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KEEPING AMERICA COMPETITIVE: FEDERAL PROGRAMS THAT PROMOTE SMALL BUSINESS EXPORTING

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

JUNE 30, 2009

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KEEPING AMERICA COMPETITIVE: FEDERAL PROGRAMS THAT PROMOTE SMALL BUSINESS EXPORTING

TUESDAY, JUNE 30, 2009

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
New Orleans, LA

The Committee met, pursuant to notice, 1:06 p.m., in the Port of New Orleans Auditorium, First Floor, 1350 Port of New Orleans Place, New Orleans, Louisiana, Hon. Mary L. Landrieu (chairman of the committee) presiding.

Present: Senator Landrieu.

OPENING STATEMENT OF THE HONORABLE MARY L. LANDRIEU, CHAIRMAN, AND A UNITED STATES SENATOR FROM LOUISIANA

Chair LANDRIEU. I would like to thank our witnesses who are here today. I am honored as the Chair of this committee that you would accept the invitation to testify.

I also want to particularly thank the Port of New Orleans for hosting us. This is a very appropriate venue for the subject of this hearing on literally the shores of the greatest river system in North America. Let me thank the port and all of its employees for hosting us today.

As I said, it is no coincidence that we chose this location as the site of our hearing. This port sees more goods leaving its docks each day than almost anywhere else in the nation. It pumps $882 million into Louisiana's economy and sustains more than 160,000 jobs.

The reality is, Louisiana's ports, not just the Port of New Orleans, but the combined sister ports of South Louisiana, are America's ports and the gateway to the world. We are literally a main artery, if not the main artery, of our nation's commerce. We are home to five of the country's top 13 ports exporting more than $42 billion in goods last year alone. We send everything from sugar to oil and receive steel and goods from all over, over 200 countries worldwide.

But the recession has caused challenges. The recovery is still underway from Katrina, Rita, Gustav, and Ike, major storms that have had a major impact on this region. We are still having challenges associated with those events. With cash registers not ringing like they used to, exporting has become one solution for small busi-

nesses looking to survive and grow, like Xenetech, who is here today with us.

Guy Barone, I had the pleasure of speaking with him last night. Guy is the Chairman is the State's District Export Council. With the help of SBA and other Federal programs, Guy's family-owned business of just 21 employees ships goods to nearly 7,000 customers around the world, customers as diverse as Carnival Cruise Lines, NASA, and the Egyptian Army. Most recently, he supplied the engraving equipment to the company that provided the national championship trophy to our LSU Tigers last week. We are very proud of our Tigers and very happy the business that manufactured the trophy is right here in Louisiana.

Xenetech and small businesses like it across the country have not only used exporting to weather the economic storm, they are proving that whatever helps our entrepreneurs helps our entire economy. Last year, $70 billion in exports maintained or created 600,000 high-paying American jobs. One of the successful exporters here today is Ralston Pittman Cole, who was recently named Louisiana's Small Business Exporter of the Year for his work at EMD Services International. Ralston, Guy, and others like them are helping our country grow out of this recession.

Small businesses make up nearly 85 percent of the exporters in the State, 97 percent State-wide. I want to call your attention to Chart Number 1, which shows how we have got a long way to go. The percentage of small businesses that export are one percent of all small businesses, so they are in the mighty few. That gives us a great opportunity to grow and to help small businesses become the exporters that we believe they can be.

The number of big businesses in the other chart are represented in three percent. The number of small businesses that export in the country, according to our data, is 239,000. So small businesses make up the greater portion of exporters, but they are still just a small percentage of small businesses that are actually exporting. So there is great room for growth and that is part of what our field hearing is about today.

These small businesses have told me that the programs and services of the Small Business Administration and other Federal agencies are helpful, but we can do more. They have told me that better coordination and improvement of our programs are needed.

But perhaps most importantly, we need to understand the root of the problem. The tools we have today help solve problems caused by inequitable rules created during trade negotiations. These barriers, like burdensome regulations, excessive reporting requirements, and unfair tariffs, force small businesses to act like big businesses, which they can't. They can be a business. They can be successful. They can't be big if they are small. In healthy times, the successful business can try to handle these situations. But when a devastating storm or groups of storms or levees that break occur, or when a global recession sets in, these challenges become almost insurmountable.

So going forward, we need to be more proactive by ensuring that unfair trade rules and regulations don't stand in the way of our small entrepreneurs. This is why we are here today, to discuss these barriers and propose possible solutions.

Some of the problems I have seen myself, and I hope some of the witnesses here will elaborate on some of the challenges and express their views about some of the proposed changes in terms of their new advocacy positions. With more than 19 Federal agencies involved in trade, small exporters often don't know where to turn for help or even that help is available. It is time we bring small business trade to the forefront.

My committee has direct jurisdiction over one of these agencies, the Small Business Administration. I have been pleased that Administrator Mills has been with me all day this morning and part of yesterday touring the region and I will be anxious to hear more from her in just a moment. But I have been extremely impressed with her commitment and her concern and her ideas about what can be done through the SBA.

We will also take a hard look at other agencies that are here representing Commerce and independent agencies that I would like to work strongly with them, as well.

I, along with my Ranking Member on the committee, Senator Snowe, and Chuck Schumer from New York, who has also been very active in this area, have called for an Assistant Trade Representative focused solely on small business within the Office of our U.S. Trade Representative, and we are honored to have the Honorable Ron Kirk with us today. This advocate would be in the room supporting small business during trade negotiations. We are hopeful that we could move in that direction.

It is also refreshing to have a strong partner in the White House and it has been a pleasure to work with the Administrator, as I have said before, earlier in my testimony. I am also looking forward to working with my good friend, Fred Hochberg, who helped to run this Department and now is heading up the Export Bank of the United States.

So we have a tremendous panel to discuss this issue with, and a representative from the Department of Commerce.

But in conclusion, let me say that, ultimately, this hearing is about exporting. It is about export opportunities for business. It is about export opportunities for Main Street businesses, businesses that with the new technology that we have, this has become a real option. Twenty years ago, it probably wasn't possible. But with new technologies today and the kinds of new opportunities that small businesses can look to, and because of the challenges here at home with their own markets and their own neighborhoods and their own communities, small businesses are looking other places in the world for opportunities. And I think, ladies and gentlemen, if I can say, if we do our jobs the very best we can, it can bring hope and opportunity for the small businesses in our country.

I would like to introduce, if the staff will give me the introduction list, we will introduce our first panel of witnesses today. First, Karen Mills, Administrator of the Small Business Administration. Ms. Mills directs an agency of over 2,000 full-time employees, but her network is quite extensive and hopefully she will spend a moment talking about that in her testimony today. She comes fully prepared for this job, tapped by the President to run, I think, one of the most important agencies of the Federal Government right now and we are pleased to have Ms. Mills with us.

The Honorable Ron Kirk—he has so many titles, I don't know what to call him, Mayor, Ambassador, and now Trade Representative for the United States of America. He is one of the President's top appointees in this regard and we are very pleased to have you, Ambassador Kirk, with us.

Fred Hochberg, as I said, is Chairman and President of the Export–Import Bank of the United States. We are just excited to have him heading up this exciting agency. He has been involved in business, government, and philanthropy for many years and was the former Deputy and Acting Administrator of the SBA. So he and Ms. Mills will have a great deal in common and a lot of ideas to share, having both served in that capacity.

And Patty Sefcik is standing in and doing a wonderful job for the Commerce Secretary, who called to say he was sorry he could not be here, that other business kept him away. But as the Acting Deputy Assistant Secretary for Domestic Operations of the United States and Foreign Commercial Service—big title—she is with us today and oversees the Export Assistance Centers operating in 48 different States.

So with that, let me turn it over to Ms. Mills. We look forward to your testimony this morning.

STATEMENT OF HON. KAREN GORDON MILLS, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Administrator MILLS. Thank you very much, Senator Landrieu. I have to say that the people of Louisiana and all of America's small business community are very fortunate to have such a strong advocate as you are in Washington and in the U.S. Senate.

I want to thank you also for the past couple days. We have had a chance to see firsthand what is going on in this continued but difficult redevelopment effort here in this region and to visit with small businesses and entrepreneurs, Main Street entrepreneurs in a gas station, one of the first that has come back to a devastated community and has provided some of the linkages to grow that entire revitalization effort. We have seen young, vibrant entrepreneurs. But there is much work still to be done here and we are very happy to work in this community and to be part of that effort.

It is also a pleasure to be here with Ambassador Ron Kirk and Chairman Fred Hochberg and Acting Deputy Assistant Secretary Patty Sefcik at the U.S. Department of Commerce and everyone else who has joined us today. Truly, it is going to take all of us working together to keep America competitive, as the title of this hearing suggests. Madam Chair, I am pleased to share the SBA's efforts to help small businesses compete in the global marketplace.

The SBA provides access to capital for small businesses on Main Street and to some of the country's high-growth, high-impact small businesses. The SBA has a portfolio of loans and loan guarantees of more than $80 billion. We have 68 district offices, including one here in New Orleans. We have more than 2,000 employees, as well as 1,200 stand-by trained employees who can be deployed to communities affected by disaster. And we also have 18 Senior International Trade and Finance Regional Managers across the country.

Our partners are part of our important network and they include over 900 Small Business Development Centers—and we have 11

here in Louisiana—and more than 100 Women's Business Centers—and we have two here in Louisiana, as well. We have 350 chapters of our mentoring group, called SCORE, and they have five chapters here in Louisiana. So all told, as you describe, we have a very broad bone structure throughout the United States which includes about 14,000 affiliated SBA counselors.

We know that this is a difficult time for small businesses to gain access to capital, so since the Recovery Act passed, we have redoubled our efforts to put more money into the hands of entrepreneurs and small business owners. We have done a number of things. We have raised the guarantee on our 7(a) loans to 90 percent and we have reduced or eliminated the fees on our flagship 7(a) and 504 loan programs. And as a result, the loan volumes in these programs are up more than 35 percent compared to the weeks before the Recovery Act.

In addition, importantly, we have brought nearly 600 banks and credit unions back to the SBA programs, nearly half of whom had not participated since 2007. For Louisiana, this has resulted in $55 million in lending support for nearly 200 small businesses throughout the State, and I want to give you just two quick examples to bring this alive.

In West Monroe, Sawyer Industrial Plastics has provided plastic repair parts for the paper industry for 32 years and the owner was shifting his strategy to a new market when his conventional credit was canceled. So he was able to get an SBA loan of $700,000, which was a lifeline, and the fee savings from the Recovery Act allowed him to add an employee to help with the new products.

The second example is just north of here, in Mandeville, Woolf–Harris Plumbing bought a new building, but they were left short of cash, and even though the demand for their products and services was high, with the increased guarantee from the SBA, a local bank was able to extend $250,000 for working capital through a 7(a) loan. Nationwide, about 20 percent of these loans have gone to minority-owned businesses, 19 percent have gone to women-owned businesses, and in fact, the SBA is three to five times more likely to make loans to women- and minority-owned businesses than conventional lenders.

In addition, just two weeks ago, we added another tool to the toolbox, a brand new program called America's Recovery Capital, or ARC loans. These loans are providing the relief that many viable but struggling small businesses need. ARC loans are 100 percent guaranteed by the SBA. They are for up to $35,000, over six months, interest-free to borrowers, and they have no repayment for 12 months after the final dispersal.

The Recovery Act also provides billions of dollars in contracting opportunities. We are responsible at the SBA for making sure that small businesses have the opportunity to deliver at least 23 percent of Federal contracting. We see this as a win-win situation. Small businesses benefit by getting increased volume and sales, and the Federal agencies and the taxpayers benefit because they are working with the most innovative companies, often with a direct line to the CEO.

All of these efforts of the Recovery Act are aimed at building a stronger foundation for small businesses to grow and to explore

areas like the one we are here to talk about today, international trade.

Overall, small businesses accounted for more than $500 billion last year in export sales, or nearly 30 percent, while it is still difficult for many small businesses to know exactly what steps to take to reach potential export markets. In fiscal year 2008, the SBA facilitated more than 3,300 loans for exporters, and in the Louisiana and Texas region, we were able to provide training and counseling to more than 300 lenders and more than 600 small business owners. We have international trade loans, which I will describe in a moment, but the Recovery Act has allowed us to raise the guarantees on those loans, as well, across all our programs and to waive the up-front fees for borrowers on loan terms of greater than 12 months.

Some examples of our program: We have the Export Working Capital Program, and that loan is coordinated through our SBA staff that work in collaboration with the Department of Commerce at 18 U.S. Export Assistance Centers around the country, and we have a growing number of preferred lenders to whom we delegate the authority to process these loans directly to our loan processing center in Sacramento. These loans are important because small businesses often need an initial line of credit for suppliers, inventory, or production of export goods, especially when the first big order from abroad comes in. The SBA provides nearly $1.7 million for these loans and we can also co-guarantee with the Export–Import Bank on loans of up to $2 million.

Another key program is the Export Express loan, which can be up to $250,000 and can usually be approved within one or two days by an SBA Express lender. These loans can be used to enable a small business company to prepare for exporting. For example, it can help with the translation of a business website or marketing material and it can also help them participate in trade missions.

So far for this fiscal year, the SBA has guaranteed 598 loans to exporters and we are working tirelessly to continue our outreach and advocacy for small business exports, both here in Louisiana and throughout the nation. As part of that, I am actually pleased to say that we are in the process of hiring our newest Senior International Trade and Finance Manager, who will be permanently assigned to the U.S. Export Assistance Center here in New Orleans.

With all these efforts, I am pleased to be working with Ambassador Kirk, Chairman Hochberg, Secretary Locke, Acting Deputy Assistant Secretary Sefcik, and our other agencies who are represented by the Trade Promotion Coordinating Committee. This is important because we do have a group and we do work very hard together to make sure that the Federal Government's programs are coordinated and accessible to small businesses and other exporters. Through our collaborations, we can ensure that small business will build a stronger foundation of American competitiveness while creating well-paying jobs in the 21st century.

Thank you.

[The prepared statement of Administrator Mills follows:]

Louisiana Field Hearing Testimony
"Keeping America Competitive: Federal Programs that Promote Small Business Exports"
SBA Administrator Karen Mills
6/30/09

Thank you, Senator Landrieu. The people of Louisiana and America's small business community are fortunate to have such a strong voice for them in the U.S. Senate.

It is also a pleasure to be here with Ambassador Ron Kirk, Chairman Fred Hochberg of the Export-Import Bank, Acting Deputy Assistant Secretary Patty Sefcik at the U.S. Department of Commerce, and everyone who has joined us today.

Truly, it is going to take all of us working together to "keep America competitive," as the title of this hearing states.

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We have 68 district offices, including one here New Orleans.

We have more than 2,000 employees as well as more than 1,200 trained standby employees who can be deployed to communities affected by disaster. We also have 18 Senior International Trade and Finance Regional managers around the country.

Our partners include nearly 900 Small Business Development Centers (11 in Louisiana), more than 100 Women's Business Centers (2 in Louisiana) and 350 chapters of our mentoring program called SCORE (5 offices in Louisiana).

All told, our network includes about 14,000 SBA-affiliated counselors.

We know that this is a tough time for small businesses to gain access to capital. Since the Recovery Act passed, we have redoubled our efforts to put more money in the hands of entrepreneurs and small business owners.

We raised guarantees on 7(a) loans to 90% and reduced or eliminated fees in our flagship 7(a) and 504 loan programs. As a result, SBA loan volume is up more than 35%[1] compared to the weeks before the Recovery Act. Also, we've brought nearly 600 banks and credit unions back to SBA programs, nearly half of whom had not participated since 2007.

For Louisiana, this has resulted in $55 million in lending support for nearly 200 small businesses throughout the state.[2] Two quick examples:

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[1] Comparison of average weekly gross approvals in the 7 weeks before ARRA signing to average weekly gross approvals since then

[2] Gross loan approval value. Typically, due to cancellations and loan amount reductions, 15–20% of gross approvals are not disbursed. Includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to the typical "50/40" split between the third-party and SBA portions of a 504 loan)

In West Monroe, Sawyer Industrial Plastics has provided plastic repair parts for the paper industry for 32 years. The owner was shifting his strategy to a new market when his conventional credit was canceled. The SBA loan of $700,000 was a lifeline, and the fee savings allowed him to add an employee to help with his new products.

Just north of here in Mandeville, Woolf-Harris plumbing bought a new building but they were left short of cash, even though demand for their products and services was high. With the increased guarantee, a local bank was able to extend $250,000 for working capital through a 7(a) loan.

Nationwide, about 20 percent of these loans have gone to minority-owned businesses and 19 percent have gone to women-owned businesses.[3] In fact, SBA loans are three to five times more likely to be made to women and minority owned businesses than conventional loans.[4]

In addition, just two weeks ago we opened up a brand new program called America's Recovery Capital (ARC) loans. These loans are providing the relief that many viable but struggling small businesses need. ARC loans are: 100% guaranteed by the SBA, up to $35,000 over 6 months, interest-free for borrowers, and have no repayments for 12 months after the final disbursal.

The Recovery Act also provides billions of dollars in contract opportunities. We are responsible for making sure that small businesses have opportunities to deliver at least 23% of federal contracting. This is a win-win situation. Small businesses benefit with increased volume and sales, and federal agencies benefit by working with the most innovative companies, often with a direct line to the CEO.

All of these efforts with the Recovery Act are aimed at building a stronger foundation for small businesses to grow and explore areas such as international trade.

Overall, small businesses accounted for more than $500 billion last year in export sales or nearly 30%.

It is still difficult, though, for many small businesses to know exactly what steps they need to take to reach potential export markets.

In Fiscal Year 2008, the SBA facilitated more than 3,300 loans for exporters. In the Louisiana and Texas region, we were able to provide training and counseling to more than 300 lenders and more than 600 small business owners.

With our international trade loans, the Recovery Act has allowed us to establish a 90% guaranty across all programs and to waive our upfront fees for borrowers on loan terms greater than 12 months.

For example, the Export Working Capital Program loan is coordinated through our SBA staff that work in collaboration with the Department of Commerce at 18 U.S. Export Assistance Centers around the country. In addition, we have a growing number of Preferred Lenders who we delegate the authority to process EWCP loans directly to our Loan Processing Center in Sacramento. These loans are important because small businesses often need an initial line of credit for suppliers, inventory, or production of

[3] Demographic data is self-reported.
[4] According to the Urban Institute.

export goods – especially when the first big order from abroad comes in. The SBA provides up to nearly $1.7 million for these loans, and we can also co-guarantee with the Export-Import Bank on loans up to $2 million.

Another key program is the Export Express loan, which can be up to $250,000 and can usually be approved within one or two days by an SBA Express lender. These loans can be used to enable a small business company to prepare for exporting. For example, it can help with translation of a business website and marketing materials. Also, it can help them participate in trade missions.

So far for this fiscal year, the SBA has guaranteed 598 loans to exporters, and we are working tirelessly to continue our outreach and advocacy for small business exports both here in Louisiana and throughout the nation.

As part of that, I am pleased to say that we are in the process of hiring our newest Senior International Trade and Finance manager, who will be permanently assigned to the U.S. Export Assistance Center here in New Orleans.

With all of these efforts, I am pleased to be working with Ambassador Kirk, Chairman Hochberg, Secretary Locke, Acting Deputy Assistant Secretary Sefcik and other agencies represented by the Trade Promotion Coordinating Committee.

Through our collaboration, we can ensure that small business will build a stronger foundation of American competitiveness while creating well-paying jobs in the 21st century.

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Chair LANDRIEU. Thank you, Administrator Mills. You can illuminate one of my questions, which was when is that representative going to be appointed, so I am glad to know that the time is just right around the corner.

Mr. Kirk.

STATEMENT OF HON. RONALD KIRK, AMBASSADOR, UNITED STATES TRADE REPRESENTATIVE

Ambassador KIRK. Well, I would like to join the Administrator, first of all, in, Madam Chairman, thanking you for your wonderful, tenacious advocacy on behalf of small business, but also, being a neighbor in Texas, there is a wonderful kinship between Texas and Louisiana, and even though I am sitting here as a U.S. Trade Representative, I am also a distinguished graduate of the University of Texas and was going to serve as President–Elect of the Texas Exes, but I will happily say "Go Tigers" today. [Laughter.]

Chair LANDRIEU. Thank you.

