U.S. jobs depend on manufactured exports.

Moreover, a significant number of major U.S. manufacturing industries are heavily dependent on foreign sales. For example, in 2006, seven major manufacturing sectors, led by computers and electronic products (39.5 percent) and primary metals (34.7 percent), counted more than one in four jobs as export-supported. In Louisiana, export-supported jobs linked to manufacturing accounted for 5.7 percent of Louisiana's total private-sector employment. Nearly one-seventh (13.1 percent) of all manufacturing workers in Louisiana depend on exports for their jobs.

Service exports – including education, business services, information services, entertainment, international tourism to the United States, and construction and engineering – have also contributed to job creation. For example, recent estimates indicate that international travelers to the United States support roughly 1.1 million domestic jobs.

Exports sustain thousands of Louisiana businesses. More than 2,300 companies exported goods from Louisiana in 2006. Of those, nearly 2,000 (84 percent) were SMEs with fewer than 500 employees. SMEs generated over one-third (35 percent) of Louisiana's total exports of merchandise in 2006. In 2008, Louisiana's export shipments of goods totaled \$41.9 billion, up 38 percent from the 2007 total of \$30.3 billion. Louisiana ranked ninth among the states in terms of merchandise exports in 2008.

Department of Commerce's Role in Trade Promotion

The Federal Government's trade promotion programs are designed to address challenges that U.S. companies face. These challenges include the lack of information on how to export, the inability to get export financing, as well as overcoming numerous barriers and complexities to enter foreign markets.

The Trade Promotion Coordinating Committee (TPCC) directs the Administration's trade promotion efforts. The TPCC is chaired by the Secretary of Commerce and its Secretariat is housed in the Commercial Service. The TPCC members are the heads of 20 Federal Government agencies, including the Small Business Administration (SBA), Export-Import (Ex-Im) Bank of the United States, the Overseas Private Investment Corporation, the U.S. Trade and Development Agency, the U.S. Department of Agriculture, the U.S. Department of State, the U.S. Department of the Treasury, and the Office of Management and Budget. The TPCC provides a framework for the Secretary of Commerce to work with the heads of the other agencies to develop priorities for a government-wide agenda on trade promotion. Helping small businesses export is a main priority for the TPCC, and most of the trade promotion and finance programs developed by TPCC are designed to assist small businesses sell their goods and services overseas. While there are a number of these programs, I would like to highlight three: (1) the United States Export Assistance Centers (USEACs), (2) a TPCC sponsored interagency training program on trade promotion, and (3) TPCC-led interagency joint marketing efforts.

Created by the TPCC, USEACs are designed to be a "one-stop" shop for U.S. exporters. USEACs are staffed by Commercial Service employees and in some locations our offices are collocated with SBA and Ex-Im Bank representatives. Representatives of these agencies conduct joint calls and counseling with small business exporters, host seminars on export topics, and work together to recruit companies to participate in trade missions. Ex-Im Bank and SBA personnel in Dallas and Houston cover Louisiana and have an excellent working relationship with the Commercial Service staff in Louisiana. Together, these interagency efforts have resulted in export sales for Louisiana.

For example, Dredging Supply Company, Inc. (DSC), located in Reserve, Louisiana, is a family-operated manufacturer of customized dredging equipment used all over the world in a wide range of industries. Over the past few years, DSC has completed many successful export sales. In 2008, over 50% of its revenues were generated from export sales, and the company anticipates a continued increase in their international sales. One recent sale was a \$3.5 million dredge to a Nigerian buyer financed by a loan backed by Ex-Im Bank. DSC attributes its success in part to the assistance the company received from the New Orleans Export Assistance Center, Ex-Im Bank and private sector partners.

The TPCC also sponsors interagency training for trade professionals to promote a better understanding of export promotion and trade finance programs across the Federal Government. Small businesses often view the Federal Government as one entity rather than a collection of programs or agencies, and staff learns about all the resources that the Federal Government has to offer. During the training, American companies present real world problems and challenge the

participants to work together to come up with solutions. To date, over 700 participants from 12 agencies and seven states have completed the program.

The TPCC joint marketing initiative is another coordinated interagency effort to reach out to more U.S. companies. This effort includes direct mail and joint participation by TPCC agencies in trade shows, exporter symposia, and other activities to educate exporters about U.S. Government opportunities and resources – without confusing them with the alphabet soup of different agencies.