Ambassador KIRK. Not that happily. [Laughter.]

Chair LANDRIEU. Begrudgingly.

Ambassador KIRK. It was a great series.

Chair LANDRIEU. It was a great game.

Ambassador KIRK. But thank you so much for your advocacy on behalf of small businesses and for the region.

I may be able to abbreviate my presentation. You jokingly referred to my number of titles as Mayor, Secretary and Ambassador, and I think I would have to refer to you as Senator and Chairwoman and perhaps Ambassador Pro Bono. You did a fairly great job of explaining the importance of small businesses to the growth of trade and exporters, and in fact, there are almost 230,000, 240,000 small businesses that are involved in export and they do represent 90 percent of our exports. My experience as mayor tells me that is a great growth opportunity for our country.

As we were talking over lunch, all of us throw these statistics out so casually and easily about small business being the background, particularly of our towns and our cities and our urban areas. But as your pie chart shows, there is an extraordinary opportunity for growth. If we can invest in those small businesses and take them from having 70 employees to 140, or take them from 25 to 50 and duplicate that not only up and down the Gulf Coast and the Mississippi River that feeds your important port, but all around the country, I think we can readily calculate and easily calculate the value that would be to America and our economic recovery. So I am pleased to work with you in this endeavor and to work with our colleagues here, as well.

So in that vein, I want you to know it is important. I know that you and Senator Snowe, in particular, have strongly advocated for the creation of an Assistant USTR for Small Business, but I want you to know the importance it is to us. We are the smallest of the agencies within the Executive Office of the President, with only 227 employees, and so we would welcome all of the assistance that we can get. But I am also sobered by the reality that one person doing that job may not be as effective as making sure that we have maintained a focus on small business throughout our agency. And I want you to know it is one of our highest priorities.

Small business cuts across all of the work within the United States Trade Representative, so even though there may not be one person dedicated, it comes up in everything we do—in the negotiation of our trade agreements, in our enforcement, in our intellectual property rights work, and it is important enough that I have already had and invited to our office Commerce Secretary Locke to strengthen the ties that we have with Commerce through the office represented by Ms. Sefcik and others. SBA Administrator Mills came over last week and brought her team, because I want to make sure that we are doing everything humanly possible to take the burden off that small business person to have to weave their way through those 19 Federal agencies and that we can work collaboratively perhaps and be a single point of entry to make sure that we work with small businesses to help them understand the critical role that they can play in exporting.

You talked about the importance of the port here to New Orleans and Louisiana. We know that more than 2,300 Louisiana businesses exported goods, according to the most recent data that we had, with small businesses accounting for more than a third of your State's total exports. And work at the Port of New Orleans here, as you mentioned, supports over 160,000 high-quality jobs, and we have the data now that we know that the jobs that are related to exporting and trade tend to pay anywhere from 15 to 20 percent higher than other jobs in our economy. So small businesses that are involved in exporting can be a great way to help rebuild the Gulf Coast, but also sustain those families, as well. And when we improve business access to new markets overseas, which is one of our top priorities, we are helping to grow good jobs here at home in America.

You mentioned Mr. Cole, and we were pleased to be able to help join in congratulating him as your Louisiana Small Business Exporter of the Year. I also had the great joy in joining with Administrator Mills at the State Department last month in which we highlighted and feted those small businesses across the country that have been successful in exporting. And we want to continue to work with you and the Administrator to make sure that we are opening new markets, but doing so in a way that we meet those challenges that you referenced in dealing with non-tariff barriers, customs, regulations, and others that for large businesses are an annoyance, but for small business can in many cases be an absolute bar to them going forward. We want to work with you to make sure that we are addressing those.

So we are asking ourselves the question at USTR every day: How can we make sure that our small businesses not only are aware of the opportunities within the world of trade and exporting, that they have access to the information to get involved, and what can we do to make sure that we assist. Let me tell you a little bit about what we have done.

Since 2002, exports by small and medium-sized businesses have nearly doubled—that is the good news—from $160 billion to $311 billion in 2007. But again, that pie chart is so illustrative. I think it shows the explosive potential for growth that we have by investing more in our small businesses.

One example of ways that we do that, we can create market access for businesses, America's small businesses and manufacturers and farmers and ranchers by two ways. Principally in the past, we did it by negotiating new free trade agreements, such as the agreement with Mexico and Canada, NAFTA and CAFTA. But the reality is, as those free trade agreements have matured over the years, we are more likely to create market access by doing what I think you asked us to do, is to deal with some of these non-trade barriers in the way other countries unfairly enforce their rules.

We had one very high-profile success I am proud of. I have been in office less than 90 days now. Within six weeks, we had settled a 20-year-old dispute with the European Union over access of American beef products to the European Union. It may not seem like a big deal, but the fact that we got that resolved in six weeks, opened that market up to where it now will have thousands of tons more American beef exported within the European Union, well, to me, that doesn't mean anything unless I think about those farmers and ranchers and the suppliers and all of those individuals you were talking to us over lunch that literally flow into this corridor, from Texas and Arkansas and Iowa and the Midwest down the Mississippi River. In many cases, the poultry, the beef is shipped right out of your port here. So by dealing with these barriers to market access now, we are creating opportunities for families, ranchers, manufacturers, many of whom are small family-owned businesses today, which translates into increased jobs and better paying jobs.

So we are making market access for small businesses one of our highest priorities, and we have heard you. In all of our negotiations, we are actively addressing issues as customs facilitation, non-tariff barriers to trade, and intellectual property rights, as well.

I also would like to draw your attention to the fact we just launched a new website. It is ustr.gov. Like you, I have a couple of brilliant teammates, daughters, who upon my announcement by the President as his nominee to be U.S. Trade Representative, on the same day that he announced Karen Mills, my daughters went on our website immediately and my smart-aleck 20-year-old, who is at Columbia, came in and she said, "Dad, this website is so 1987." [Laughter.]

It took somebody else to bring it to my attention that we might not have even had the web in 1987, but we have made it. One of the priorities of President Obama is to increase information through the Internet. It is much more interactive. We are hoping that small businesses can go there, learn about our office. We have links to the FBA, the Export–Import Bank, and others. So I would hope that any of the businesses that hear or see this, if they want to learn more, would come to us at ustr.gov.

Additionally, we are also expanding the access and inclusion of small business on a number of our advisory trade committees which are so important to our work. And so we have recommended small business owners for every one of our trade committees, from labor and the environment as well as the President's Advisory Committee on Trade Policy.

I look forward to working with you and Senator Snowe and others—obviously, that is a Congressional prerogative— if you choose to create a new Ambassador for Small Business, but I want to give you the assurance that small business is at the core and at the heart of our work at USTR and we look forward to working with you.

[The prepared statement of Ambassador Kirk follows:]

Statement of Ambassador Ron Kirk, U.S. Trade Representative
Office of the U.S. Trade Representative

Before the Senate Small Business and Entrepreneurship Committee

"Keeping America Competitive: Federal Programs that Promote Small Business Exports"

June 26, 2009

Senator Landrieu, Members of the Committee, thank you for allowing me the opportunity to join you today. This event is an excellent opportunity to talk about the small and medium-sized enterprises and their large and growing footprint in our international trade.

I look forward to hearing directly from a number of those small business owners today. Their voices should weigh heavily with us, because their work has enabled American goods to compete internationally.

More than a quarter of a million U.S. firms export goods. Ninety-seven percent of those firms are small to medium-sized businesses with fewer than 500 employees, and more than two-thirds have fewer than 20 employees. These are homegrown enterprises. They exist in cities and towns all across America, and they have an incredible amount of potential.

Here in Louisiana, trade is an important ingredient in a growing economy. More than 2,371 Louisiana businesses exported goods in 2006, with small and medium-size companies accounting for more than a third of the state's total exports. Just last year, nearly $60 billion worth of U.S. exports passed through the Port of New Orleans, destined for markets around the world. And enterprise at the Port itself has been estimated to support more than 160,000 high-quality jobs.

Obviously, trade is a profitable slice of our economy, and we must continue to open up new opportunities for American entrepreneurs.

I want to stress up front that improving small business access to new overseas markets is a priority for USTR. If we can make trade work for those small businesses, we can make trade work for all American families.

It's already working for business owners all across Louisiana, and I want to take a moment to congratulate one of them, Ralston Pittman Cole. Ralston was recently named Louisiana's Small Business Exporter of the Year for his work at EMD Services International, and it's important to recognize good work when we see it. Ralston and others like him are fueling economic growth and job creation across the state.

But we're not here just to congratulate successes; we are here to figure out how to help more Louisianans find success. It's a long process. That is why I've joined Senator Landrieu and my colleagues from SBA, Export-Import Bank, and Commerce today for this event.

At USTR, our work is centered on one goal: creating high-quality jobs to support America's families. Because if Americans are willing to work hard, trade should work for them. We can do that by opening new markets to American goods and services, both by negotiating new agreements and by ensuring that foreign governments live up to their existing promises.

This is critical work that benefits American businesses across the country that increasingly rely on markets abroad to grow their businesses.

Today, I want to talk about a few of the things we are doing to specifically benefit the tens of thousands of small and medium-sized firms among those businesses. We have made their concerns top priorities in our trade negotiations. We are working to make trade information more accessible. And we are seeking to expand small businesses' representation on our advisory committees.

In our negotiations, we are actively addressing issues such as customs facilitation, non-tariff barriers to trade, and intellectual property rights. These issues are big concerns for small businesses. When they market their goods abroad, they want to know that those goods can compete fairly with local producers and that their innovations will be safe from infringement.

We are also working to make trade information more available both at home and abroad. We are increasing transparency by enabling online access to trade information. We recently launched a new, user-friendly website with critical information for small exporters, including information about export promotion and solutions to problems they may encounter in the global market.

This is an especially beneficial tool for small firms that lack the resources of large companies to hire trade consultants and lawyers in order to do business overseas.

Additionally, we are seeking to further expand small business representation on our statutory trade advisory committees to better reflect small businesses' views and priorities within USTR. We have made it a priority to ensure that the voices of small business are heard consistently throughout our trade negotiations and as they feel enforcement or other issues arise.

USTR is working hard to ensure that small businesses are able to take full advantage of our trade agreements and the opportunities they provide. We are partnering closely with the Department of Commerce and the Small Business Administration to reach out to networks of small businesses around the country to talk to them about the benefits of trade and the resources available to them through USTR.

As we move forward, we will continue to explore more effective ways to address the needs and concerns of small businesses. I am making a promise today that small businesses can count on finding a sympathetic ear and an eager ally in the USTR. And I look forward to hearing both their challenges and their success stories.

Thank you.

Chair LANDRIEU. Thank you so much, Ambassador Kirk. I truly appreciate that, and thank you for referencing my interest in creating a position. We look forward to continuing to work with you to see how that might move forward.

The Honorable Fred Hochberg.

STATEMENT OF HON. FRED HOCHBERG, CHAIRMAN AND PRESIDENT, EXPORT–IMPORT BANK OF THE UNITED STATES

Mr. HOCHBERG. Thank you. Thank you, Chairwoman Landrieu. I have a longer statement which I would like to be entered into the record.

Chair LANDRIEU. Without objection.

Mr. HOCHBERG. I am pleased to appear before you today to discuss Export–Import Bank's efforts to create and sustain job growth in the U.S. small business sector. As you well know from your role as Chairwoman, small businesses drive innovation and technological advancement, and their success, as I saw in my own family business and at the SBA, is critical to our economic growth.

I also appreciate the opportunity to come back down here to New Orleans. I enjoyed working with you at the SBA. We did a conference when I was at the new school about cities and recovery and I was happy at that time we actually set up a scholarship fund for citizens of Louisiana to study urban policy in New York, and that program is still continuing.

Chair LANDRIEU. Thank you, Fred. We appreciate that.

Mr. HOCHBERG. President Obama placed me at Ex–Im because of my personal history with and commitment to small businesses. I understand firsthand the challenges that these owners face, having worked in my family's business for 20 years, and President Obama's support of Ex–Im's small businesses and exporters is vital to the solution of our current economic challenge.

I also know Administrator Mills understands these issues facing small business exporters and I look forward to working more closely with her. As the Ambassador mentioned, I met Ron Kirk when he was Mayor, so in one of his other titles, and I am also happy that Patty Sefcik is also here from Commerce.

The business outlook today is daunting. We are in the midst of an economic crisis in credit, lack of liquidity, and depressed consumer confidence. Ex–Im is stepping up to help sustain and create U.S. small business jobs. It is our mandate. It is what we do. Through Ex–Im's insurance, working capital, loans, and guarantee programs, we have supported over $50 million worth of Louisiana small business exports in 2008.

Madam Chair, let me give you an example from right here in New Orleans. Reliable Industries provides mining equipment to countries such as Canada, Guyana, and Zambia. Since 2002, Ex–Im has provided Reliable Industries an export credit insurance policy which allows such international sales to go forward. I actually met Mike Rongey, who is the President of Reliable Industries, this morning, and I believe he is in the audience with us today, along with his bankers, Bill Richard and Bill Cummins of Chase, that helps provide some of that credit.

Reliable Industries, with 35 employees, exemplifies Ex-Im's mandate, to create and sustain jobs in the United States by helping to

finance exports of U.S. goods and services that the private sector is unable to otherwise finance. And in fact, Mike just dropped me a note just this past week. We helped him secure a half-million-dollar order to Latin America and, in fact, the goods are about to ship out of Houston in the next week, in fact.

So far this year, Ex–Im has authorized over $2.5 billion for the support of small business exporters, up more than $1 billion compared to the same period a year ago.

Let me just take a moment to review two programs most important to our small business customers. First, we provide insurance to U.S. exporters to insure their foreign receivables. This reduces the risk of non-payment and drives more U.S. sales abroad. Additionally, we have worked to find more ways to reduce the cost to small businesses. For example, in October of 2008, we reduced our premiums only to our small business customers by 15 percent.

Second, our working capital guarantee program is often used by small business exporters. With this product, we guarantee 90 percent of a commercial bank loan for a U.S. exporter to fund the purchase of both equipment and raw materials to fulfill an export contract. At a time when commercial banks are stepping back, Ex–Im is stepping up to meet this need.

In an effort to better serve small businesses, Ex–Im works with SBA to provide one-stop shopping. In April 2004, way before Administrator Mills and myself, the SBA launched a co-guarantee program. This initiative allows Ex–Im to supplement SBA's guarantee to help small business exporters obtain larger loans than SBA could support on their own. Under this initiative, since 2004, we have supported 46 loan guarantees, resulting in just under $350 million in exports. I do believe that we can and should do better and I look forward to working with Administrator Mills to accomplish this.

Our regional directors partner with other agencies, such as the Department of Commerce Export Assistance Centers, to harness all Federal, State, and local resources to encourage export activity. And in fact, just yesterday, I met with Commerce Secretary Locke and I look forward to expanding our cooperation with him in the Commerce Department in pushing U.S. exports.

Furthermore, in picking up what Ambassador Kirk mentioned, we have Ex–Im Online that provides an automated transaction processing system to reduce paperwork and allow our customers to track applications in real time. And this morning, I met Carlos Hidalgo, who I know that you know, who is here today from tech sales from Italy and he complimented and said the best thing I could have heard about this online program.

In closing, let me just give you one more example of Louisiana's small business receiving Ex–Im support. The company is Living Quarters Technology in Baton Rouge. It has the largest fleet of affordable living quarters for the oil and gas industry in the Gulf of Mexico. Living Quarters Technology employs 45 people right here in the State. An Ex–Im insurance policy, coupled with a working capital guarantee, allowed them to compete and win a $5.5 million contract with the Mexican oil company Pemex, and we were part of that bid package.

These companies remind me of my own start, and at present I have a mission at Ex–Im to see more of these small business successes. I look forward to any guidance from you, Madam Chairwoman, and your Senate colleagues to enable more U.S. small business exporters to capture overseas sales. I would be happy to answer any questions.

[The prepared statement of Mr. Hochberg follows:]

WRITTEN TESTIMONY OF
FRED P. HOCHBERG
CHAIRMAN AND PRESIDENT
OF THE EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
OF THE UNITED STATES SENATE

JUNE 30, 2009

FIELD HEARING, NEW ORLEANS, LOUISIANA

Chairwoman Landrieu, good afternoon.

I am pleased to appear before you today to discuss Ex-Im Bank's efforts to create and sustain job growth within the U.S. small business sector. Given the state of our economy, focus on this important engine of growth has rightly been elevated. With small business as the driver behind innovation and technological advancement, their success will mirror that of any economic improvement.

I am also grateful to President Obama for the trust he has placed in me to lead the Ex-Im Bank during these troubled economic times. Having worked with my own family's small business from its inception, I can certainly empathize with what our many small businesses must now face.

During my time as Deputy and Acting Administrator of the Small Business Administration, I gained further insight into the needs of small business. As such, I am also pleased to be sitting at the same table with my good friend, Karen Mills, the Administrator of the Small Business Administration. I very much look forward to hearing from her on how we can coordinate our efforts in support of small businesses.

EXPORT-IMPORT BANK PROGRAMS FOR SMALL BUSINESS CUSTOMERS

From a macro-level the business picture can appear daunting. But even given the credit crisis, lack of liquidity, and depressed consumer confidence, I am heartened that Ex-Im can play a significant and important role in sustaining and creating US small business jobs. It is our mandate. It is what we do.

During Fiscal Year 2008 within Louisiana, Ex Im supported $19,351,000 in insurance, $18,693,776 in working capital, and $13,949,437 in medium/long term loans and guarantees in support of small businesses.

Madam Chairwoman, allow me to put a human face to those numbers. *Reliable Industries, Inc.* located in New Orleans has had an export credit insurance policy since 2002. *Reliable* has served the mining, marine, construction and power generation industries for the past 26 years. They serve 1100 customers in 40 countries. From their supplying ball mills to South America, service exchange components to the Caribbean, to power projects in Russia and Africa, I am proud Ex-Im can help *Reliable* reach these foreign market places.

This illustration goes to the heart of Ex-Im Bank's mandate– to create and sustain jobs in the United States by helping to finance exports of U.S. goods and services that the private

sector cannot or will not finance on its own. This can occur when there is official foreign government-supported assistance from competing exporters, or when the transaction is too risky to attract funding from standard commercial sources.

I am pleased to report that the Ex-Im Bank is celebrating its 75th Anniversary this year. Over the 75 years, the Bank has provided financing for an estimated $526 billion in U.S. exports. In FY 2008 alone, we supported over $19.5 billion in U.S. exports. The Bank has authorized over $2.336 billion for the support of small businesses already in the first eight months of the year—up more than a billion dollars compared to the same time last year. And since the institution of credit reform, the Bank has maintained an overall loss rate of less than 1%. Such a loss rate validates our operating principle to support loans on behalf of U.S. exports when there is a "reasonable assurance of repayment."

Given the reduced appetite for risk in the commercial lending sector, we are seeing more large financing deals come to Ex-Im. This can sometimes threaten a congressional mandate that at least 20% of the dollar value of Ex-Im's authorizations directly support small business. Ex-Im is not immune to market demand and I would ask the Committee going forward to perhaps look at this mandate with a renewed flexibility that takes into account market conditions.

EX-IM BANK PROGRAMS

The Bank supports exports through four basic products. Let me begin with those that are most important to our small business customers.

First, our insurance product offers exporters a range of policies that allow them to offer terms to foreign buyers, instead of insisting on full payment up front. $1.6 billion, or 43%, of our credit insurance transactions in FY 2008 involved small business exporters.

A premium rate reduction for small business exporters, made effective Oct. 1, 2008, affected approximately half of all Ex-Im Bank insurance policy holders. The new rates took effect on all shipments made on and after October 1st. Similar pricing benefits are available to any new small business customers who request these policy types. The premium reduction also applies to policy holders who at the same time are receiving discounts for either an Ex-Im or SBA working capital guarantee. The new 15 percent premium rate reduction for small business was integrated and made available online to customers of Ex-Im Online.

Second, under our working capital guarantee program, we will guarantee 90% of a commercial bank loan to a US exporter to fund the purchase of the equipment necessary to meet an export contract. $1.1 billion, or 78%, of our working capital guarantees authorized in FY 2008 directly supported small businesses. Working capital loans provide exporters with the liquidity to pursue new business, grow international sales, and compete more effectively in the global market place. Ex-Im Bank also cooperates closely with the SBA on working capital guarantees. I will speak later in my remarks about this program.

It is timely to note that just this month, Ex-Im has combined its Working Capital Guarantee Program financing limits of two programs to expand support for U.S. small and medium-sized businesses. The Bank combined the $150 million aggregate limit per bank of the Super Delegated Authority Program with the $300 million aggregate limit per

bank of the Fast Track Program. This enhanced financing flexibility is important at a time when credit is tightening around the world.

Small business support under the working capital guarantee program has shown consistent and steady growth in the last decade. FY 2008 was a record year with small business authorizations exceeding $1.0 billion for the first time in its history.

Our other programs involve direct loans to foreign buyers and guaranteeing commercial bank loans to foreign buyers. In FY 2008, the Bank supported $467.2 million in direct support of small businesses in its direct loan and guarantee program. That represented 5% of total authorizations for those products in FY2008.

Information on all of these programs is available on our web page, www.exim.gov, which also has a small business portal that is very informative, accessible and easy to use.

http://www.exim.gov/smallbiz/index.html

MAKING SMALL BUSINESS THE TOP PRIORITY AT THE BANK

I am personally committed from my background as a businessman and my time at the SBA to make small business a priority. Our senior business and financial executives meet monthly under the chairmanship of our Senior Vice President for Small Business, John Richter, as members of the Bank's Small Business Committee, to better focus the Bank to be more proactive as it serves small businesses. Ex-Im Bank's Small Business Committee reports directly to me.

This group, drawn from personnel across the Bank, is taking great strides towards making it easier for small businesses to interact with the Bank. To this end, the Bank has increased its commercial bank delegated lending levels to speed up transaction processing and has increased internal delegated authority limits to facilitate quicker decisions by the Bank's front-line business officers.

I would like to highlight work being done by our Structured Finance Division which processes all long-term, private sector transactions in the Bank. By definition these transactions are very large and include the Bank's largest corporate customers. We are trying to focus more attention within these larger deals to some of their small business supplier base.

Our Structured Finance Division has developed a Small Business Facility with the Mexican oil company, Pemex, one of the Bank's largest borrowers. A third small business facility for Pemex has been approved recently. With these Pemex facilities, staff qualified approximately 850 potential small businesses in the U.S. as eligible for support, based on information that Pemex provided about their supplier base. This year's facility is for $200 million—with half being promised to small business. These are major financial transactions and very exciting from a small business standpoint.

The Small Business Committee has created additional financial incentives for development multipliers in the private sector to utilize Ex-Im Bank in serving small business exporters. For example, the Bank has extended the 25% discount on its multibuyer credit program to users of the SBA's export working capital guarantee program and increased brokers' commissions for small business multibuyer policies.

EX-IM/SMALL BUSINESS ADMINISTRATION WORKING CAPITAL CO-GUARANTEE PROGRAM

On April 29, 2004, Ex-Im and SBA agreed to launch a Co-Guarantee program which was extended in 2006 for an additional five year term. This Trade Promotion Coordinating Committee initiative allows SBA and Ex-Im to co-guarantee loans of up to $2 million to small business exporters under SBA's Export Working Capital Program. With the agreement, Ex-Im provides a co-guarantee that supplements the SBA's guarantee to help small business exporters obtain larger loans than the SBA could support alone. Since inception, forty-six loan guarantees have been originated for borrowers in twelve states with an aggregate loan amount of $86.7 million supporting approximately $347.3 million in exports. Ex-Im's aggregate exposure for the forty-six loans is $58.8 million.

We are not only taking action we believe beneficial to our small business customers, but we are also being mindful to listen their suggestions. Members of the Bank's Small Business Committee have conducted focus groups and customer surveys to learn what is most important from their perspective.

SMALL BUSINESS OUTREACH

A critical component of attracting greater small business activity at Ex-Im Bank is outreach to address their trade finance needs in becoming globally competitive. Since August 2006 our network of eight regional business development offices, six of whom are co-located with the United States Export Assistance Centers, has dedicated its outreach and marketing efforts exclusively to small businesses.

Our regional offices are a vital link between exporting communities located throughout the United States and Ex-Im Bank. The regional operations provide a geographic market-focused enterprise which broadens Ex-Im Bank's reach into small and medium-size US exporting companies. They also work in partnership with other agencies serving the export communities' needs in order to harness all available federal, state and local resources to enhance and encourage export activity. Just last week, our Business Development Officer for the region was in Baton Rouge, New Orleans, and Houma, for one of his regular visits to help Louisiana small business exporters with their financing needs.

Within Ex-Im Bank's headquarters in Washington, DC, we have personnel dedicated exclusively to reaching out to minority- and women-owned exporters, as well as personnel that are responsible for developing new products and services to meet the specific needs of small business.

In addition, we have designated throughout all of the Bank's business units small business specialists who possess the knowledge and training to assist small business customers. These specialists' contributions to the Bank's small business activity are an integral part of their performance evaluation and incentives.

Ex-Im Bank's specialized small business experience does not end once a transaction is approved, but rather continues for the entire lifecycle of the transaction. We have small business specialists who work with small business customers to expedite their claims

processing. We have also streamlined a claims appeals process for small businesses in which the Senior Vice President for Small Business plays a major role.

We have also improved our information technology resources to make it easier for small businesses to work with Ex-Im Bank. Ex-Im Online, the Bank's automated transaction processing system, has been implemented and now serves all insurance and medium term guarantee products. This includes virtually all of the small business transactions approved internally. Ex-Im Online has reduced paperwork and allowed the ability to track applications in real-time.

While the Bank's web site has a user-friendly small business portal to walk first-time customers through the transactional process, we have begun a redesign of the Ex-Im Bank external website, with special attention to increasing the utility and ease of use by and for small-business exporters.

Ex-Im Bank participates in the government-wide "Business Gateway" initiative integrating the content and functions of the Web sites of several business-focused agencies (www.business.gov) and the U.S. government export Web site (www.export.gov). Additionally, the Bank participates in the Trade Promotion Coordinating Committee's "One Stop, One Form" registration system, an Internet-based application system for all federal-government export programs.

HELPING SMALL BUSINESS EXPORTERS – A POSITIVE TREND OF RESULTS

Allow me now to review the results of our small business performance with you with an understanding of how larger business deals within the Bank affect our percentages.

For the past two fiscal years, we have exceeded the target set for us by the Congress that the value of our small business authorizations be at least 20% of our overall dollar value in authorizations. This target was reached for the first time in FY 2006, when 26.2 % of our authorizations were devoted exclusively to small business, and that figure increased to 26.7% in FY 2007. In FY 2008, small business authorizations for primary exporters reached 22.2 percent of total authorizations. Over the past decade, 85% of the number of transactions has been exclusively for small business.

As I draw my remarks to a close, I would like to highlight one more Louisiana small business receiving Ex-Im support. *Living Quarters Technology* out of Baton Rouge has the largest fleet of lightweight aluminum portable living quarters for the oil and gas industry in the Gulf of Mexico. They recently completed a $5.4 million contract with Pemex to provide offshore living quarters. This contract was supported by a short-term single buyer insurance policy which enabled the exporter to invoice on payment terms of net 30 days. In addition, JP Morgan Chase Bank provided the exporter with a $3.0 million working capital loan guaranteed by Ex-Im. These are exciting projects supporting US jobs and I look forward to seeing more come into the Bank.

While I cannot guarantee increases in our small business numbers every year, I can promise you that we will work tirelessly to improve the quality of the small business experience at Ex-Im Bank. Improved customer service is very important to me and I will build upon the good work already being done at Ex-Im to decrease transaction cycle times.

Small business is going to retain its seat at the table because it is at the core of the Bank's mission. It is at the core of my personal mission, and it is key to maintaining and increasing US jobs.

I look forward to any guidance from you, Madam Chairwoman, and your Senate colleagues as we consider new initiatives in support of US small business exporters.

I will be happy to answer your questions.

Chair LANDRIEU. Thank you very, very much.

And let me just ask—I will do this in my questions, but when you said you combined the program and your guarantee was able to increase, do you know what it was able to increase to, the amount when you combined your programs? You could check.

Administrator MILLS. The total would be $2 million.

Chair LANDRIEU. Two million, okay. Thank you.

Patty.

STATEMENT OF PATRICIA SEFCIK, ACTING DEPUTY ASSISTANT SECRETARY, DOMESTIC OPERATIONS OF THE U.S. AND FOREIGN COMMERCIAL SERVICE, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Ms. SEFCIK. Thank you. Senator, thank you for the opportunity to speak here today about the role of export promotion and our efforts to strengthen and support America's economy. It is truly a pleasure to be here and I am quite honored to be part of this distinguished panel.

Let me assure you that Secretary Locke recognizes the important role small businesses will play in pulling America out of this economic crisis. The Secretary recognizes that it is important to streamline government bureaucracy and bring solutions and services directly to businesses to help create and sustain family wage jobs. My testimony today will provide you with some insight on how the Department of Commerce has and will continue to implement programs that promote small business exports.

The International Trade Administration helps American firms and workers navigate the often complicated waters of foreign trade. Within this unit, the U.S. and Foreign Commercial Service operates a global network of trade promotion professionals and 109 U.S. Export Assistance Centers and at U.S. embassies and consulates in 77 countries. Commercial Service staff provides U.S. companies with numerous services, ranging from export counseling and market research to identifying foreign international buyers and providing advocacy support.

Overall, the Federal Government's trade promotion efforts are led by the Trade Promotion Coordinating Committee, or the TPCC. The TPCC is headed by the Secretary of Commerce and its members comprise 20 Federal Government agencies, including the agencies here today on the panel. This committee develops priorities on trade promotion and finance programs which are designed to assist small businesses sell their goods and services overseas.

As part of this effort, the TPCC sponsors interagency training to promote a better understanding of these programs, and to date, over 700 participants from 12 agencies and seven States have completed this training. SBA and Ex–Im Bank representatives are colocated in some of our domestic locations with the Commercial Service, and together their efforts have resulted in an impressive list of export successes.

For example, in Louisiana, the Dredging Supply Company located in Reserve, Louisiana, is a family-operated manufacturer of customized dredging equipment, which is used all over the world. One recent sale included a $3.5 million dredge financed by a loan backed by Ex–Im Bank. Among other things, the company at-

tributes this success to the assistance that they received from the local Federal colleagues.

Companies, especially small businesses, also use our Trade Information Center, called the TIC. This call center serves as a single point of contact for the TPCC's export assistance programs, and last year, the TIC gave personal assistance to more than 36,000 inquiries, with 73 percent of them coming from small businesses.

In addition, we also have a TPCC website, which is export.gov, that acts as a portal for the Federal Government trade promotion resources. Other services used by small businesses include international buyer shows, trade fairs, and trade missions which assist U.S. companies in developing their business relationships with customers overseas.

In 2008, we supported trade missions to 27 overseas markets with a total of 420 U.S. companies participating. This resulted in nearly $350 million in sales to date. Several Louisiana companies are currently bidding on major projects as a result of the March 2009 trade mission to Columbia.

Strategic partnerships are key in reaching out to small businesses, and so, for example, the Louisiana Economic Development Office and the Louisiana District Export Council played a very strong and active role in sponsoring activities in conjunction with that trade mission. We work very closely with State and local partners throughout the United States to educate small businesses on the benefits of exporting, and another key partner for the Commercial Service is the network of our 60 District Export Councils, who work with us to increase exports through joint outreach and education events.

So in closing, the downturn in the world economy has adversely affected all of our industry sectors and exports. Many of our major trading partners are experiencing it even more, resulting in recent declines in foreign demand for our goods. So in these troubled times, the Department of Commerce and the TPCC agency's export promotion work is more important than ever for small businesses. I remain committed to promoting small exports.

[The prepared statement of Ms. Sefcik follows:]

PATRICIA SEFCIK
ACTING DEPUTY ASSISTANT SECRETARY
FOR DOMESTIC OPERATIONS
INTERNATIONAL TRADE ADMINISTRATION
DEPARTMENT OF COMMERCE
TESTIMONY BEFORE THE
SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
for a hearing entitled
"Keeping America Competitive: Federal Programs that Promote Small Business Exporting"
June 30, 2009

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.

Chair LANDRIEU. Thank you very much. I appreciate all of your testimony, and let me, if you don't mind, Deputy, start with you, because this is one of the most important issues before our panel today, which is the Trade Promotion Coordinating Committee, which you referred to in your testimony.

In 1992, Congress established this committee to provide a framework to coordinate U.S. export promotion activities across 19 different Federal agencies. As you know, it is chaired by the Secretary of Commerce. Congress requires this organization to produce an annual National Export Strategy document, which provides an overview of export promotion activities by these agencies. The GAO, however, has recently reported that although we have made steady progress since 1993, we have not made as much progress, including the tracking of small business participation across agency promotion efforts.

Can you briefly outline the roles, each of you, that your agency is working with the agency next to you, so starting with Commerce and then to Fred and over, how you all are working in this particular framework? The Senate has confirmed now the main core. All of you have been confirmed recently by the Senate, so you are now in place. Has the National Export Strategy been submitted to Congress yet, and if not, why not? So, Patty, why don't we start with you, and then if each of you could just comment on this particular Congressional program that was established now 17 years ago.

Ms. SEFCIK. Thank you. It is a very good question. The Secretariat for the TPCC obviously does reside in the Department of Commerce and we have been working collaboratively with all the agencies. Obviously, within the TPCC, there will be some core agencies that come up to the forefront, including the agencies that are here at the table today.

The National Export Strategy is a way every year to measure our successes with the division of where we wanted to move forward. In a transitional year, such as now, the National Export Strategy over time historically is never printed out in a transition period. But having said that, we know that Secretary Locke has reached out to a lot of his colleagues within the TPCC and we are looking forward to having its first meeting this fall. For that meeting, the goal would be to have that visionary strategic plan of where the administration wants to go with the promotion of the Federal Government resources to collect—to come together, because what we find out through our collaboration, a lot of the staff that are located around the United States where we co-share, we come to a point where we want to show the successes in a visionary type of way so we can keep building on one another's expertise. It is that added value versus we can do it alone.

So we are hoping that we have the TPCC under the administration, that will show the vision, and once that vision, what the priorities are established, each year then thereafter, the National Export Strategy would be printed out almost like a way of the accomplishments of an annual report. So that is why it is not going to be published this year, due to the transition.

Chair LANDRIEU. That is very important, because, of course, you know, without a vision, people perish. But without a vision, you

can't really move forward in a coordinated way because there are so many different pieces. People aren't really clear what the goal is. So if we can at least update, you know, refresh and update that strategy, particularly with some of the new leadership that is on board, and it is nice to get that on the record that you will all be meeting in the fall, and then potentially do you know—do you have a time frame of when the report will be ready for Congress?

Ms. SEFCIK. I don't have that information with me right now, but I could definitely send you a written response to that question.

Chair LANDRIEU. Okay.

Ms. SEFCIK. But I would like to say here again, at the working level, all of the staff, all of these agencies here continue to collaborate with all the joint training, the joint conferences, the joint events. The trade missions have been hugely successful. So we are continuing efforts, and as our leadership comes together, the vision will be set.

Chair LANDRIEU. Okay, and Chairman Hochberg.

Mr. HOCHBERG. Secretary Locke and I actually just talked about this yesterday when we had lunch and we are looking at some joint programs we could do around the country to sort of do some regional export forums and roundtables, similar to what we are doing today, and bringing more folks to understand best practices and examples and some of the products offered.

That is at all of our regional offices. We have five regional offices and two satellites. All reside in Commerce Department offices, in their Export Assistance Centers. So they anchor our work there, and many of the leads we get come right from the Commerce Department. So we really work very closely with them for those exports that need financial assistance to get done. Many exports don't need our assistance, and those that do, Commerce provides them those needs.

Chair LANDRIEU. Thank you. Ambassador.

Ambassador KIRK. Yes, Madam Chair. I would add, I think I referenced it in my remarks, my prepared remarks, the work and the outreach we have done both with Secretary Locke and Administrator Mills. I would just underscore, too, even while we are waiting on the formal convening of the Policy Coordinating Group, to echo what Patty and Fred have said, that the working groups continue.

We have been particularly aggressive in reaching out with Administrator Mills and getting our teams together to help them understand the imperative for moving quickly, just to make sure that—my experience as Mayor suggests just remove as much of the burden from that small business figuring out. I tried to have a very retail approach to being Mayor, and we all know the bad experience of going to a grocery store and then saying, "It is over there," as opposed to somebody saying, "Let me take you and get it for you."

And so what we are doing is just trying to make sure every day and everywhere, everything we communicate when we interface with small businesses, that we work to get to the right people at the right place. And again, even on our website, I have done something that was scoffed at when I was Mayor, but I have invited businesses to tell us what we are doing that drives you nuts and

then challenge our agency to explain why we have to do this, or if we can't come up with a good reason, then we need to stop it and look at changing the rules.

So we are reviewing that process. We are asking small businesses to contact us to tell us what we can do to help them more effectively, particularly in our negotiations to help remove barriers, and then working with all the agencies.

Chair LANDRIEU. Ms. Mills.

Administrator MILLS. Well, Madam Chair, thank you for bringing up this point, because the Trade Promotion Coordinating Committee is very, very important to our efforts and the SBA is very pleased and excited that Commerce's leadership is going to bring this group together in a vital way. This is important for us to be able to do our work. Our current organization is housed, co-located with Commerce for all of our trade activities, and as you know, we do co-guarantee already with Ex–Im Bank.

But I think even more interesting is the strategy that Ambassador Kirk and I have begun to discuss, really from the first meeting that we have had, and now we have got our teams together, which is how is it that we are going to deliver the small business aspect of this coordinated strategy. So that will be ongoing and will be finally brought to you by the reports and the activities of this Coordinating Committee. So thank you for the pushing.

Chair LANDRIEU. Thank you, and I will only add—I have a few more questions and then we are going to move to our second panel, but I would only add, and I am not the expert on the Internet, but I am really enthralled with what I am able to do myself, which is very empowering. But when I watch what my staff is able to do in terms of finding information, accessing, it truly is quite remarkable.

And as a government official for many years, it occurs to me that some of our stovepipes, not only do we need to collaborate more with each other, but we have got to be on the cutting edge of this communication so that when a small business is sitting out there somewhere in America and they are thinking, I want to export, they have some idea of what part of the world they want to export to, they should hit a button, and let us say Colombia or Central America, South America should come up, and there should be information very valuable from each of you and all of the different entities so that it starts framing a clearer picture of the opportunities in that country.

And that is the way the new generation uses the Internet. You know, you want to go on vacation. You sit there and you look at all these sites and you think, where do I want to go in the world? You hit a button and you have got lots of options. I see these heads shaking, so I know I am hitting some nerve here.

But I don't think that government actually, although the President himself has done quite a remarkable job with his own communications, I think that the government entities—and I am going to make sure at least the ones that I have some responsibility for push this issue out, because it is just the way this generation operates. They don't go to conferences. They go to their living room, hit the "click" button, and they take themselves all over the world, and we have got to respond to that.

So my point would be, have the meeting, get the plan, but let us get the plan on the Internet in a way that people can facilitate it and use it, because really, truly, it is a great market out there, and as you see, we have a great many businesses that are searching for markets. They are looking for them in their area where they live, but they are also looking at markets around the world to grow their businesses and I think we can be helpful.

Let me just ask a few more questions, if I could. Ms. Mills, you know that last year, the SBA made 3,300 loans to exporters. We approached the end of the third quarter of 2009. Our records show that only 598 loans have been made to exporters. Now, we know there is an economic downturn not only here at home, but markets abroad have been shrinking. Do you agree that these are the figures? If not, could you clarify what you think they are, and what are some of the strategies that you might employ now as the new leader of this agency to see what we could do, if you could list maybe one or two specific things to try to move these loan amounts or numbers up.

Administrator MILLS. Thank you, Madam Chair. These are the same figures, I believe, that we have, and as you know, lending in the fall of this year really just ground to a halt overall. Our overall lending is down 50 percent. And with the Recovery Act, we have been able to push that back up by 35-plus percent, but it is not even yet close to 2008, 2007 levels. So we have more work to do, both to get banks back in the program and to get companies ready to be able to borrow.