HELPING U.S. COMPANIES EXPORT: FROM START TO FINISH

Getting Started

Chairman Landrieu, I now would like to highlight how the programs of the Commercial Service in particular help U.S. companies identify and take advantage of commercial opportunities abroad.

U.S. companies can access Commercial Service’s global network in a variety of ways. Our 300 trade specialists located in USEACs throughout the country reach out to local companies to help them realize their export potential by providing in-depth, value-added counseling. Companies can contact our experts overseas for country-specific information and assistance in resolving commercial issues. Companies can also call our Trade Information Center (1-800-USA-TRADE), which is staffed by a team of trade experts that serve as a single point of contact to all U.S. Government export assistance programs and provides basic export counseling. Last fiscal year, the TIC gave personal assistance to more than 36,000 inquiries, 73 percent of which were from small and medium-sized businesses. In addition, ITA manages Export.gov, the federal website dedicated to providing comprehensive information to U.S. firms as they enter or expand into global markets. It brings together all the export promotion products and services of the Federal Government in one needs-based, customer-friendly website. With Export.gov, small companies can walk through each step of the export process in just a few clicks of a mouse.

Strategic Partnerships

We are able to reach even more companies interested in exporting through the Strategic Partners Program which leverages the customer base of private sector organizations (such as express delivery companies), state and local governments, and trade associations, to make sure their clients are aware of the range of federal export assistance programs.

In 2004, the Commercial Service established the Corporate Partnership Program to expand the U.S. exporter base through a Public - Private Sector Partnership model. Combining the export assistance services of the U.S. Commercial Service together with “best-in-class” export services companies, the Corporate Partnership Program enables increased export opportunities through joint outreach and education to small- and medium-sized U.S. businesses. The Commercial Service’s corporate partners have worked with us on a variety of initiatives. For example, they have hosted export seminars, helped produce and distribute an Export Finance Guide, and sponsored international trade missions and trade events.

Partnerships with state and local trade organizations are a key component of the Commercial Service's partnership strategy. We work with state and local partners to educate SMEs on the benefits of exporting and provide them with specific industry and market information. In Louisiana, our Shreveport and New Orleans offices regularly work with local partners, for example the New Orleans World Trade Center, Le Centre International de Lafayette and the Southwest Economic Development Alliance. This collaboration brings the best possible combination of resources to the client, increasing successful exporting and resulting in local economic and job growth. Forty of our USEACs across the country are collocated with state or local partners to further strengthen our joint efforts.

Commercial Service staff in Louisiana works with the Small Business Development Centers (SBDCs) in the state and the Manufacturing Extension Partnership of Louisiana (MEPOL) to conduct joint counseling, and organize seminars for SMEs.

Another key partner for the Commercial Service is the network of District Export Councils (DECs), who work with us to increase exports through joint outreach and educational events. The 60 DECs throughout the U.S. are made up of private sector company representatives who are appointed by the Secretary of Commerce, and whose mission is to support U.S. exports. The DECs educate the business community on the value of exporting and provide practical exporting advice.

The Commercial Service also works with key national and industry associations linking our common strategic goals and activities. One of our major association partners is the National Association of Manufacturers (NAM). Under a joint agreement entered into in fall 2003, the Commercial Service provides a Commercial Officer as a liaison to NAM to enhance NAM's outreach to SME members. We have also finalized an agreement with the United States Council for International Business' Carnet program and with the U.S. Chamber of Commerce's Trade Roots program for further outreach and education to their members. Our Trade Association Liaison provides associations' members with information and resources to begin exporting and navigate the intricate issues surrounding international trade, including an introduction to our services.

Along the Way

Matchmaking & Counseling

When our trade specialists at local USEACs across the country counsel companies about exporting, they often recommend that companies find an overseas agent or distributor. Our overseas staff located in U.S. Embassies and Consulates throughout the world can save a U.S. company's valuable time and money by doing the legwork in advance in a specific market to help the company find potential agents, distributors or other strategic partners.

We will contact a large group of pre-screened overseas business partners and then identify the contacts that appear most capable of becoming a viable representative for the U.S. company in

that market. All of this work is done before the company travels overseas to meet face-to-face with these potential partners, saving the company time and resources.