That applies, as well, to our exporting communities, plus I think what you heard here is that we have the opportunity now to increase our collaboration with the others at this table and explore ways that export markets might provide the revitalization that some of these companies need. So a company that before was doing just fine domestically and now finds those markets are not coming back could very well be turning to export as a more primary option.

So I think the things that you have heard today, developing this collaborative small business strategy, continuing our outreach, both through the Recovery Act programs, we have revitalized our district offices, we are adding to our export representatives that are co-located with Commerce, and even more importantly, Secretary Locke and I have talked about this enormous network that Commerce has domestically and in other countries and using that network. We have also talked to the Department of State. They have economic representatives. And so we are looking at using those and connecting those, who mostly have been dealing with large businesses, connecting those more strongly to small businesses. So I think that could be very powerful.

Chair LANDRIEU. Thank you very much.

Chairman Hochberg, let me ask you, 22 percent of the Export–Import Bank's financing directly supported small business. As you know, there is a legally required threshold of 20 percent, so last year the Bank met its goal. What are your plans, though, as the new Chair to perhaps even expand on this threshold, and what potentially do you have in mind to see if we can not only meet, but potentially even exceed this goal of 20 percent next year?

Mr. HOCHBERG. Thank you for the question, and more importantly, thank you for your interest. Actually, in the two prior years, we were actually as high as 26.7 percent, though those percentages are very—they are difficult to manage, and I will give you an example. This year, small business lending is up 83 percent, but large aircraft, such as Boeing, is up 100 percent, so although we are making great strides and actually have an increase in loans to small business exporters this year, some other transactions have grown even more quickly.

So although we have a goal of 20 percent, I would not say that we are going to meet that every year. Some years we will go above it. Some we may be a little lower because we want to take in every piece of business we get in the door and not turn someone down just to meet our numbers.

But that said, I mentioned in my written testimony, I was out in Pittsburgh last week. I met with all of our regional directors, looking at a number of the programs that we have, seeing what some of the impediments are to making those programs more effective so that we can help more small business owners in their export efforts. We have a program, just to explain, we have a program for insurance, where if you are an exporter selling overseas, we will ensure that you will get the receivable. And once the company has that insurance that they are going to get paid, we are actually going to help them go to a bank and get more loans for working capital and other types of—to help the rest of their business. That may in some way pick up some of the slack that some of the small business lenders are having, because once a company knows they are guaranteed to get paid, a bank is more likely to lend to them. So we are trying to couple a number of those programs together in a way that we really haven't before.

Chair LANDRIEU. And can I ask you to follow up? What strategies are you employing to coordinate some of this with the community banks in the country, not necessarily the large national banks, but do you have any special relations with the community banks which are regulated at the State level and for the most part managed through this downturn pretty well?

Mr. HOCHBERG. You know, I had great experience with the community banks when I was at the SBA. We had a program called Community Express, where we actually delegated specific authority to community and small banks. There has been so much turmoil in the banking industry, and in fact, just this past week, we have been discussing how we manage our banking relationships better because they are frequently product line by product line and we are not very often looking at how we are managing an entire book of business with an entity. I think community banks are very important and probably even a bit under—not gotten the full attention they should have gotten.

Chair LANDRIEU. Well, I share that, because in my experience in the last couple of months dealing with this financial crisis that the members of Congress have had to deal with literally every day, it occurs to me that there is an extraordinary network of community banks as well as credit unions out there who are in these communities, located on all these Main Streets, who know all these busi-

nesses who are trying to reorganize and shuffle through the challenges before them.

And I know that the Administrator and I have spoken about this and I would like her to comment in a minute about what the SBA's vision is to build a stronger partnership with the community banks that are located in every town, large and small, from Dallas to Tallulah to Jackson, Mississippi, to Portland, Maine, and in between. So I don't know, Administrator Mills, if you want to just respond for the record of some of the things you are thinking about with reaching out to community banks and getting them more involved with the core SBA lending programs, but also perhaps just as better all-around partners to what we are trying to do at the Federal level.

Administrator MILLS. Thank you, Senator. Actually, you brought this up in my confirmation hearing and we actually took it to heart and have been working on it as a priority ever since, and that is how do we add banks, particularly community banks, to the SBA network? We had been losing banks up until this point. We have about 50 percent penetration in the Federally chartered banks, but very low penetration in State chartered banks, which are mostly these community banks, and also with credit unions, which are another priority.

So we have done a number of things to reach out to community banks, including conversations with the heads of the community organizations, understanding how they use SBA products, what we can do to bring more into the fold. And in fact, we have had a reasonable amount of success, because as I said, 600 banks have come back to the SBA and made a loan since the Recovery Act was announced in February. So that is 600 banks who had not made a loan since October. Half of them actually had not made a loan since 2007.

And so the majority of these are the kinds of banks we are talking about, and it is because we were able to reduce our fees, increase our guarantees, and reach out to them— they had the capital but they couldn't lend because they didn't have a secondary market for their goods and they didn't have the liquidity.

So we have now begun and we will get more with the ARC loans, new lenders, and we are making this one of our objectives. As you know, I have a dashboard with certain metrics on it. This is one of the top metrics we follow.

Chair LANDRIEU. Thank you.

We are going to move to our second panel, but is there anything that you all did not get to say that you would like to add before this testimony is closed? Of course, the record will stay open for the panel for two weeks. But anything that you want to add, Madam Deputy? Mr. Chairman?

Ambassador KIRK. Thank you for your leadership.

Administrator MILLS. And also, thank you and to this region for the hospitality.

Chair LANDRIEU. Thank you. Well, you are welcome and we hope that you will come back often. Many of our restaurants have opened and reopened. We don't have 100 percent of them open, but I guarantee you can get a good meal if you come, so thank you very much.

We will take a five-minute break and bring our next panel up. [Recess.]

Chair LANDRIEU. We have with us Mr. Eugene Schreiber. Gene Schreiber, Managing Director of the World Trade Center of New Orleans is our first witness. He is here on behalf of 1,600 corporations and individual World Trade Center members. Many of us know Mr. Schreiber and we thank you very much for your leadership.

Ms. Diana Simek is our second witness, representing Shreveport and Northwest Louisiana. Ms. Simek is Vice President of Ark–La–Tex Regional Export and Technology Center and Manager of the Metro/Regional Business Incubator. Both organizations are subsidiaries of the Coordinating and Development Corporation, CDC. Prior to her current position, she owned a public relations firm and has a great deal of experience in this area.

Thirdly, Ms. Wilma Castro, owner and Director of International Export Sales, which is a Louisiana company classified as an export trading company based in St. Rose, Louisiana. Her company specializes in the purchase of resale of U.S.-manufactured supermarket equipment, commercial refrigeration, and light industrial refrigeration to Latin America and the Caribbean.

Mr. Jerry Hingle is our fourth witness. He is Executive Director of Southern United States Trade Association, an export trade development association made up of the Departments of Agriculture of 15 Southern U.S. States and Puerto Rico. It is headquartered here in New Orleans. It operates in over 30 countries worldwide.

We are scheduled to end at three o'clock, so I am going to ask each of you if you could limit your opening remarks to three to four minutes and that will give us some time for questions and comments.

Mr. Schreiber.

STATEMENT OF EUGENE J. SCHREIBER, MANAGING DIRECTOR, WORLD TRADE CENTER OF NEW ORLEANS

Mr. SCHREIBER. Thank you, Senator Landrieu. A lot of exciting developments for the future are taking place in Louisiana on international trade despite the current worldwide slowdown. My written testimony addresses a number of subjects that time will not permit me to cover now. They include Louisiana's role in the global economy, recent export results and trade-related recovery efforts, the State's deepwater port system, and new tax credit legislation regarding the ports, the new non-stop Aeromexico flight from New Orleans to Mexico City, and the possibility of future U.S.–Dominican Republic CAFTA meetings to be held in New Orleans, all of which significantly affect small business.

I will focus my remarks now on Federal Government export programs to assist small businesses. We all know that engaging in international trade is a continuous challenge for a host of reasons—payment problems, shipping delays, cultural differences, and numerous changing procedures and documentation requirements to contend with in every country, including our own. All of this can be very confusing and daunting to the newcomer, to say the least. While there is a favorable trend towards harmonization, we are not there yet.

Middle-market exporters of manufactured products and services need comprehensive training in the export process in three ways. First, basic training in exporting procedures and documentation. Second, learning about trade finance programs available from the SBA, Ex–Im Bank, and other financial institutions. And third, export promotion programs offered by the Commerce Department and other agencies to Export Assistance Centers located throughout this country, including New Orleans, and at U.S. embassies and consulates abroad in the larger countries.

But it is this first category of training that I wish to discuss now. Trade finance, working capital loans, gold key services, and other government programs are of course extremely valuable at a certain point, but I believe the starting point for a would-be exporter is to fully understand the export process, the steps of going to it, the procedures, trade terminology, regulation, and documentation. This includes learning how to prepare an export business plan, understanding the role of freight forwarder, the difference between FOB and CIF, preparing a pro forma invoice, packing lists, the shipper's export declaration, and other documents and details involved in exporting, where even small errors can be potentially very costly.

All this takes time and effort by small business to learn, and despite the available technology, it can't be Googled or absorbed at a breakfast or half-day workshop. To meet this need, the Greater New Orleans Small Business Development Center, under the SBA, offers a 17-hour export-import seminar that is divided into four afternoon sessions of four-and-a-half hours each. Admittedly, that may seem like a lot of time for a small business person to devote to learning the basic export and import process, but it is necessary, although the export and import sections could be divided into two separate courses.

But the real problem is that for budgetary reasons, the course is offered mainly in the New Orleans area at this time, whereas most of the individuals and companies that require this intensive training are located in other parts of the State. One solution would, of course, be to dedicate additional human resources, if they are available, to conducting the training in more locations to reach more companies. But a better remedy would be to develop training videos or webinars that can be widely publicized throughout the State. The SBA and Commerce Department may want to jointly evaluate this possibility if they haven't already done so.

With regard to several recommendations that have been made by your committee, we applaud your initiative to heighten attention on exporting by small companies. Specifically, the recommendation to create an Assistant U.S. Trade Representative position for small business issues and the recommendation to appoint an Associate Administrator in the SBA to be in charge of overseeing all trade policy and programs and to coordinate efforts with other agencies would certainly appear to help accomplish those objectives.

Regarding trade-related positions in Louisiana, it is our understanding—in fact, it was confirmed by the Administrator a few minutes ago—that SBA may assign a financial trade specialist to work out of the Export Assistance Center where, in fact, there previously was such a staff person some years ago. So this is most welcome.

We would also suggest, and I think this is very important, that the individual assigned to that position by the SBA be equally knowledgeable about the basic export processes described earlier in order to assist in overall export training and not be strictly limited to working on SBA export loans.

We also are aware that the Export Assistance Center in New Orleans is short at least one trade specialist at this time, and filling that position, which has not been discussed up until now today, also would be important in terms of further assisting exporters, and particularly new-to-market small companies that have a good export potential. We would make the same recommendation as above insofar as that staff person have a good grounding in the details of the export process, including documentation and procedures.

With regard to Federal Government export finance programs for small businesses, in a nutshell, most of our World Trade Center members we talk with believe that Ex–Im Bank's 50 percent U.S. content for its short-term and credit insurance programs is too high and that the SBA's ceilings on their two relevant export programs, the Export Working Capital Program and Export Express, are too low at $2 million and $250,000, respectively. There is further discussion of these issues in my written testimony.

Again, thank you for holding the committee's hearing in New Orleans today and inviting the World Trade Center to testify. We stand ready to assist you and the committee in your ongoing efforts to advance the United States' international trade position. Thank you.

[The prepared statement of Mr. Schreiber follows:]

Written Testimony of
Eugene J. Schreiber, Managing Director
World Trade Center of New Orleans

Before the Committee on Small Business and
Entrepreneurship of the United States Senate

"Keeping America Competitive: Federal Programs
That Promote Small Business Exports"

June 30, 2009

Field Hearing, New Orleans, Louisiana

Senator Landrieu, good afternoon and thank you for inviting the World Trade Center to testify at today's hearing on the subject of small business exporting, which is vital to Louisiana and our country's economic interests. We greatly appreciate what you and the other members of the Louisiana delegation have done over the years to support international trade and to further economic development for our state and country.

WTC Trade Promotion Activities

By way of background, the World Trade Center of New Orleans is a non-profit organization of 1,600 corporate and individual members which was started in 1943 and was the first of what are today over 300 World Trade Center organizations in nearly 100 countries. The WTC's mission is to add wealth and jobs in Louisiana through international trade, port development, and allied activities.

In line with these objectives, the WTC has long been involved in conducting a wide range of trade promotion, education, and legislative programs designed to enhance Louisiana's position in international trade, investment, transportation, and other trade-related services, and to contribute to the state's overall economic development. As examples, just last week the WTC held two separate business briefing programs for the business community, one on the current situation and opportunities in Mexico, the other on Canada.

One of the WTC's most important initiatives in the aftermath of Hurricane Katrina, in cooperation with Louisiana Economic Development, was the launching of 1st Stop for International Business Services, a program using university student interns to assist international companies considering trade and investment opportunities in Louisiana.

In recognition of its sustained efforts over many years, the WTC has received both the President's "E" and "E-Star" Awards for outstanding contributions to the expansion of United States exports.

Louisiana's International Role

Louisiana was settled mostly by the French and Spanish more than 300 years ago precisely for trading purposes, and that objective is every bit as important and relevant today as it was then. This is a remarkably multinational, multicultural and multilingual state where any international visitor feels comfortable, and it offers an intrinsic competitive advantage in trade and commerce as we interact with people and companies from all over the globe.

Louisiana has always enjoyed a strategic geographic location linking Mid-America to all corners of the world through its ports on the Mississippi River and its vast inland waterways network. Six Class I railroads, the Interstate highway system, and the state's airports also connect Louisiana quickly and efficiently to America's heartland. The state is truly a great *entrepot* as a domestic and international transportation hub and distribution center for primary, intermediate and finished products.

Later in this testimony I will focus on the needs of our ports to keep them globally competitive in the future, but first let's take a look at Louisiana's recent export results.

Louisiana Export Results and Trade-Related Recovery Efforts

2008 was a record-breaking year for Louisiana's merchandise exports -- both Louisiana-originating products and major commingled bulk commodities such as grain and coal produced in other states that are shipped abroad from Louisiana's ports and officially recorded as Louisiana exports. Total export shipments from Louisiana in 2008 had a value of $41.9 billion, based largely on soaring grain and oil prices in the first three-quarters of the year, placing Louisiana 9th among the states in exports in 2008.

This $41.9 billion of Louisiana exports was a 38 percent increase over 2007, and was the second-largest increase among all states and triple the U.S. overall export growth of 11.9 percent last year. By comparison, in 2004, the year prior to Hurricanes Katrina and Rita, Louisiana's exports were $19.9 billion. Agricultural products, petroleum and coal, chemicals, processed foods, and machinery ranked as the state's top five export categories in value in 2008, all of which registered gains of 25% or higher over 2007.

Due to the effects of the global recession and declining agricultural and oil prices, Louisiana's worldwide merchandise exports declined sharply in value in the first quarter of 2009. Total export shipments for January-March 2009 declined 33.5 percent to $7.6 billion, compared to the first three months of 2008, while total U.S. exports dropped by 22.5 percent. Nonetheless, even with its lower level of exports for the January-March 2009 period, Louisiana moved up to 7th in the state rankings from 9th for all of 2008.

Louisiana is preparing for the gradual recovery and upturn in global markets and has many worldwide opportunities for the future. The state also has a significant hemispheric advantage. The Mississippi River is truly "The Avenue of the Americas," a magnificent water highway leading to and from the rest of the world, and especially to nearby Latin America.

Importance of Latin America for Louisiana Trade

Last year, of Louisiana's total record exports of $41.9 billion noted earlier, 37 percent ($15.6 billion) were shipped to Mexico, Latin America, and the Caribbean region. Mexico was the number one market for Louisiana exports. while Canada ranked fifth, with both results reflecting the positive trade impact that the North American Free Trade Agreement (NAFTA) has had on Louisiana. In addition, the U.S.-Dominican Republic/Central American Free Trade Agreement (DR/CAFTA), the U.S.-Chile FTA, the U.S.-Peru FTA, and the pending FTAs in Congress with Colombia and Panama all offer timely opportunities for Louisiana and its strong hemispheric transportation links to the U.S. heartland. Another potential market for the longer-term future is Cuba and the possible further opening of that market to U.S. goods and services.

As further evidence of its commercial advantages with Latin America, a recent detailed analysis of Southeast Louisiana's trade potential from Baton Rouge to the mouth of the Mississippi River concluded that Latin America should be the primary marketing focus. The study by Booz Allen Hamilton consultants was commissioned by Greater New Orleans, Inc. and the Baton Rouge Area Chamber to determine the best international trade strategy for the region considering all infrastructure assets such as its port system.

Louisiana's Deepwater Port System

Few of our own residents -- let alone outsiders -- are aware that the five lower Mississippi River deepwater ports in Louisiana between Baton Rouge and the Gulf represent the largest port complex in the world in total waterborne commerce. One in seven jobs in Louisiana for a total of 280,000 jobs is estimated to be maritime-dependent, which in turn generates about 23 percent of the state's gross domestic product and $500 million in state and local taxes.

Although mostly transit facilities, Louisiana's public and private ports can be much more than that, as in other states. They have the potential to add more processing, value, and jobs to inbound and outbound cargos (such as has been done with coffee) for steel, rubber, petrochemical, agricultural, forestry, seafood, and other products.

But greatly increased financial resources are needed to upgrade the port facilities to make them globally competitive for the future, particularly in light of the expansion of the Panama Canal in 2014 which will allow a doubling of cargos coming into the Gulf of Mexico, mainly from Asia. Investing in Louisiana's transportation infrastructure is an assured statewide economic multiplier many times over.

Port of New Orleans Container Expansion Project

Despite the pressure that the global recession is having on cargo shipments, Louisiana's ports need to find ways to make the capital investments that will build a brighter future for the people of Louisiana and improve the nation's transportation infrastructure. For example, in its 2020 Master Plan, the Port of New Orleans documented $1 billion in

capital investment projects. Chief among those projects is an expansion of the Napoleon Avenue Container Terminal.

With the expansion of the Panama Canal in just five years, the Napoleon expansion project gives our country the ability to fully utilize the Gulf Coast to distribute cargo up through the Mississippi Valley. This could offer a more cost-effective transportation solution in some markets when compared with shipping through the East or West Coast.

Also included in the Port's plans are projects that would ensure that New Orleans' break-bulk facilities retain their modern edge. This is important not just to our local economy, but to the national economy because New Orleans supplies manufacturers throughout the Gulf Coast and Mid-West with critical materials such as steel, rubber, aluminum and forest products that they need to make high-quality American goods.

New Tax-Credit Legislation Related to Louisiana Ports

Two additional recent developments auger well for Louisiana's international outreach. One is a bill approved just last week by the Louisiana State Legislature, which is awaiting Governor Jindal's signature. HB 215 provides for a Ports of Louisiana Infrastructure Tax Credit Program in an amount equal to the private investment in qualified public port facilities to be taken by a private investor at 5% per year. The bill also provides for a $5/ton tax credit to Louisiana-based business for an Import and Export Tax Credit Program for qualified break-bulk and containerized cargo imported or exported through Louisiana public ports.

The infrastructure tax incentive will provide another method for funding new or upgraded port infrastructure. According to Port Association of Louisiana, the $23 million in Port Priority Program funding for the $78.2 million in proposed port projects in the state results in a $55 million deficit in the program, and pales in comparison with the $2 billion being spent at competing ports ($800 million at the Port of Houston, $600 million at Gulfport, $300 million at Mobile, $300 million at Tampa).

At the same time, the import/export tax incentive will help to maintain the current shipment by Louisiana business of 700,000 tons of break-bulk and container cargo through Louisiana public ports and encourage the shipment of some of the 900,000 tons through Louisiana public ports now utilizing competing ports. A recent economic analysis indicates that shifting just 10% of these latter cargos to Louisiana ports will result in an increase of $2 billion of business activity in Louisiana, and $50 million in additional state and local tax revenue.

New Non-Stop New Orleans-Mexico City AeroMexico Flight

Another important recent transportation development was the announcement that starting on July 7 AeroMexico will commence a direct, non-stop flight six days a week from New Orleans to Mexico City, and onward to San Pedro Sula, Honduras. This marks the first return of international air service to the New Orleans International Airport since

Hurricane Katrina four years ago and will hopefully set the stage for other flights to follow.

Future U.S-DR/CAFTA Meetings in New Orelans

Returning to DR/CAFTA for a moment, the World Trade Center and other organizations in Louisiana greatly appreciated your initiative with the letter sent by Louisiana's Congressional delegation in April of 2008 to President Bush requesting the administration's consideration for designating New Orleans as the host site for all U.S.-DR/CAFTA institutional and ministerial functions. Although the agreement does not specifically call for the establishment of a formal secretariat, it contains numerous provisions requiring meetings and negotiations to successfully implement the agreement. As you will recall, then-Trade Representative Susan Schwab responded to the delegation on behalf of President Bush stating, in part, that "New Orleans certainly offers much as a potential site for meetings and other activities under the agreement." We therefore would appreciate your and the delegation's further assistance in following up with the new Administration, and Amb. Kirk, on this important issue. In particular, we would like to have New Orleans be given top consideration for these types of meetings and events. New Orleans was home to many of the initial DR-CAFTA negotiations and also has played host to many international events, including the Summit of the Americas last year. We believe that hosting DR-CAFTA meetings and activities here in New Orleans not only helps ongoing recovery efforts but also recognizes the important role our city continues to play in international trade.

Now what does all this have to do with small business? The answer is that it means a lot. Export growth, expanded port traffic, new markets for Louisiana companies, and international events held in our state create additional revenues and jobs for both large and small businesses alike. But increased exporting by Louisiana companies, and particularly in Latin America where it is less costly to travel to and to do business in those markets, offers special opportunities for our state's small businesses.

Small Business Exporting Examples

Here are some brief examples of the type of small businesses that I am referring to that are active members of the World Trade Center and involved in exporting.

Atlantis International was founded 32 years ago by Manuel F. Blanco and his late-father. Atlantis markets an extensive line of automotive and industrial lubricants and auto-chemicals under different private labels including Atlantis' own. The products are marketed through a network of more than 55 exclusive wholesale distributors throughout the world, including Central and South America, the Caribbean, Middle East, Australia, Japan, Malaysia and West Africa. Atlantis has become a very successful third-generation family business growing at better than 20% annually since 2001. Atlantis has been voted by Hispanic Business Magazine as one of the top 50 Hispanic exporters in the country.

Maria Bonilla is the President and since 1986 the owner of American Overseas Trading Corp., a New Orleans company which exports hearing aids, hearing aid batteries and accessories, as well as hearing testing equipment, to Latin America. Although the company used to export U.S.-made products, most U.S. hearing aid manufacturers have merged or been bought out by European conglomerates. The few remaining U.S. manufacturers now assemble their products overseas. AOTC therefore has no choice but to sell products manufactured in Europe. Their clients in Mexico, Central America and Chile therefore do not benefit from U.S. Free Trade Agreements with those countries. Furthermore, AOTC is less competitive when selling against products manufactured in the European Union, since the EU has free trade agreements with most Latin American countries. Nonetheless, AOTC continues to be an innovative and successful Louisiana exporter. They stock products in New Orleans and ship from here. Most of their customers place orders which include many different items even though hearing aids usually make up most of the value of the orders. AOTC's ability to offer "one stop shopping " gives us them an edge over hearing aid manufacturers that provide only hearing aids.

Jim Dartez started Royce Instrument Corporation in 1985 in eastern New Orleans as an analytical instrument design, manufacturing and sales company. In 15 years Royce became an $8 million business with over 40% of its sales going to over 45 countries. In recognition of that success, Royce received the President's E-Award for Small Business Exporting, and in 1987 the company won the state (Louisiana), regional, and national Small Business Export award -- a truly remarkable accomplishment. Dartez sold Royce to the ITT Corporation in 2002 and recently began Reliant Water Technologies with three employees, supplying unique, patented technologies to the global water, wastewater treatment and aquaculture markets. Reliant already is exporting 12% of its product sales.

Carlos Hidalgo, the President of Tech-Sales Inc. a recipient of the E-Award, founded the company in 1983. Tech-Sales is a small exporting company in the business of supplying industrial spare parts and equipment to overseas manufacturers, mostly throughout Latin America. As the company has grown its international business, Tech-Sales now has 10 employees.

Andrew and Nancy Weir are the owners of Alexander & Hamilton, Inc., a global commercial accounts receivables management company, that was founded in Metairie, Louisiana in 1992. Initially, the company restricted its business activity to the United States, but with the emergence of the global marketplace, it expanded its menu of services to assist businesses around the world in reducing the risk of doing international business on credit terms. They ensure that companies fulfill their obligation to pay their just business debts and perform their bilateral commitments.

Federal Government Export Promotion Programs

Turning to the federal government's trade promotion programs to assist small businesses in exporting their goods or services, the following comments and suggestions are offered.

We all know that engaging in international trade is a continuous challenge for a host of reasons: political turmoil in one or another country, protectionist regulations, market uncertainties, exchange rate fluctuations, trade organization edicts, compliance requirements, payment problems, shipping delays, cultural differences, and numerous changing procedures and documentation to contend with in every country, including our own. All of this can be very confusing and daunting to the newcomer, to say the least. While there is a favorable trend toward harmonization, we're not there yet.

As most experienced international traders will confirm, however, the overall rewards can be well worth the risks and difficulties. American companies need to maintain their efforts to produce high-quality products and services and to market them aggressively and competitively abroad. Practical knowledge, training, and persistence by all businesses is therefore vital to our future success in the international arena.

The learning process never stops. We all come across exporters who are motivated to attend seminars and workshops because of problems that suddenly surface in their trading operations. To their chagrin, they often quickly discover that they were not as knowledgeable or up-to-date as they thought. Advance preparation and planning invariably would have prevented these problems. The critical factors needed are technical knowledge and training, which will lead to success for those who carefully apply what they learn. And that learning process must be orderly and understandable.

Export Training for Small Businesses

New-to-market exporters of manufactured products and services need comprehensive training in the export process in three areas: (1) basic training in exporting procedures and documentation; (2) learning about trade finance programs available from the SBA,

Ex-Im Bank, private commercial banks, and other financial institutions; and (3) export promotion services offered by the U.S. Department of Commerce and other agencies through Export Assistance Centers located throughout this country (including New Orleans) and at U.S. embassies and consulates abroad in the larger countries. But it is the first category of training that I wish to discuss now.

Trade finance, working capital loans, Gold Key services, and other government programs are of course extremely valuable at a certain point. But I believe the starting point for a would-be exporter is to fully understand the export process, the steps that go into it, the trade terminology, rules, regulations, documentation, and procedures. This includes learning how to prepare an export business plan, understanding the role of the freight forwarder, the difference between FOB and CIF and other terms of trade, obtaining cargo insurance and what it covers, preparing a pro-forma invoice, packing list, the Shipper's Export Declaration, and other documents and details involved in exporting, where even small errors can be potentially costly.

All this takes time and effort by small businesses to learn. It can't simply be "Googled" or absorbed at a half-day seminar, let alone a breakfast or luncheon workshop. To meet

this need and the time demands, the Greater New Orleans SBDC offers a 17-hour export-import seminar that is divided into 4 afternoon sessions of 4-1/2 hours each.

Admittedly, that may seem like a lot of time for a small business person to devote to learning the basic export and import process, but it is necessary, although the export and import sections could be divided into two separate courses. But the real problem is that for budgetary reasons the course is offered mainly in the New Orleans area at this time, whereas most of the individuals and companies that require this type of intensive training are located in other parts of the state.

One solution to that problem would of course be to dedicate additional resources to conducting the training in more locations to reach more companies, but a better remedy would be to develop training videos or webinars that can be widely publicized by SBDCs, Chambers of Commerce, the World Trade Center, other trade associations, and universities throughout the state. The SBA and Commerce Department may want to jointly evaluate this possibility, if they haven't done so already.

Government Export Finance Programs for Small Businesses

With regard to some of the small business programs of the federal government, the following observations are made based on comments we have received from a number of WTC members who use those programs.

One issue that is increasingly difficult to work with is the Ex-Im Bank requirement for minimum U. S. content. Most of the export credit agencies with whom Ex-Im competes, such as the U.K.'s ECGD, dropped (or lessened) content requirements years ago. In the manufactured goods arena, this is a real issue as so many components, such as electronics, are made abroad and simply not available in the U.S.

Lowering the U.S. content requirement to more realistic levels could help many small business exporters. In Ex-Im's short-term programs, a minimum of 50% is usually standard. In their medium-term programs, only the U.S. content is eligible for Ex-Im support (up to 85%). In all cases, the profit that an exporter earns is not considered as part of the U. S. content; simply modifying the calculation to include the exporter's gross profit could be a quick and meaningful improvement.

Of course, it is interesting to note that the SBA, a sister agency in many ways, has no such local content requirement and, thus, there is a major inconsistency within the federal government. But the SBA only offers one relevant export program: the line of credit program (Export Working Capital Loan Guaranty). Under the EWCG, the maximum the exporter can do is just $2 million. So, for most deals, the exporter has to go to Ex-Im and then is up against the local content requirement.

Also, SBA's EWCP loans top out at $2 million and many exporters may have larger needs. A doubling of SBA's EWCP loan to $4 million would greatly remedy this problem. Even though Ex-Im offers loans exceeding $2 million, Ex-Im's program do not

reach near the number of small businesses that SBA can.

Moreover, our understanding is that the most widely used -- and really helpful -- service of any export finance service offered by the federal government is Ex-Im's short-term credit insurance. Thousands of exporters use this insurance. Yet, once again the 50% minimum U. S. content requirement is a significant impediment to export. Many deals just don't happen because the content is below 50%, and often just marginally so. While there are private insurers with no such restrictions, the Ex-Im offering is really geared to small business exporters with small export volumes not of interest to the private insurers. Offering some content relief could make a huge difference.

Recommendations Regarding SBA and Trade Representative Positions

With regard to several recommendations that have been made by the Small Business Committee, we applaud your initiative to heighten interest and attention on exporting by small companies. Specifically, the recommendation to creative an Assistant United States Trade Representative position for small business issues, and the recommendation to appoint an Associate Administrator in the SBA to be in charge of overseeing all trade policy and programs and to coordinate efforts with other agencies, would certainly appear to help accomplish those objectives.

Regarding trade-related positions in Louisiana, it is our understanding that SBA may assign a Financial Trade Specialist to work out of the Export Assistance Center, where in fact there previously was such a staff person some years ago. Any additional staff that can assigned at this time to help overall export promotion in Louisiana, and in this case for the purpose of assisting small business, would be most welcome. We would also suggest that the individual assigned to that position be equally knowledgeable about the basic export process as described earlier so that the person can assist in overall export training, and not be strictly limited to helping exporters on SBA export loans.

We also are aware that the Export Assistance Center in New Orleans is short at least one Trade Specialist at this time, and filling that position also would be most important in terms of further assisting exporters as well, and particularly new-to-market small companies that have a good export potential. We would make the same recommendation as above insofar as that staff person have a good grounding in the details of the export process, including documentation and procedures.

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Again, thank you for holding the Committee's hearing in New Orleans today and for giving the World Trade Center the opportunity to present this testimony. We stand ready to assist you and the Committee in your ongoing efforts to advance the United States' international trade position.

Chair LANDRIEU. Thank you, Mr. Schreiber, and we always appreciate your comments and suggestions and we value your counsel. Thank you.

Ms. Simek.

STATEMENT OF DIANA SIMEK, VICE PRESIDENT FOR BUSINESS DEVELOPMENT, ARK–LA–TEX REGIONAL EXPORT AND TECHNOLOGY CENTER, INC., AND MANAGER, METRO/REGIONAL BUSINESS INCUBATOR, SHREVEPORT, LOUISIANA

Ms. SIMEK. Thank you for inviting me. I really sincerely appreciate all the efforts that you have put into trying to help our small businesses. In fact, the two subsidiaries of CDC that I represent, you were the guest speaker when they were announced in 1995, and I thank you for that, too.

There is some of the information that Gene talked about that I agree with. One of the sad statistics is that according to the SBA's 2008 report to the President, only 1.6 percent of Louisiana small business with employees export. Think of what we could do to both help better the economy, to create new jobs, and positively impact our trade deficit if we could increase that to even ten percent.

Virtually everything—as Gene said, virtually everything in exporting is different from selling to the local and regional economy, but we have so many good agencies already in place that if we look at—if we just could get them to do and be more known to the people that are out there, and that is one of the things is I agree with you. We need to put more information on the web and make it very easy to find. If you look at the SBA's website, you have to dig to find where their international trade is. It is buried underneath capital access. So this goes to some of our recommendations.

One is to get all of these agencies to collaborate together more frequently. I think it was obvious from what was said today that it desperately is needed. And rather than spending—Gene, contrary to you—rather than spending large sums of money and time to create another separate Export Assistance Center through the SBA, because that would mean having to train and find all these new people, it seems to me that developing strong collaboration and referral programs among all of them is what would be in the best interest of small business in the United States.

There are a few areas that I would like to address that I think SBA could do immediately with little cost to help small businesses interested in exporting. First is to change the SBA website, because you just can't find anything and they don't refer—you have to go way into it to find any kind of resources.

Second, encourage—I didn't realize, and I didn't meet her until today, but I didn't realize she was an ETC, ETM, EMC, or Export Management Trading Company—but encourage the development of Export Management Companies and Export Trading Companies. These companies serve as expert intermediary agencies for small businesses that prefer not to export. We don't have a list of them. So we don't know where to find them. I even called Gene one time and we couldn't even locate one.

Mr. SCHREIBER. Very few.

Ms. SIMEK. So very few. SBA should develop a method to register EMCs and ETCs similar to what they do with the franchise compa-

nies for the loans and provide this list of exporting agencies broken down by product type on their website.

Encourage small businesses that have won SBIR research grants to export their technologies overseas. SBIR awardees are required to report their commercialization efforts to the awarding agencies. Adding a section to this report dealing with exporting activities could serve as a reminder to the small businesses that they need to think globally when considering future commercialization opportunities.

Develop a method—I represent the Business Incubation Association, so I have to think about us—but develop a method to work with the nation's business incubators, which today total more than 1,000 nationwide. Business incubators, especially those linked to the universities and working with SBIR clients, like mine does, we know where the high-tech and the new innovative products are and so we could help make sure that they get some exposure to international markets.

And again, the web. Small business owners find it difficult to attend seminars. The Internet offers a great solution in webinars. SBA, in collaboration with other exporter assistance programs, should offer an ongoing series of webinars covering all the important aspects of what a new exporter needs to know.

ABC annually publishes a Small Business Lending Report listing U.S. banks that have made SBA loans during the year. A similar listing identifying U.S. banks that provide export loans would be a handy tool for small exporters. And rather than initiate a grant program nationwide, as has been kind of recommended in some of the legislation, a pilot program might be considered and monitored to see if the use of such grant funds would truly benefit small exporters and the nation.

Another thought—and I think that Jerry is going to handle this one—another thought would be to examine the possibility of adopting a program similar to USDA's FAS Market Access Program, whereby an organization such as SUSTA would handle requests for government subsidiary funding for exporters.

In closing, I would really like to make very clear that I have—my comments about the SBA only refer to the international. I fully acknowledge that they are the premier Federal agency when it comes to offering business counseling and seminars for small business. Their loan programs are excellent. Unfortunately, they are not well used in our area, though, and I regularly refer my clients to SBA's online training programs.

Again, I thank you very sincerely for holding this hearing and I welcome any questions you may have. Thank you.

[The prepared statement of Ms. Simek follows:]

Testimony of Diana Simek
Vice President, Ark-La-Tex Regional Export & Technology Center, Inc.
Manager, Metro/Regional Business Incubator
Shreveport, LA

U.S. Senate Committee on Small Business and Entrepreneurship

Keeping America Competitive:
Federal Programs that Promote Small Business Exports

Tuesday, June 30, 2009
Port of New Orleans, New Orleans, Louisiana

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

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

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

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

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

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

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

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

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

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

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

- The International Trade Administration's (ITA) lead business unit for trade promotion is the U.S. Commercial Service, which supports U.S. businesses through its Export Assistance Centers (USEACs) and its global network of foreign offices. The U.S. Commercial Service offers four ways to help a small business grow their international sales, including:

    - counseling through every step of the export process
    - introductions to qualified buyers and distributors
    - trade events that promote your product or service to qualified buyers
    - world class market research

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

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

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

- The District Export Councils (DECs) are composed of exporters and export service providers who are willing to work with individual businesses to help them resolve problems. DEC members volunteer their time to sponsor and participate in numerous trade promotion activities, as well as supply specialized expertise to small and medium-sized businesses that are interested in exporting. They hold seminars on exporting basics, trade finance, and e-Commerce, and help build export assistance partnerships to strengthen the support given to local businesses interested in exporting. I have been fortunate in that I have twice served as a member of the Louisiana DEC, and served as the first Chair of the North Louisiana DEC when the state DEC temporarily split into two DECS in the late 1990s. When the two DECs recently reunited, I was pleased to be asked to serve as a Northwest Louisiana representative with the DEC.

- USDA's Foreign Agriculture Services (FAS) program is designed to create economic opportunity for American agriculture by expanding global markets. FAS staffs 102 offices in 82 countries around the world, and also monitors and reports on the agricultural trade matters of an additional 71 countries.
  FAS does not offer exporting loan assistance programs similar to SBA export loan programs, so encouraging the two agencies to work closer together might help expand the export of food products and wood products, especially packaged food and finished wood products, to international markets.

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

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

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

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

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

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

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

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

- Change the SBA website to give more prominence to export assistance resources already available through other Federal agencies to small businesses interested in exporting.

- The SBA link to USEACs, http://www.sba.gov/aboutsba/sbaprograms/internationaltrade/useac/index.html, currently lists only USEACs that have SBA loan representatives; therefore, the New Orleans USEAC is not listed. The listing is currently by cities, and listing all USEACs by states would be more helpful.

- It also would be helpful if exporters could access trade leads from the SBA's International Trade website. The Department of Commerce's Stats-USA/Online provides information on business, trade, and economic information. Under its Global and National Trade Data Base (NTDB), www.stats-usa.gov, trade leads that are identified by the agency's international offices are available for a subscription. The required subscription fee is currently $200 a year, a real bargain. Note: My wood processing company sold wood products to a Thailand company nearly 20 years ago thanks to a trade lead that came through the U.S. Commercial Service. At that time, the leads were published daily in the "Journal of Commerce."

- Encourage the development of Export Management Companies (EMCs) and Export Trading Companies (ETCs), perhaps with some type of federal tax incentive program (provided the incentive would not violate international trade laws). With the possible exception of one company in Louisiana that exports limited food products, I have not been able to identify any other EMCs or ETCs based here. These companies serve as export intermediary agencies for small businesses that prefer not to export themselves. SBA should develop a method of registering EMC and ETC, similar to what they do with Franchise companies, and provide a list of these exporting agencies, broken down by product types, on their website. This might be a useful tool to involve more small businesses, especially those located in rural areas, to export their products to countries such as China and Cuba.

- In 2008, our trade deficit with China totaled more than $266 billion (China imports totaled nearly $338 billion while exports to China from the U.S. totaled less than $71.5 billion). According to the U.S. Census Bureau's Foreign Trade Statistics, if the first three months of 2009 are any indication, the difference between our imports and exports will lead to another record high deficit by the end of this year. The SBA should work with The Commercial Service in an effort to encourage the development of more trade leads for U.S. products that, in turn, would be brought to the attention of small businesses interested in exporting.

- Encourage small businesses that have won SBIR/STTR research grants (with the possible exclusion of awardees with critical innovative products developed for use by Departments of Defense or Homeland Security) to export their technology overseas. Companies participating in SBIR/STTRs are required to report their Commercialization efforts to the awarding agencies. Adding a section to these reports dealing with exporting activities would serve as a reminder to small businesses that they need to think global when considering future commercialization opportunities.

- Develop a method to work more closely with the nation's Business Incubators, which today total more than 1,000 nationwide. Business Incubators, especially those linked to universities and/or those who assist their clients with the SBIR/STTR programs, are the entities that work closest with new high tech and innovative companies. These are the types of products that can help the U.S. in its efforts to reduce our trade deficits.