For example, It Straps On (ISO), Inc. of Covington, Louisiana, is a small manufacturer of stainless steel bands, buckles, mounting brackets and wing seals for securing signs, telecommunications cable, and the like to posts and poles. ISO President Steve Smith, a New Orleans USEAC client and active DEC member, relies on Commercial Service products and services as a key part of his international strategy, which includes sales to dozens of international markets. When Mr. Smith decided to target the Middle East, he turned to the Commercial Service for support and worked with the New Orleans USEAC and our office in Abu Dhabi to identify potential foreign buyers and arrange meetings with the companies. As a result, in 2007 ISO made its first sale in the United Arab Emirates for \$11,300.

Trade Events

Trade events are an excellent way for companies to get international exposure and make valuable contacts. These events, which include trade missions, international buyer shows, and trade fairs assist U.S. companies in making contacts, developing business relationships, and locating customers overseas.

Trade missions are an effective way for companies to gain access to foreign company leaders and government officials who would not normally meet with individual business visitors. In calendar year 2008, the Commercial Service supported trade missions to 27 overseas markets with a total of 420 U.S. companies participating, resulting in nearly \$350 million in export successes to date.

For example, several Louisiana companies are bidding on major projects in Colombia as a result of a March 2009 trade mission that the Commercial Service led to Colombia. The participants represented a wide variety of industries, including port associations, oil and gas equipment companies, dredging equipment, transportation, manufacturing and engineering. Also joining the mission were Ex-Im Bank and OPIC representatives. Delegates participated in one-on-one business meetings with Colombian business leaders and representatives interested in buying their products and services. The meetings were arranged by our Commercial Service staff in Bogota. The Louisiana Economic Development (LED) and the Louisiana District Export Council (LDEC), as well as Textron Marine & Land Systems, sponsored activities in conjunction with this mission.

This spring, the Commercial Service completed a successful trade mission to Poland that had both a Pan-European conference and matchmaking component. The program consisted of a full day business conference on the European market, one-on-one counseling sessions with 28 European Commercial Service Officers, and business-to-business meetings with potential partners from Poland and other European markets. One-hundred and thirty-four representatives from 84 U.S. companies and 22 states participated in the event. Over 97 percent of these participants were SMEs.

We have a number of trade missions planned for this fall, including a multi-sector trade mission to Canada, an executive mission to Algeria and Libya, a Bright Green Program at the United Nations Climate Change Conference (COP 15) in Copenhagen, and aerospace supplier mission and energy efficient trade missions to India.

Our International Buyer Program (IBP) is a government-industry program designed to increase U.S. export sales by promoting international attendance at major U.S. industry trade shows. The IBP selects approximately 35 U.S. trade shows each year where our staff provides practical, hands-on assistance to U.S. exhibitors including export counseling, marketing analysis, and matchmaking services. Commercial Service staff overseas promote these trade shows and recruit foreign buyer delegations.

The Trade Fair Certification (TFC) program is another partnership between the Commercial Service and private sector show organizers to increase U.S. exports and expand U.S. participation in overseas trade shows. The program provides, among other things, Department of Commerce endorsement, promotional support, and show-related services for qualifying international shows. This program also supports in-country/show site assistance for private sector organizers to recruit staff and build a U.S. pavilion at selected foreign trade shows. In calendar year 2008, the TFC Program certified 107 overseas trade fairs.

Commercial Diplomacy & Advocacy

U.S. companies often need assistance to address a specific trade-related issue. The U.S. Government can weigh in on behalf of a U.S. company with the foreign government to help the company resolve the issue. These problems range from regulatory trade barriers to unfair trade practices. Our job, through commercial diplomacy, is to work with the foreign government to find a solution so that the U.S. company has the best possible chance to sell its products and services in that market. This type of service is particularly important in emerging markets.

Our commercial diplomacy work is sometimes very transaction-specific. For example, in the fall of 2008, a Missouri-based manufacturer, Liquid Soap Products, contacted the Trade Information Center asking for assistance in obtaining the release of a shipment of soaps and cleaning products from Portuguese Customs in Lisbon. Customs refused to clear the shipment until the Portuguese health regulatory agency certified the products' safety. The trade specialist put the company in touch with our commercial officer in Lisbon, who then contacted the regulatory agency. In January 2009, Portuguese Customs released the cargo and the sale was executed. Liquid Soap's importer attributes the willingness of the Portuguese Customs to work with them to Commercial Service assistance.

U.S. companies will also look to us to help them win bids on foreign tenders. The Advocacy Center will coordinate U.S. Government advocacy on behalf of a U.S. company bidding for procurement. In 2008, U.S. Government advocacy supported American companies successfully in 34 international procurements with U.S. export content of \$21.8 billion. The Advocacy Center is actively tracking over 400 cases.