- Small business owners are often hard pressed to attend extended seminars held far from their home location. The Internet offers a great solution in webinars. SBA, in collaboration with other export assistance programs, should offer a series of webinars covering all of the important aspects off what a new-to-exporter needs to know. The webinars should be moderately priced for those who can participate in live webinar presentations. The presentations should continue to be available on the SBA website after the live broadcast, where they could be viewed at a reduced cost, or possibly even free of cost, at the convenience of small business owners and/or their staff members. DEC members across the country would be great resources to develop and provide the content for a series of exporting webinars.

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

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

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

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

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

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

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

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

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

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

Chair LANDRIEU. Well, thank you. I am very impressed with your testimony. You gave quite a few specifics and we appreciate it and thank you very much.

And Ms. Castro, we are happy to have you, and you can explain the Export Trading Company, of which you are one, and welcome.

STATEMENT OF WILMA CASTRO, OWNER, INTERNATIONAL EXPORT SALES L.L.C., ON BEHALF OF THE LOUISIANA DISTRICT EXPORT COUNCIL, ST. ROSE, LOUISIANA

Ms. CASTRO. Thank you, Senator Landrieu, for the opportunity to testify as part of this panel. Export sales have meant a great deal for my company and my family and I look forward to telling you a bit of my experience.

I got into the export business over 15 years ago and I can truly say that every day has been a learning experience. Selling internationally isn't easy. One of the keys to my success has been learning about the resources that can help small companies like mine export profitably.

My experience in the international business started in my native Honduras, when I marketed products from Honduras to Europe and the U.S. Years later, I came to America and I started selling supermarket equipment overseas with Interamerica Sales. Next, I worked as an executive sales representative for Albert Rebel and Associates out of California. I managed their New Orleans branch until the year 2000, when I decided to start my own company. Relying on the experience in the supermarket supply industry, I decided to create a business based entirely on sales to Central, South America, and the Caribbean.

International Export Sales is classified as an Export Trading Company which specializes in the purchase and resale of U.S.-manufactured equipment, commercial refrigeration and light industrial refrigeration equipment to Latin America and the Caribbean. We offer our customers everything from shopping carts to freezer display units and many things in between. We maintain customer relationships with over 100 international clients comprised primarily of foreign supermarket chains, resellers, and distributors.

Our staff has over 20 years of experience in the export business. Even so, I find that it always pays to know outside experts who can help us in tricky situations. One of the wonderful things about being an entrepreneur in the U.S. is the wide array of government resources to help companies sell internationally. I have used a number of these. Today, I would like to talk in particular about the U.S. Commercial Service and the Ex–Im Bank.

I always say that customer service is the cornerstone of our business. In fact, our desire to better serve our customers is what led us to work with Ex–Im Bank in the first place. We currently have an export credit insurance policy with Ex–Im. This allows us to extend better terms of credit to our buyers and limit risk to our small company.

In today's competitive global economy, I have found that deals can be won and lost because of financing. We have increased our sales by providing open account terms to our best international customers. For example, just a few months ago, we won a major

sale in Honduras with the help of Ex–Im credit insurance simply because we were more competitive because of this resource.

I would also like to talk about the assistance we received from the U.S. Commercial Service. For years, I have relied on the New Orleans U.S. Export Assistance Center for market research, trade leads, help with export documentation, and contacts in international markets. These trade leads are very specific and actionable opportunities generated by the U.S. Commercial Services staff in U.S. embassies overseas. Timely information like that is a huge help in our marketing efforts.

On several occasions, the Export Assistance Center has been instrumental in helping us close a deal. For example, recently, we had a potential customer from El Salvador who contacted the Export Assistance Center to verify that we were a reliable supplier. The Export Assistance Center staff were able to immediately verify that they knew us, they knew me personally, and had even visited our company over the years. With that assurance, we got the sale, so it does help.

I am also grateful to the U.S. Department of Commerce for establishing the Louisiana District Export Council, or DEC. The DEC serves as something of an advisory board for the Commerce Department. Its membership includes exporters like me, trade association representatives, Federal, State and local export assistance specialists, and service providers like attorneys, bankers, and freight forwarders. I am honored to be a member of the Louisiana DEC.

Together, our members have over 100 years of hands-on trade experience. We act as mentors to new exporters in our State and work with the U.S. Export Centers to develop outreach and other programs. This year, we embarked on an inclusive planning process to identify five core objectives for our DEC. Members volunteered to staff subcommittees to work on action items for each objective. One of these is a Louisiana Exporters' Resource Guide, about which we just met this morning.

My fellow DEC members also are wonderful resources for me personally. We share ideas, challenges, and best practices. We get together quarterly to discuss new trade trends and other developments. It is nice to be part of an exporting community.

Finally, I should note what a big help the Central America Free Trade Agreement has been to our company. Free Trade Agreements like this one make our products more competitive. We see a direct result between CAFTA and increased sales in Central America. I encourage the Congress to work towards the passage of other trade agreements, such as Colombia and Panama.

Before I close, I want to thank Senator Landrieu again for asking me to testify before this committee. I gained my U.S. citizenship last November and I am honored to be recognized for my company's success and to represent American entrepreneurs everywhere. Thank you.

[The prepared statement of Ms. Castro follows:]

U.S. Senate Committee for Small Business & Entrepreneurship
Field Hearing, June 30, 2009

TESTIMONY
Wilma Castro
International Export Sales, LLC

Good afternoon. Thank you, Senator Landrieu, for the opportunity to testify as part of this panel. Export sales have meant a great deal to my company and my family, and I look forward to telling you a bit about my experience.

I got into the export business over 20 years ago, and I can truly say that every day has been a learning experience. Selling internationally isn't easy. One of the keys to my success has been learning about the resources that can help small companies like mine export profitably.

My experience in international business started in my native Honduras, when I marketed products from Honduras to the U.S. and Europe. Years later I came to America and started selling supermarket equipment overseas with Interamerica Sales. Next I worked as an Executive Sales Representative for Albert Rebel & Associates out of California. I ran their New Orleans branch until 2000, when I decided to start my own company. Relying on my experience in the supermarket supply industry, I decided to create a business based entirely on sales to Central, South America and the Caribbean.

Today, my company, International Export Sales, LLC has grown to five employees. We are a Louisiana Limited Liability Company, classified as an Export Trading Company. We specialize in the purchase and resale of U.S. manufactured supermarket equipment, commercial refrigeration equipment and light industrial refrigeration equipment to Latin America and the Caribbean. We offer our customers everything from shopping carts to freezer display units, and many things in between.

We maintain customer relationships with over 200 international clients comprised primarily of foreign supermarket chains, resellers, and distributors. We also sell to bakeries, hotels, and convenience stores.

Our staff has over 30 years of experience in the export business. Even so, I've found that it always pays to know outside experts who can help in tricky situations. One of the wonderful things about being an entrepreneur in the U.S. is the wide array of government resources to help companies sell internationally. I've used a number of these; today I would like to talk in particular about the U.S. Commercial Service and Ex-Im Bank.

I always say that customer service is the cornerstone of our business. In fact, our desire to better serve our customers is what led us to work with Ex-Im Bank in

the first place. We currently have an export credit insurance policy with Ex-Im. This allows us to extend better terms of credit to our buyers – and limit risk to our small company.

In today's competitive global economy, I've found that deals can be won and lost because of financing. We have increased our sales by providing open account terms to our best international customers. For example, just a few months ago we won a major sale in Honduras with the help of Ex-Im credit insurance. Simply put, we are more competitive because of this resource.

I'd also like to talk about the assistance we've received from the U.S. Commercial Service. For years I have relied on the New Orleans US Export Assistance Center for market research, trade leads, help with export documentation, and contacts in international markets. These trade leads are very specific and actionable opportunities generated by U.S. Commercial Service staff in US Embassies overseas. Timely information like that is a huge help in our marketing efforts.

On several occasions the Export Assistance Center has been instrumental in helping us close a sale. For example, recently a potential customer from El Salvador contacted the Export Assistance Center to verify that we were a reputable supplier. USEAC staff were able to immediately verify that they knew me personally and had even visited our company over the years. With that assurance we won the sale.

I'm also grateful to the US Department of Commerce for establishing the Louisiana District Export Council, or DEC. The DEC serves as something of an advisory board for the Commerce Department. Its membership includes exporters like me, trade association representatives, federal, state, and local export assistance specialists, and service providers like attorneys, bankers, and freight forwarders. I'm honored to be a member of the Louisiana DEC. Together our members have over 100 years of hands-on trade experience. We act as mentors to new exporters in our state, and work with the USEAC to develop outreach and other programs. This year we embarked on an inclusive planning process to identify five core objectives for our DEC; members volunteered to staff subcommittees to work on action items for each objective. One of these is a Louisiana Exporters' Resource Guide, about which we just met this morning.

My fellow DEC members also are wonderful resources for me personally. We share ideas, challenges and best practices; we get together quarterly to discuss new trade trends and other developments. It's nice to be part of an exporting community.

Finally, I should note what a big help the Central America Free Trade Agreement has been to our company. Free trade agreements like this one make our products more competitive. We see a direct result between CAFTA and

increased sales in Central America. I encourage the Congress to work toward the passage of other trade agreements, such as Colombia and Panama.

Before I close, I want to thank Senator Landrieu again for asking me to testify before this Committee. I gained my U.S. citizenship last November, and I am honored to be recognized for my company's success, and to represent American entrepreneurs everywhere. Thank you.

Chair LANDRIEU. Thank you. We are very proud to have you as a new citizen of our country. Thank you for your contribution.

Mr. Hingle.

STATEMENT OF JERRY HINGLE, EXECUTIVE DIRECTOR, SOUTHERN UNITED STATES TRADE ASSOCIATION

Mr. HINGLE. Thanks, Senator. I really appreciate being part of today's discussion. Again, I am here with the Southern U.S. Trade Association. We are a nonprofit trade association based here in New Orleans that helps companies export, small companies primarily. We are based here in New Orleans, but we do help companies throughout the Southeastern United States. I am going to talk a little bit about the program, who we are, and also highlight the Federal Market Access Program as a resource that is available to small businesses looking to export.

Our agency has helped thousands of organizations tackle international markets around the world. We help companies in many ways. We talked about training. We help small companies in training, one-on-one, go to their place of business, coach them how to export. We coordinate a number of trade events around the world, trade shows and buyers' missions around the world. We sponsor their participation in those events.

I am sure you recognize some of the Louisiana products here. They are known here locally, rice, Zapp's potato chips, sauces. They are known very well here and increasingly known around the world thanks to their involvement with our programs. All of these products here, we have helped promote abroad their brands. The Department and the Market Access Program, in a number of countries around the world, and increasingly even in places, India and Japan, buying these products on the shelves or in the restaurants. It is really quite a sight to see.

The testimony that I turned in has 20 companies listed we have worked with over the last couple of years. You probably recognize quite a few of those companies. Our work is funded mostly by the Market Access Program, or MAP. This is administered by the USDA's Foreign Agricultural Service. It was launched about 20 years ago with the intent of helping farmers and food producers export. There are about 70 groups that partner with USDA to help thousands of companies across the U.S. export.

We are all nonprofits, and one of the kind of things of the MAP program's Branded program, where we extend funds directly to companies that go off and promote their brands overseas, and we will reimburse them at half of their cost of doing so, qualified cost, qualified number. It has to be a small business. It has to be at least 50 or more percent of U.S. origin, et cetera.

In our region of the U.S. alone, there are hundreds of companies that are now successful exporters as a direct, attainable result of their work with us and MAP program. Just a few years ago, these companies never even considered exporting. We can help you get there.

Research commissioned by the USDA proves the program works. Their research says that for every dollar that is in export promotion, some $25 in export sales typically occur through seven years after the fact. In our own research, we asked the folks who

take part in our programs. Almost immediately, we are seeing a $22-to–$1 return, I guess you would say. For every dollar we invest in these companies in finding buyers overseas, we are seeing a $22 return, so just right there.

On the macro scale, the U.S. spends about $235 million on these programs. MAP is about $200 million each year. It has a sister program, about $35 million. Our competitors—the European Union, Canada, Australia, South Africa, the big players out there—combined spend $1.2 billion every year to do the same thing. That is five times our annual budget to help companies export. And we are losing ground to a lot of these competitors in key markets.

The 2008 farm bill, sadly, OMB has proposed a 20 percent cut in the program, from the current $200 million by 20 percent. There appears to be some confusion. I think that there is belief that it benefits large companies, but by definition is only for and by the small companies. There is confusion there, and they do cite some arguments that this is specifically rejected on many House and Senate floor votes over the past 15 years. So there is a lot of confusion over the program in Congress. I think there is some confusion right now for next year.

We know the program works well. We know for a fact that users out there, hard data and anecdotal, the information we know of is that the program works well, and we think it aligns perfectly with Washington's goal to create jobs locally and build sales and jump start the economy. We know that it is helping create local jobs as well as generating sales internationally.

So we are urging Congress to keep the program as it is, intact as written. Basically, it is not broken, so let us not try to fix it.

[The prepared statement of Mr. Hingle follows:]

STATEMENT BY THE SOUTHERN UNITED STATES TRADE ASSOCIATION

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
UNITED STATES SENATE

JUNE 30, 2009

Good afternoon, Senator Landrieu, and thanks for the opportunity to address this committee. We commend you for holding this hearing to highlight the role of small businesses in international trade and federal export resources available to them. This is an important discussion because international trade development – whether it is through helping companies develop export markets or forging multilateral trade agreements – clearly has a direct and tangible affect on small businesses.

I'm Jerry Hingle, Executive Director of the Southern United States Trade Association (SUSTA). We are a non-profit trade association dedicated to helping small companies develop export markets for U.S. food and agricultural products.

I'll briefly describe the work we do and highlight how the federal Market Access Program has proven to be an excellent resource for small businesses looking to expand sales internationally – even for dozens of local companies that you may recognize. I'll also address our industry's concern over efforts in Washington to cut back this program. I'll keep this brief in order to welcome any questions you may have.

THE SOUTHERN U.S. TRADE ASSOCIATION

Over the past 35 years, our organization has helped thousands of small businesses tackle international markets. We offer a variety of programs and resources to assist companies, whether they are just starting out in exporting or are experienced globally. Many companies take advantage of our one-on-one export readiness training and then take part in some of the dozens of trade shows and buyer's missions we conduct around the world. We also offer direct financial support for businesses seeking to stretch their international marketing budgets for advertising, trade shows, labeling and other promotions in foreign markets.

We're based here in New Orleans but work with companies throughout the southern United States, and are partnered with the agricultural departments of 15 southern U.S. states and the Commonwealth of Puerto Rico. The Commissioners of Agriculture make up our board of directors, and their staffs reach out to small businesses to encourage them to consider exporting. We are funded almost entirely by the Market Access Program, which is a federal program aimed at bolstering U.S. agricultural exports and administered by the USDA's Foreign Agricultural Service.

PROVEN LOCAL IMPACT

Exporters participating in our programs are seeing direct benefits to their bottom line. Last year, companies made over $87.5 million in export sales as a direct result of our trade shows, trade

missions, and other events – *amounting to a strong return on investment of $22 for every dollar we spent on export promotion.*

I'm sure you would recognize some of the Louisiana products that are now sold globally, thanks in part to our assistance. Zapp's potato chips, Magic Seasoning Blends, and Crystal Hot Sauce are just a few examples of brands produced and packed here locally that are becoming well known around the world. And long grain rice from Louisiana is marketed in dozens of countries with the help of federal export assistance.

Included in this written testimony is a list of nearly 20 Louisiana companies that have recently taken advantage of our programs to extend their international marketing and promotion, as well as a handful of case studies demonstrating how local companies have benefited from our services. I think it is important to point out that many of the companies working with us operate in urban locations. Many believe that federal assistance to America's agriculture industry only benefits rural communities, but hundreds of urban-based companies also directly benefit from these programs.

THE MARKET ACCESS PROGRAM (MAP)

As mentioned, our work is almost entirely funded by the Market Access Program, or MAP, which is administered by USDA's Foreign Agricultural Service. MAP aids in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. It forms a partnership between over 70 non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state regional trade groups and state Departments of Agriculture, small businesses, and the USDA to share the costs of overseas marketing and promotional activities. MAP is an excellent example of an effective public-private partnership that has helped thousands of small businesses become successful exporters.

MAP's "Branded program"

Under MAP's "Branded" program, direct support is given to small U.S. businesses to help them promote their products in overseas markets. The program provides 50% cost reimbursement for a wide variety of international marketing activities – such as exhibiting at foreign trade shows and producing a company's labels in a foreign language. As such, government funds are leveraged with industry contributions and every dollar of MAP Branded spending generates between two to three dollars of spending by the private sector – demonstrating the industry's commitment to this program.

In our region of the U.S. alone, hundreds of small companies are now successful exporters thanks to the assistance they received from the Market Access Program. Many of these companies weren't even *considering* exporting just a few years ago.

Under the MAP Branded program, small U.S. companies are provided assistance in promoting only American-grown and produced commodities overseas. MAP Branded helps small companies start exporting each year by allowing them to pursue opportunities in markets they may not be able to afford to target otherwise.

Independent research also attests to the impact of public/private export promotion ...

The program has proven time and time again to be a successful and cost-effective tool in expanding U.S. agricultural exports, protecting American jobs, and strengthening farm income. A recent independent cost-benefit analysis of MAP and a sister program called the Foreign Market Development Program (FMD) prepared for USDA by Global Insight, Inc. – the world's largest economic analysis and forecasting firm – clearly illustrates the benefits of federal export assistance programs.

Global Insight estimates that U.S. agricultural exports are $3.8 billion higher in 2008 than they would have been if market development had not been increased in the 2002 Farm Bill. Furthermore, export gains will accrue well beyond 2008, reaching $5 billion once the full lagged impacts of market development are taken into account.

For every dollar spent on market development, $25 in additional exports result within 3-7 years – a figure that corroborates testimonials SUSTA receives from the companies that participate in its export development activities. The study also found that 39% of the export benefits of market development accrued to U.S. agricultural products other than those that were being promoted. Known as the "halo" effect, this provides empirical evidence that the program generates substantial export benefits not only for industry partners carrying out the activity (they receive 61% of the total export benefit), but for other non-recipient agricultural sectors as well (that receive 39% of the total export benefit).

... and our competitors are investing in it heavily.

MAP is among the few tools specifically allowed in unlimited amounts under World Trade Organization (WTO) rules to help American agriculture and American workers remain competitive in a global marketplace still characterized by highly subsidized foreign competition.

In contrast to the roughly $235 million the U.S. spends annually, the European Union, the Cairns group, and other foreign competitors devoted approximately $1.2 billion annually to market development activities promoting exports of their agricultural, forestry, and fishery products – *over five times what the U.S. spends*. A significant portion of this promotion targets buyers in the United States.

With no limit under the WTO on public or producer funding and the unlikelihood that it will be subject to any disciplines in the Doha Round negotiations, government spending on export development is increasingly seen as the centerpiece of a winning strategy in the trade battleground for the future. Many competitor countries have announced ambitious trade goals and are shaping export strategies to target promising growth markets and bring new companies into the export arena. European countries are expanding their promotional activities in Asia, Latin America, and Eastern Europe. Canada, Australia, New Zealand, and Brazil have also budgeted significant investments in export promotion expenditures worldwide in recent years.

FUNDING AND SUPPORT OF THE MARKET ACCESS PROGRAM

The 2008 Farm Bill authorized MAP at $200 million per year. However, the President's budget seeks to reduce its funding to $160 million per year, specifically through reducing the Branded Program. The Office of Management and Budget's reasoning for the cut seems to reflect a lack of understanding of the programs and cites a 10-year-old Government Accountability Office study on the economic impact of MAP, while ignoring the Global Insight research commissioned by USDA in 2006. OMB also held that the programs are "corporate welfare," an argument that has been consistently rejected by Congress in many House and Senate floor votes over the past 15 years.

We believe such a reduction in funding or other suggested changes to the eligibility criteria of MAP will negatively impact the ability of U.S. agriculture to promote American products in international markets, thereby weakening our exports and undermining the Administration's larger efforts to stabilize the economy and preserve American jobs.

While a U.S. Senator, President Obama called for a 62% increase in funding for MAP, indicative of his underlying support for such cost-effective, public-private export promotion programs.