For example, the Commercial Service helped Textron Marine & Land Systems, an operating unit of Textron Systems, a Textron Inc. company, to secure a level playing field for a government procurement project in Colombia. Textron is one of the world's best known multi-industry companies and includes other notable businesses, such as Bell Helicopter, Cessna Aircraft, Kautex, Lycoming, E-Z-GO and Greenlee. Textron Marine & Land Systems, which manufactures armored wheeled vehicles just north of New Orleans, began pursuing a multi-million dollar sale of armored vehicles to the Colombian Army via FMS. A long-time client of the New Orleans U.S. Export Assistance Center, Textron Marine & Land Systems contacted the Commercial Service and requested advocacy support in order to ensure the U.S. candidate system was given an equal opportunity to compete.

At the USEAC's request, CS Bogota and the Advocacy Center sprang into action and assembled an interagency team, headed by the U.S. Ambassador, to work the case. The team liaised with Colombian officials and was very instrumental in supporting meetings between Textron Marine & Land Systems representatives and the Colombian Army officials. Meanwhile, the Commerce Department's Advocacy Center prepared a letter for signature by the Secretary of Commerce to the Colombian Minister of Defense, supporting the Textron Marine & Land Systems vehicle candidate. In March 2009, Textron Marine & Land Systems joined a U.S. Commercial Service Trade Mission to Colombia where they conducted business meetings with the U.S. Ambassador and key Colombian officials that significantly complemented the company's overall marketing strategy. As a result of a total team effort by members of the Commercial Service, the Embassy Country team and Textron Marine & Land Systems, the Colombian Army selected Textron Marine & Land Systems as the sole source provider for their current FMS armored wheeled vehicle program.

Export Financing

If a U.S. company finds an interested foreign partner, our team of trade experts will work with the U.S. exporter to identify financing options. The Federal Government has a number of different tools to help U.S. companies complete a sale. The most common are: working capital guarantees that provide transaction-specific loans to U.S. exporters and are made by commercial lenders and backed by the U.S. Small Business Administration or the Export-Import Bank; credit insurance, which covers the risk of buyer nonpayment for commercial risks (e.g., bankruptcy) and certain political risks; and buyer financing, which provides term financing to creditworthy international buyers for purchases of U.S. goods and services. Some of our Strategic Partners, including TD Bank and M&T Bank, have hosted seminars for their clients on trade finance and federal financing programs. In addition, some partners, including M&T Bank and Comerica, have reprinted and are distributing our Export Finance Guide, which provides a comprehensive resource on export financing options, to their clients.

Service Fees for SMEs and Hurricane Relief

In an effort to broaden and deepen the U.S. exporter base and enhance our ability to serve small and medium-sized companies and companies that are new to exporting, the Commercial Service instituted a new user fee schedule in May 2008. Instead of having a different fee for each overseas market, we have one base fee for SMEs and one base fee for large companies. We also

have an incentive fee for new-to-export SMEs that use our services for the first time, offering a discount of up to 50 percent for several of our core matchmaking and partner search services. We believe that using a standard fee structure worldwide will eliminate client confusion and simplify our administrative processes.

In April 2006, in an effort to help businesses in the areas impacted by the 2005 hurricanes, the Commercial Service instituted a U.S.-Declared Hurricane Major Disaster Area product discount policy. This policy reduces by 50 percent the cost of Commercial Service services for qualifying businesses. The policy remains in effect through FY 2009. To date, businesses in hurricane disaster areas have purchased a total of 175 discounted services, of which 30 have been by Louisiana companies, with a savings of \$10,391.

Conclusion

The downturn in the world economy has adversely affected all of our industry sectors and exports. Many of our major trading partners have experienced even more severe economic contractions, resulting in recent declines in foreign demand for our goods. In these troubled economic times, the Commercial Service's export promotion work is more important than ever for small and medium-sized businesses and the long-term competitiveness of the United States. To more aggressively support export-related job creation and maintenance, and to develop a more robust presence in challenging markets, the President's FY 2010 budget requests an increase of \$5.2 million for the U.S. and Foreign Commercial Service. We will continue to work with Congress going forward to ensure the importance of and plans for outreach to emerging markets is fully understood and adequately funded. The Commercial Service, the International Trade Administration, and all the TPCC agencies, remain committed to creating jobs by supporting exports by small and medium-sized businesses.