> With the federal government's unprecedented spending to bolster the economy, it appears counterintuitive to scale back on a program that clearly helps small businesses grow internationally and create jobs locally.

Therefore, SUSTA and over 70 other industry groups that partner with USDA to promote U.S. agricultural exports are strongly urging Congress and the Obama Administration to reconsider the proposal to reduce funding for this important agricultural export program and maintain the 2008 Farm Bill authorized funding level of $200 million for MAP.

WHAT DOES THIS MEAN TO THIS COMMITTEE?

I hope the committee sees the MAP program as an excellent example of a federal export resource that works well for small businesses. I also hope that SBA sees us as a resource for collaboration. One of the biggest challenges we face is reaching out to new companies. We are constantly working to make more small companies aware of the programs SUSTA has to offer, yet there remain hundreds of companies that are unaware that assistance and funds are available to help them export.

Collaboration between SBA and USDA/FAS and its private sector partners such as SUSTA would bring us all closer to our shared goal of helping small businesses increase their international sales. The credit programs that SBA has in place would surely be of interest to the small businesses that we talk with almost daily. Perhaps SBA staff could collaborate with us on our outreach meetings and conferences to explain this and the services they have to offer.

Our industry is also hopeful that Congress and the new Administration will keep MAP and its sister programs fully intact so that we can continue our proven success. With our program firmly in place, additional collaboration with SBA would be welcome.

Attachment 1:
Market Access Program facts

MARKET ACCESS PROGRAM (MAP)

The Market Access Program (MAP), formerly known as the Targeted Export Assistance (TEA) Program when it was created in the 1985 Farm Bill, uses funds from the U.S. Department of Agriculture's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. MAP, which is administered by USDA's Foreign Agricultural Service (FAS), forms a partnership between non-profit U.S. agricultural trade associations, farmer cooperatives, non-profit state-regional trade groups, small businesses, and USDA to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

MAP HELPS BOOST U.S. AGRICULTURAL EXPORTS

- Exports are projected to be $95.5 billion in FY 09, down $20 billion from last year's record level but still up over $33 billion since 2004. Since the program was created in 1985, U.S. agricultural exports have increased by nearly 300 percent (Source USDA).

- Agriculture's trade surplus is projected to be about $13 billion in FY 09, down from $23 billion last year (Source USDA). However, agriculture is one of the few sectors of the American economy to enjoy a trade surplus, and without it the overall U.S. trade deficit would be even worse.

- A study of MAP and the Foreign Market Development (FMD) Program done by Global Insight showed that these programs successfully increased U.S. agricultural exports. In fact, the study showed that the additional program funding provided in the 2002 Farm Bill increased the U.S. share of world trade by over 1 market share point to 19%, boosting U.S. agricultural exports by $3.8 billion (Source: *A Cost Benefit Analysis of USDA's International Market Development Programs,* Global Insight Inc., November 2006).

- The outlook for the global economy continues to weaken, eroding demand for all agricultural products. This reinforces the need for valuable programs, such as MAP, that help create, expand, and maintain foreign markets for U.S. agricultural products.

MAP PROTECTS AMERICAN JOBS AND INCREASES FARM INCOME

- Serves as a "BUY AMERICAN" program by promoting only American-grown and produced commodities.

- Every billion dollars in U.S. agricultural exports supports nearly 12,000 American jobs (Source USDA).

- Given U.S. agricultural exports are expected to be $95.5 billion in FY 09, over 1.2 million Americans will have jobs that depend on these exports, thanks in part to MAP and related programs that have helped boost U.S. agricultural exports. (Source USDA)

- A study of MAP and FMD commissioned by FAS showed that, over the course of the 2002 Farm Bill, annual farm cash receipts increased by $2.2 billion due to the increase in U.S. agricultural exports that resulted from increased market development activities. Higher cash receipts helped increase annual farm net cash income by $460 million, representing a $4 increase in farm income for every additional $1 increase in government spending on market development (Source: *A Cost Benefit Analysis of USDA's International Market Development Programs,* Global Insight Inc., November 2006).

MAP HELPS COUNTER SUBSIDIZED FOREIGN COMPETITION

- In recent years, the EU, the Cairns Group, and other foreign competitors have devoted considerable resources on various market development activities to promote their exports of agricultural, forestry, and fishery products (Source USDA). A significant portion of this is carried out in the U.S.

- Eliminating or reducing funding for MAP in the face of continued subsidized foreign competition and during ongoing Doha Round World Trade Organization (WTO) negotiations would put American farmers and workers at a substantial competitive disadvantage.

- Market development, including programs such as MAP, is not expected to be subject to WTO disciplines under Doha. Reducing our investments in market promotion while our competitors continue to increase theirs will put our producers at a decided disadvantage in competing for international sales.

MAP ILLUSTRATES SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIP

- MAP is administered on a reimbursable cost-share basis, specifically targeting small businesses, farmer cooperatives, and non-profit trade organizations. While government is an important partner in this effort, industry funds are now estimated to represent almost 60% of total annual spending on market development and promotion, up from roughly 45% in 1996 and less than 30% in 1991, which demonstrates industry commitment to the effort (Source USDA).

QUESTIONS AND ANSWERS REGARDING MAP'S BRANDED PROGRAM

What is the "Branded Program"? MAP Branded directly supports the marketing efforts of U.S. small businesses in overseas markets. MAP Branded provides 50% cost reimbursement for a wide variety of international marketing activities. Government funds are leveraged with industry contributions. Every dollar of MAP Branded spending generates between two to three dollars of spending by the private sector – demonstrating the industry's commitment to this program.

What are some benefits for companies that participate in the MAP Branded Program?
Small firms receive assistance to expand their market reach by adding new markets and international market share. The program also provides opportunities for small food and agricultural businesses to gain new customers and identify new distributors for their products.

How does a small business qualify for the MAP Branded Program?
U.S.-owned small food and agricultural companies with a facility or product sources in the United States are eligible to participate in the MAP Branded Program. Participating businesses are generally processors, packers, manufacturers, distributors, wholesalers, or export trading companies interested in promoting their U.S. products in export markets.

What products are eligible under the MAP Branded Program?
Products eligible for approval in the MAP Branded Program are agricultural products, beverages, seafood, agriculture-based food supplements, seed, nursery products and pet foods. Eligible products must be at least 50% U.S. agricultural origin by weight, exclusive of added water and packaging.

What are some examples of promotional expenses the MAP Branded Program reimburses?
The list of eligible promotional expenses includes, but is not limited to: literature and point-of-sale materials; in-store demonstrations; in-store displays and promotional materials; exhibiting at international trade shows; advertising; and required packaging/label changes.

What country markets does the MAP Branded Program cover?
Most countries are eligible as target markets. Expenses incurred for promotions within the U.S. or its territories (Guam, Puerto Rico, etc.) are generally not eligible for reimbursement. Federal regulations prohibit funding of activities in Cuba, North Korea, Iran, Iraq, Libya, and Sudan. However, the list may change based on the world's situation.

How does the MAP Branded Program affect the job market?
Over the last two years, small firms participating in MAP Branded have added at least 2,376 employees to their payrolls. Those employees, in turn, contribute to their local economies, especially in rural and small towns across the nation – making these companies a vital part of their communities.

Attachment 2:
Case studies of how MAP is benefiting small Louisiana companies

How the Market Access Program has benefited small Louisiana companies: Case studies

***Case study:* Success of Culinary Training Program Continues to Grow**

In partnership with the John Folse Culinary Institute in Thibodaux, Louisiana, SUSTA has been training foreign chefs in the preparation of southern U.S. cuisine since 2001. Many program participants have gone on to collaborate on SUSTA Generic promotions at trade shows and other events, and some have even conducted their own menu promotions highlighting the quality ingredients and recipes of the southern region. May 2009 brought a group of 12 renowned chefs from India to the U.S. to learn key elements of such techniques as Barbeque, Low Country, Soul Food, Appalachian, and other common food styles in the South. This year's group included the head of the Indian Chefs Association, a well-known journalist, and a number of chefs from resorts in Delhi, Mumbai, Chennai, and Bangalore.

The program for the Indian chefs integrated involvement from more experts than ever before: in addition to the staff at John Folse Culinary Institute, four guest chefs from the SUSTA region demonstrated their particular specialties for the group. For the first time, Chef J.T. Handy from South Carolina taught the foreign chefs about southern Barbeque, and Florida Chef Justin Timineri introduced them to Florida New World cuisine. Two other guest chefs – Dale Hawkins from West Virginia and Carmen Bazile from Alabama – shared their respective expertise in Appalachian cooking and Soul Food. Throughout the course, the Indian chefs learned to work with products provided by SUSTA-region companies, including alligator meat, spice rubs and sauces, and juices. Companies were recruited by representatives from the Florida Department of Agriculture and Consumer Services and the West Virginia Department of Agriculture, who assisted with incorporating product samples into the program curriculum.

Following the training program, Chef Rupali Dean organized a trivia contest with the *Hindustan Times* newspaper focusing on southern U.S. cuisine, and wrote a feature article about the program. She was also profiled in Air India's in-flight magazine, which mentioned her participation in SUSTA's culinary training. All of the participants in this year's program plan to conduct follow-up promotions showcasing what they learned in the U.S. These influential chefs will also connect with Indian importers to procure ingredients used during the course so they may introduce new menu items based on their experience in Louisiana. In addition, plans to bring southern culinary experts to India are afoot, beginning with a Barbeque promotional tour starring J.T. Handy, organized by the Chefs Association.

SUSTA Financial Director Troy Rosamond, who manages the Culinary Training Program, was pleased with this year's results. "We have achieved a very high level on this program, and I look forward to introducing it over the next few years to the very important market of China," he said. Increased partnerships stand to further develop the program as a platform for introducing influential foreign chefs to southern U.S. cuisine. Already slated for next year's program is a seminar led by a Texas guest chef and a visit to the Sullivan School in Kentucky in cooperation with the Wine and Spirits Association.

***Case study:* MAP Funds Support Louisiana Export Efforts**

Four Louisiana-based small companies plan to use Market Access Program (MAP) Branded funds to support their export promotion efforts in 2009. Together, the firms have requested a total of $412,000 to market their products overseas with trade shows, advertising, in-store promotions, printed sales materials and other promotional activities. U.S. agricultural products, including snack foods, condiments, and seasonings, will be promoted in such foreign markets as Australia, Canada, China, France, Germany, Japan and the United Arab Emirates.

***Case study:* Southern U.S. Products Hit German Stores**

In September and October 2008, Germany's KaDeWe store held a country-wide promotion focusing on food products from the southern U.S. Thanks to a well-established relationship with a German distributor and Market Access Program (MAP) Generic promotional funds, 58 products from nine different companies were featured during the promotion. Suppliers from Florida, Louisiana, Maryland, Oklahoma, Tennessee and West Virginia were represented in the promotion by a variety of products, including sauces, seasonings, syrups and other southern specialties. Three of the U.S. companies introduced products to the German market for the first time during the event.

SUSTA representatives have worked with the importer for the past four years, resulting in a partnership leading to continuing sales and expansion of the U.S. product line. As a result of this promotion, the importer purchased a full consolidated container of southern U.S. products, and additional sales are projected for 2009. Between 12 and 24 of the items featured in the promotion are expected to become a staple on KaDeWe shelves.

***Case study:* Southern Flavors Sizzle on Taiwanese Tastebuds**

In May 2008, a group of influential Taiwanese chefs visited Thibodaux, Louisiana for a two-week training program sponsored by the Southern U.S. Trade Association (SUSTA) and held at the John Folse Culinary Institute. The twelve participants were introduced to a variety of southern cooking styles through cooking demonstrations, seminars, and visits to local culinary and historical places of interest. The chefs received specialized, hands-on training from the culinary professors at the school, as well as two regional guest chefs: Dale Hawkins, who demonstrated Appalachian cooking, and New Orleans native Carmen Bazile, who introduced the group to Soul Food. The Taiwanese chefs learned about Barbecue, Tex-Mex, Cajun, Creole, and other styles, flavors and techniques of southern cooking.

Not long after they returned to Taiwan, the chefs had an opportunity to use their newly acquired skills. In June, an event at the Food Taipei trade show and a series of demonstrations showcased southern cuisine in the two major cities of Taipei and Kaohsiung. The promotions, sponsored by SUSTA and Taiwan's Agricultural Trade Office (ATO), featured southern U.S. Chef George Kaslow, one of the Culinary Training Program instructors. The ATO staff, led by director Keith Schneller, organized many of the events in both cities, and Kaslow created the southern recipes used in the demonstrations.

The series of promotions kicked off at the Food Taipei trade show, where six SUSTA-trained chefs from Taipei assisted Kaslow in demonstrating southern cooking. At the NanGang Exhibition Hall in Taipei, the menu highlighted eight dishes from the southern U.S. region. Chef Tony Chang, one of the SUSTA-trained chefs and President of the Formosa Chefs Association, assisted Kaslow during this event. The two impressed the crowd and media with their classically prepared, authentic southern dishes.

The following week at the Taipei Sherwood Hotel, Chef Kaslow instructed an audience on how to prepare jambalaya. The demonstration was filmed for television broadcast, and Chef Kaslow was featured in additional radio and television interviews.

Troy Rosamond, SUSTA's Financial Director and the director of the Culinary Training Program, arrived in Taipei for the second week of promotions. "The show and promotions were the most effective activity SUSTA has had in conjunction with the Chef Training Program. I believe that these well-planned follow-ups serve as a great example of how we can make the most out of the ATO's initiative and resources. Keith Schneller has done a great job organizing this event series, and I believe it can serve as a model for the future."

Two more demonstrations led by Kaslow kicked off a promotion at the Mitsukoshi chain of department stores. Additional promotions took place at Kaohsiung's Splendor Hotel, where Chef Kaslow conducted a live cooking demonstration for attendees and media. Three chefs from Kaohsiung Hospitality College who participated in this year's SUSTA training program assisted Kaslow with the event, and the group remained busy with media interviews. They also held live demonstrations and peer lectures to educate the hospitality trade about southern cuisine.

With the help of the Foreign Agricultural Service's Emerging Markets Program and Market Access Program Generic, SUSTA has brought chefs from various foreign markets to Louisiana since 2001 to teach them how to prepare and cook southern U.S. food products. Past participants have collaborated with SUSTA to promote southern U.S. food products and dishes in their region of the world. Through this collaboration, SUSTA has introduced southern U.S. products in Central America, South America, Eastern Europe, and Asia.

Case study: **Louisiana Company Benefits from Market Access Program Branded**

Crystal International of New Orleans had 18 years of exporting experience before learning about the Market Access Program (MAP) Branded, a program administered by the U.S. Department of Agriculture's Foreign Agricultural Service offering matching funds for some international marketing expenses to U.S. exporters. A supplier of condiments, snack foods and various grocery items, Crystal participated in MAP Branded with the Southern U.S. Trade Association (SUSTA) for 17 years, from 1988 to 2005. During that time, the company used funds to conduct promotional activities such as advertising and distributing printed materials in new markets. Crystal was able to add new product lines and expand sales by $3.5 to $4 million thanks to the extra boost that MAP Branded provided for the company's international marketing budget.

***Case study:* Crown Products Expands Reach with MAP Branded**

Crown Products of Metairie, Louisiana has used funding from the Market Access Program (MAP) Branded, a program administered by the U.S. Department of Agriculture's Foreign Agricultural Service offering matching funds for some international marketing expenses to U.S. exporters, to promote U.S. food products in foreign countries since 1989. In addition to exhibiting at international trade shows using Branded funds, Crown has also gained brand exposure through participation in a number of MAP Generic promotions conducted by the Southern U.S. Trade Association (SUSTA), including trade show pavilions and reverse trade missions, allowing the company to meet with foreign buyers. MAP Generic promotions represent more than one product or commodity and allow suppliers to participate in trade shows, in-store promotions and other activities for a reduced cost.

***Case study:* East Meets West in Taipei Cajun Promotion**

Taiwan got a taste of Louisiana's Cajun flavors in May 2007 during a two-week promotion sponsored by SUSTA and the Agricultural Trade Office (ATO) in Taipei. Food samples from Louisiana companies and other southern U.S. suppliers were used by Chef Roy Lyons to prepare Cajun cuisine during chef seminars, demonstrations, menu promotions, a supermarket retail promotion and other activities.

The promotions targeted both trade contacts and consumers, and reached an estimated 6 percent of the population of Taiwan's two largest cities, Taipei and Kaohsiung, through four television stories and over 25 magazine and newspaper articles. More than 25 restaurants participated in the promotions, at least seven of which continued to offer Cajun dishes using U.S. ingredients on a regular basis following the events.

Taiwan consumers and importers have relatively low awareness of regional cuisines from the U.S., and chefs have little knowledge of high-quality U.S. products and how they may be used in these cooking styles. The SUSTA/ATO promotions introduced products new to the food service sector in Taiwan, giving local chefs an opportunity to experience authentic preparation techniques. Consumers also had the opportunity to sample a variety of high-quality southern U.S. products.

As a follow-up to this activity, SUSTA and the Taipei ATO brought journalists from the Taiwan media to Louisiana in September to further explore Cajun and Creole cuisine and the products available from the region. The media visitors toured several facilities where Louisiana specialty food products are manufactured and sold, as well as John Folse Culinary School, Oak Alley Plantation, Mardi Gras World, and an alligator ranch. Some of the regional products featured during the mission included Louisiana seafood, sauces, dressings and pralines. During their evenings in New Orleans, the group also shot footage in the French Quarter.

Attachment 3:
Louisiana companies
recently participating in MAP

SOUTHERN U.S. TRADE ASSOCIATION
MARKET ACCESS PROGRAM BRANDED AND GENERIC PARTICIPANTS IN LOUISIANA

	LA-01
Crown Products, Inc.	Metairie, LA
Elmer Candy Corp.	Ponchatoula, LA
Kajun Kettle	New Orleans, LA
L.H. Hayward & Co., LLC	Harahan, LA
Magic Seasoning Blends, Inc.	Harahan, LA
Sal & Judy's Products, LLC	Slidell, LA
	LA-02
Toucan International	Harvey, LA
	LA-03
Blue Runner Foods, Inc.	Gonzales, LA
Dirty Chips	Gramercy, LA
Golden Ranch Gator Farm	Gheens, LA
McIlhenny Company	Avery Island, LA
Waterside Enterprises	LaPlace, LA
Zappe Endeavors, LLC dba Zapp's Potato Chips	Gramercy, LA
	LA-05
Kinloch Plantation Products	Winnsboro, LA
Panola Pepper Corporation	Lake Providence, LA
	LA-06
Magoun's Kitchen	Baton Rouge, LA
	LA-07
Farmers Rice Milling Company, Inc.	Lake Charles, LA
Planters Rice Mill, LLC	Abbeville, LA

Chair LANDRIEU. Thank you very much. It has been very helpful.

We have got a few minutes for questions, and let me, if I could, Mr. Hingle, start with you. I am very interested in this particular program and its applications, of course, coming out of the Agriculture Department, but many have applicability throughout what the subject of this hearing is today, particularly on the training and outreach, recruiting opportunities, et cetera. We are learning how the mark program was started. Was it a Congressional authorized program or was it something started either with or adjacent to the Agriculture Department? Remind me of that.

Mr. HINGLE. Its origins were within USDA. I can't speak to the whole issue of it. I can certainly find out for you.

Chair LANDRIEU. That is okay. Staff will check on it, because I am very interested in that particular model, and if the staff has any information, you can slip me a note about it. But I think that it is an excellent model, and, of course, representing a State that has a strong agricultural base, I am very familiar with the opportunities and the pressure from the farmers who are looking for other markets for their products. It is very, very important, and, of course, they are pretty much front and center on some of these trade agreements. But the finished products are not just the crop itself or the commodity itself. It is also interesting in the way you have outlined how that program works, so we will follow up.

Let me ask each of you all, and some of this is in your testimony, which was excellent, for the record, but if you had to, starting with you, Mr. Schreiber, say one change that you would recommend at the Federal level, just one change that you would recommend that might really help to increase the number of small business exporters, what would that one change be?

Mr. SCHREIBER. Well, I will reiterate. In real estate, it is always location, location, and location. For me, after many, many years of this, I have concluded it is all about training and planning your export future. That isn't done by hardly any companies. They jump into it. They say, well, it is just like the U.S. I will go over there, or Canada. I will start selling. And I see examples of companies lose their shirt or lose their company because they made a mistake that would not have cost them one penny to eliminate if they had simply been trained properly.

Now, the training is tedious and dry. I won't say boring. I think it is very exciting. But it is dry. But if you don't have the vocabulary, if you don't have these rules and regulations—we know how many rules and regulations there are in our country. Well, multiply that by 200 countries around the world.

So I think it is this basic training that we always pawn people off to somebody else. Oh, go see so and so, or go see the freight forwarder. But not many organizations, and that is especially true in Louisiana, which I am very familiar with—it is not being done sufficiently in Northern Louisiana because, compared to a shopper who doesn't travel now because of restrictions, I am not sure in Northern Louisiana who is doing that nitty-gritty training of the forms, not the programs that are out there, but how do you—what do you actually do.

Chair LANDRIEU. Ms. Simek, what would you say? Do you agree with that, and if so, you can expand. But if you don't, what is the one thing you would change?

Ms. SIMEK. I truly believe that we do a very poor job throughout the entire country, including Louisiana, in teaching people about entrepreneurship. So it goes beyond the training. We are still—continue through our educational system to train people to work for a General Motors. If you look at where we are, we don't—and as part of the entrepreneur—I would love to see entrepreneurial training and more respect for the small business people. And in part of that, we need to talk about the export, the potential.

The United States has always been a country that was so lucky because we had such a large population, we didn't have to export. If you wanted to export to Europe, you had to do it individually, France, Netherlands, whatever. Now, they have got the EU, so now they are competing with us and we don't know how to do this.

And so we need to get classes back into the universities, if nothing else. We need to have some classes that are not through a counselor, but through a course that we should have, and we don't have that now. And maybe that would be beyond the entrepreneurship, but just have something that focuses in on teaching people how to—all the things that are involved in exporting.

Mr. SCHREIBER. The universities do not teach this, by the way.

Chair LANDRIEU. Well, I was sitting here thinking of our 21 universities that we have, Mr. Cravins? I think we have 21 Louisiana universities, as I recall, and it would be interesting to follow up on that.

Ms. Castro, what do you think the one change could be and do you agree that this training is a component, and also—three questions for you—how did you train? And use the microphone, if you would.

Ms. CASTRO. Okay. I was hearing what they were saying. I do 100 percent of my business is overseas. What can I say about how to train or what is the requirement or—I don't know. I believe in traveling, but to travel, you need to have a contact, right. So I guess my contacts have been through word of mouth from one customer who you are doing business and becomes one.

Right now, I don't know how to think or what to do or say about how to train them, because I have had all kinds of experience. Experience is open and counts as real, whether it is Ex–Im Bank experience—and actually sitting here right now, I have supermarkets asking me to get store resources from Louisiana distributors of food, that they want to import in Central America. Why? In Miami, they get all the business. But Miami knows it and the prices are not very competitive. So actually there is a big company called Napco. I have been training him, and I brought him customers. I sell the equipment. I brought him the customers for him to—I mean, well, we did it like a deal, but it is a way to start. He doesn't know how to start. So I said, okay, my job here in this case in the supermarket is selling equipment. I bring him customers. Now, in their case, they want to learn how to—say exposure, I guess, how to do it, how to get a contact.

What are the steps of the process? I would say the first thing you do is I believe in those trips that are organized by the——

Chair LANDRIEU. Chamber of Commerce sometimes, and others.

Ms. CASTRO. So you go to the company, country, and it is a good point to start, because there you meet what they want, one to one. Later, somebody asked me what is the risk. Well, everything in life has a risk, but if you insure your product, the risk is——

Chair LANDRIEU. It can be minimized.

Ms. CASTRO [continuing]. Minimized. But it is never—to me, it is very important you face and you see the firms. It is very important.

Chair LANDRIEU. Mr. Hingle. I hope that you all have gotten some good ideas together, that you all can exchange cards or we can expand opportunity right here. That is one of the real benefits of these forums. Go ahead, Mr. Hingle.

Mr. HINGLE. More broadly is collaborational outreach. I think that is the biggest challenge that we see right now. We heard a lot earlier today about needing collaboration, collaboration, collaboration. Well, I have two full-time staff who are out there knocking on doors every day, trying to find new companies to take on the programs. SBA does the same, my dear friends, doing the same, trying to make more companies aware of programs that are out there. And we are all out there doing this. We are all out growing, but we are in the same boat. And I think that the training is one of the many components that we can offer these companies. Some are very senior and seasoned exporters already simply need our assistance by the way of export promotion or finance.

So I would say that is the biggest challenge we face right now. I would like to see more collaboration on the outreach efforts, among all the different agencies we talked to today.

Chair LANDRIEU. Okay. Let me ask this. Ms. Castro, you mentioned the travel is very, very important. You discussed how the U.S. Commerce Export Assistance Center was helpful in bringing businesses or individuals overseas. The annual budget for this program has gone down over the years. What would you say to members of Congress—and you sort of said this, but I am going to give you an opportunity again—what would you say to the members of Congress that want to either eliminate or reduce this program, and how important is it, do you think, for small businesses to be able to meet face to face to begin to develop relationships that might result in business trade and export?

Ms. CASTRO. I think that it should continue this program, because not only that—there is a recession in this country. I, on the other hand, have no problem. I mean, my business is overseas. If what happened is overseas—of course, I work with the Caribbean a lot and Central America. When the U.S. has going down, like right now, the equipment, the metal, okay, so what these companies do overseas is they start to see the opportunity to buy——

Chair LANDRIEU. To buy it at a lower price.

Ms. CASTRO. So that is when my——

Chair LANDRIEU. Your business increases.

Ms. CASTRO. It increases. Everybody says to me, do you have it? I have the money—because a lot of them, the problem is that they—the Ex–Im Bank, it is good, but at the same time, the paperwork is so tedious. My people, I have full time, and they take so long. So the only one that I have finally made a deal was for $1,100

and we got it quick. But there are a lot of people right now interested in the—and come back to, I want to promote over there. But yes, the business overseas, there is a demand.

Chair LANDRIEU. Well, let me tell you, one of the things that I want to do is do an informal roundtable with the Ex–Im leadership. I mean, Fred was here, but we need to do—and he is still here? Fred? Good, you are listening to this. I would like to do an informal roundtable with some of these business owners so that they can really talk specifically with the Administrator about how to reduce this paperwork associated. Of course, you know, we have an obligation to the taxpayer to verify and we have to be careful when we are lending taxpayer guarantee because taxpayers like to be repaid in full with interest, if appropriate. But given that, I think there are some excellent examples that you shared with your own company and we are proud to see companies like this growing.

Let me see if we have a question for the entire panel. The SBA's core programs include both lending and counseling, and we are considering giving the SBA a more robust role in export promotion. Now, the Department of Commerce primarily has the leadership. We have talked a lot about coordination. But would any of you want to make any suggestions in terms of the SBA network, how maybe it could better serve this export opportunity for small businesses? Mr. Schreiber.

Mr. SCHREIBER. I would rather not comment on it, because I am not in the bureaucracy. What I would say because I am outside the bureaucracy, and the members of the World Trade Center are, I don't really care who does the work as long as they do it well. And that is not only coordination, it is hiring good people. In life, I mean, the greatest game plan in the world might not be successful because you don't have a terribly capable person doing it.

So I guess we sort of look to you, the oversight in Congress and the leaders who spoke here today of those agencies to work out the details and deliver a product that is understandable and usable and logical. But we don't really get into the TPCC or whatever. Most of us have no idea what they mean, what they talk about, but we know that it is important. But we are down at the working level, I am afraid, and just want to see the results.

Chair LANDRIEU. Very good point.

Ms. Simek.

Ms. SIMEK. I know that the SBDCs have annual meetings where they are trained. Rather than trying to train them in exporting, because as you say, it is very difficult, and truthfully, when we exported, we went to the freight forwarders. We found somebody else. But what I would suggest is that they get an overview of what it is that the other exporting agencies do so they become very familiar, and then you have resources. Rather than them trying to counsel a small business that manufacturers food products, get them in contact with the FAS program, the SUSTAs.

And so that is what I would strongly suggest, is that there is better coordination, better information, better training than just the SBDC center, than trying to put an export consultant in each one of their offices. I don't see how they could afford it, because you are going to end up with—the quality is going to be different, and so depending on where you live, on each State, you are going to get

better or worse. So I think we already have a very good network, and truthfully, the DECs are great resources. Let us see how we can use them. Let us see if we can't get all these organizations actually honestly working together for the betterment of the companies and for the nation.

Chair LANDRIEU. Thank you so much.

Our time for adjournment is near. I want to just say a few closing comments. One, I hope that you will all pick up the Guide to Louisiana Small Business. Our office is proud to have produced this. We will be producing it in Spanish, based on a comment from the Hispanic Chamber this morning. But it is our attempt to at least put all of the Federally supported and some State-supported entities that deal with small business on one—in one document with websites attached, and we are going to do our best from our committee to really have the Federal Government coordinate, not only better to itself with quality programming and aggressive outreach, but coordinating with the State level and local level and nonprofits to really create a country of entrepreneurs and a country of entrepreneurs capable of export.

And where we believe—I believe, I should speak for myself—I believe that the road out of this recovery is going to be led by small business and they are going to have to find opportunities, whether in the 50 States, the economy of the 50 States, but also try to find opportunities in the world economy. And there is no reason that the government can't do a better job, with new technologies and emerging technologies, exciting opportunities. The world is truly becoming smaller and I just think that they need a little more focus and work.

That is what our committee is charged, and one of my visions. I share that with my Ranking Member, Olympia Snowe. I want to recognize that her senior counsel is here, Mr. Wally Hsueh. Would you stand, Wally? Wally is in the back, and we appreciate the Republican Staff Director being present. We work in a very bipartisan fashion on this committee.

I want to thank my State staff and Don Cravins, my Staff Director. He and his staff have organized two very productive days in the city, in the region today. We had a reception last night. We had standing room only. This morning, hundreds of small business owners showed up at the University of New Orleans for a general small business outreach conference. Then we did a tour of Lakeview, of the Lower Ninth Ward, of the Upper Ninth Ward, visited with business owners on the ground, conducted this hearing, and we are ready to stop working for a few minutes.

Go ahead, Mr. Schreiber.

Mr. SCHREIBER. Senator, can I make one important point, and you are very aware of this point. We want to thank you, Senator, for your leadership last year with the entire Louisiana delegation on an important matter related to CAFTA, the Dominican Republican CAFTA Free Trade Agreement. We hope you will follow up—I don't know if he is here—with Ambassador Kirk, because you crafted, you and the delegation, a joint letter that went to President Bush requesting that the administration consider New Orleans as a site for meetings and negotiations under the CAFTA agreement.

There isn't a Secretariat of CAFTA, and so the thought here was, and by you, to, well, let us make New Orleans the de facto Secretariat by holding these negotiation meetings and other events that they hold, instead of always meeting in Washington or in the respective countries, get out of Washington, and not only would New Orleans be the perfect location for reasons we all know, but it has been demonstrated. Last year, in fact, the day you wrote that letter that you and the delegation did to President Bush, he was here with the President of Mexico and the Prime Minister of Canada at the Summit of the Americas. And previously in the negotiations—this was seven or eight years ago—New Orleans was one of the cities selected for negotiations under CAFTA.

So what a perfect location and helping in the recovery process and combining it with tourism, economic development, and business. And let us face it. We know that the Latin Americans, the Central Americans, will love New Orleans and would jump to come here. So we request your further leadership with Ambassador Kirk and the administration following up on this.

Chair LANDRIEU. Thank you. Excellent suggestion.

Is there any further business? If there is no further business, meeting adjourned.

[Whereupon, at 3:05 p.m., the committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

Post-Hearing Questions for the Record
Submitted to Fred Hochberg
From Senator Mary Landrieu, Chair
"Keeping America Competitive: Federal Programs that Promote Small Business Exporting"
June 30, 2009

1. What do you think the Export-Import Bank's role should be within the spectrum of federal agencies that have a hand in export promotion?

The Export-Import Bank of the United States (Ex-Im Bank) was established in 1934 to create and sustain U.S. jobs by providing financial support for U.S. exports. With 75 years of experience supporting small business exporters, Ex-Im Bank is the primary provider of trade finance support in the spectrum of U.S. federal agencies. In FY09, Ex-Im Bank supported over $21 billion in authorizations for US exporters, a feat accomplished at no cost to the U.S. taxpayer. No other agency provides more export financing to U.S. exporters at lower cost to U.S. taxpayers than Ex-Im Bank. Ex-Im Bank serves as a leader in export finance not only among federal agencies but among other export credit agencies in various international organizations. I strongly believe Ex-Im Bank should maintain its leadership role amongst federal government agencies in supporting and financing U.S. exports.

2. What is the Export-Import Bank's level of coordination with the SBA?

Cooperation and teamwork between the Small Business Administration's (SBA) Office of International Trade and the Export-Import Bank is very important. To ensure a close working relationship with SBA, six of the eight Ex-Im Bank regional offices are co-located with a United States Export Assistance Center (USEAC). As a result, SBA and Ex-Im Bank coordinate much of their outreach activities to small businesses. For example, SBA and Ex-Im Bank officials frequently call on prospective small business exporters together. The SBA and Ex-Im Bank also participate jointly in numerous trade shows, to include the International Buyer Program Trade Shows. SBA is also a major partner in our eight city seminar tour. Additionally, both agencies, along with the Department of Commerce (DOC), attend joint training sessions, such as the Trade Promotion Coordinating Committee training, and regularly meet to discuss interagency strategy. As you may know, I previously served as Acting Administrator of the SBA and am keenly aware of the benefits of SBA and Ex-Im Bank collaboration.

a. Is the Export-Import Bank planning to offer any new programs in partnership with the SBA?

While Ex-Im Bank offers export credit insurance to exporters, medium and long term loans and loan guarantees on behalf of U.S. exporters, and working capital guarantees to lenders for exporters with international purchase orders, the major area of cooperation and mutual interest with SBA is the working capital guarantee program.

3. What is the Export-Import Bank's requested budget for FY10? How many employees would be supported by this budget?
a. Do you feel that Export-Import Bank has sufficient resources, both financial and in terms of personnel, to address the needs of reaching out and serving our small business sector?

Ex-Im Bank is a self-funding federal agency; every job created via Ex-Im Bank financing occurs at no cost to the U.S. taxpayer. The financing fees we collect cover our administrative expenses as well as our program budget (subsidy expenses). Excess funds are returned to the Treasury and at the close of FY2009 we returned $135 million. However, Congress sets limitations on the overall level of expenses for each category. In FY2010, Ex-Im Bank requested authority to spend $83.9 million for administrative expenses. This funding level will support 385 full time employees.

a. In terms of sufficient resources, financial and personnel, Ex-Im Bank fully supports the Administration's budget.

4. Where are Export-Import Bank Regional Offices currently located?

Our regional offices are currently located in:
New York, NY
Miami, FL
Chicago, IL
Houston, TX
McKinney, TX
Orange County, CA
San Diego, CA
San Francisco, CA

a. Would the Export-Import Bank consider opening another office in high export areas, such as New Orleans?

Ex-Im Bank has conducted a preliminary review of additional locations in the continental U.S. where it could effectively expand its outreach to small businesses; New Orleans is currently a top contender.

5. In your testimony, you mentioned that some of your regional staff recently visited a number of ports in Louisiana. How often do these trips occur in Louisiana?

A business development officer in one of Ex-Im Bank's Southeastern regional offices travels to Louisiana at least quarterly. Most recently, in April 2009 and again in June 2009, an Ex-Im Bank business development officer conducted week-long small business outreach activities in Louisiana. Another such week-long outreach program is planned for late November/early December 2009. During these visits, Ex-Im Bank sponsors small business events in concert with the USEAC partners SBA and DOC.

6. How does your regional office staff work with other Federal and state exporting assistance programs within a given state?

Ex-Im Bank has consistently worked with state development organizations, city development groups, university business incubators and other non-profit entities to assist in delivering the message that Ex-Im Bank is here to help small businesses in exporting American goods and services. In total, there are 55 Ex-Im Bank City/State partners who work to educate small businesses about how Ex-Im Bank programs can help them grow sales and create jobs.

Additionally, cooperation and teamwork between Ex-Im Bank, SBA and DOC is very important. As mentioned previously, six of the eight Ex-Im Bank regional offices are co-located with a USEAC. As a result, Ex-Im Bank, SBA and DOC coordinate much of their outreach activities to small businesses. For example, officials from all three agencies frequently call on prospective small business exporters together. Additionally, all three agencies participate jointly in numerous trade shows, to include the International Buyer Program Trade Shows. Furthermore, the agencies attend joint training sessions, such as the Trade Promotion Coordinating Committee training, and regularly meet to discuss interagency strategy. Although not a government agency, Ex-Im Bank works closely with the Private Export Funding Company (PEFCO) Small Business Lender Council, including hosting a meeting at Ex-Im Bank's Annual Conference.

Ex-Im Bank is currently heading an interagency eight city seminar tour highlighting how the federal government, including Ex-Im Bank, can assist small businesses in increasing exports. At each seminar, I and leaders from other federal agencies speak about export opportunities available to small businesses. A panel discussion is held composed of small businesses in the area that have successfully used Ex-Im Bank programs to grow sales and create jobs. Thereafter, Ex-Im Bank and other agency officials meet one-on-

one with small business exporters and potential exporters to counsel them on which programs would best benefit their company and how to apply for financing.

7. For the last three fiscal years, the number of loans made through the Export Working Capital Co-Guarantee programs operated jointly by the SBA and Export-Import Bank has remained stagnant, averaging 14 loans made per year. Please explain why so few of these loans have been made in the past few years?

a. Are there any ways that we might consider improving the Export Working Capital Co-Guarantee program to make it a more attractive product and ensure that is it available to more small businesses?

The Co-Guarantee Program allows SBA and Ex-Im Bank to jointly support larger working capital loans to small business exporters. The lender works through its existing SBA relationship using familiar SBA documents and procedures. Ex-Im Bank provides its guarantee only on the portion of the loan that exceeds the SBA's statutory lending limit up to a maximum loan amount of $2 million. The SBA lenders benefit by being able to accommodate larger loan requests from borrowers within their pre-existing SBA relationships (without having to learn new program rules or work directly with another government agency).

a. The SBA is responsible for originating the loans and marketing the product throughout its customer base. Ex-Im Bank is not involved with this process and has no control over the number of loans submitted. The purpose of the Ex-Im Bank guarantee is to allow the SBA lenders to extend larger loans to its borrowers.

8. What is Export-Import Bank doing to ensure that underserved populations of the small business community, in particular women and minority owned small businesses, have access to your programs?

Outreach to traditionally underserved or disadvantaged populations within the small business community is of particular concern to Ex-Im Bank. Even prior to Congressional mandate, Ex-Im Bank established a Woman & Minority Owned Business Outreach Division that currently consists of three full time Business Development Officers. In cooperation with the entire Small Business Group at Ex-Im Bank, we have participated in 177 woman and minority small business events in FY09.

For example, on September 29, 2009, Ex-Im Bank hosted "Advancing the Economy Through Exports," a half-day program at which representatives of 30 woman and minority owned business associations participated. Attendees included mostly senior level executives who voiced interest in learning more about Ex-Im Bank programs. Program topics included: (1) how Ex-Im Bank may more effectively partner with woman and minority owned business associations and conduct outreach to their membership; (2) how Ex-Im Bank can more effectively motivate woman and minority owned businesses to learn more about and explore options regarding exporting; (3) identification of venues where Ex-Im Bank could host seminars to educate membership about available financing and how to grow sales and create jobs; (3) a forum for sharing supplier information. An Ex-Im Bank official has been tasked to follow-up with each woman and minority owned business association present at the seminar.

Ex-Im Bank's focus has resulted in a preliminary total of $545 million of Ex-Im Bank financing in support of exports by woman and minority-owned business in 465 transactions in FY09. Coming from a small business background, it is my personal and professional mission to see that Ex-Im Bank continue to increase resources available to support small business exports through education and easily accessible financing. I will continue to assist small businesses to grow sales and create and maintain U.S jobs through export finance. I look forward to working with Congress in pursuing this noble aim.

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