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SUBCOMMITTEE ON COMPETITIVENESS, INNOVATION, AND EXPORT
PROMOTION
for a hearing entitled
“A World of Opportunity: Promoting Export Success
for Small and Medium-Sized Businesses”
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INTRODUCTION

Chairwoman Klobuchar, Ranking Member LeMieux, and members of the Subcommittee, 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.

I welcome the Subcommittee’s interest in this topic and look forward to outlining the Department of Commerce’s efforts to promote U.S. exports. Madam Chair, I know you have worked with the Commercial Service in Minnesota and have seen first-hand how the Department works to reach out to U.S. small and medium sized firms to help them export.

Within the Department of Commerce, it is the International Trade Administration’s (ITA) mission to create prosperity by strengthening the international 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.

As part of ITA, the Commercial Service 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.

The Commercial Service’s vision is for every U.S. business to see the world as its marketplace. Our primary mission is to promote U.S. exports, particularly by small and medium-sized enterprises, and advance U.S. commercial interests abroad. We strengthen American competitiveness, increase job creation and global prosperity, and through trade we advance U.S. national security and build bridges to international cooperation.

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 SMEs, 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 reported 12,659 export successes that were assisted by the Commercial Service; 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 SMEs.

ROLE OF EXPORTS IN THE U.S. ECONOMY

The U.S. 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 and primary metals, counted more than one in four jobs as export-supported.

In the State of Minnesota more than 6,000 companies exported goods in 2006. Of those, nearly 5,574 (88 percent) were SMEs with fewer than 500 employees. SMEs generated over 20 percent of Minnesota's total exports of merchandise in 2006. In 2008, Minnesota's export shipments of goods totaled \$19.2 billion, up 1.9 percent from the 2007 total of \$17.7 billion. Minnesota ranked 15th among the states in terms of merchandise exports in 2008.

Recently the Commercial Service helped one of these firms, Waterous Company of St. Paul, Minnesota, a manufacturer of fire suppression technology. We worked on the company's behalf to secure a level playing field for a government procurement project in Macedonia. Waterous Company was part of a foreign-led consortium that was awarded a contract in June 2009 to provide 25 fire trucks to the Macedonian Government's Protection and Rescue Directorate. The total value of the bid was \$25 million, and Waterous' portion of the bid, sourced from Minnesota, was \$7.5 million, with 100 percent U.S. export content. The Commercial Service successfully coordinated U.S. government advocacy on behalf of the consortium.

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. Moreover, current figures show that the United States posted a healthy trade surplus of \$12.6 billion in the education sector. U.S. receipts from international students studying in the United States reached \$17.8 billion in 2008, the highest amount yet recorded. Those U.S. exports come primarily from travel by international students, who then pay tuition, fees, and living expenses to U.S. institutions.

ASSISTING SMALL AND MEDIUM-SIZED COMPANIES EXPORT

U.S. companies access the 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 contact our experts overseas for country-specific information and assistance in resolving commercial issues. Companies also call our Trade Information Center (TIC; 1-800-USA-TRADE), which is staffed by a team of trade experts that serve as a single point of contact to all potential exporters. The TIC provides basic export counseling and information on all U.S. Government export assistance programs. In fiscal year 2009, the TIC gave personal assistance to more than 36,000 inquiries, 75 percent of which were from SMEs. 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.

The Commercial Service makes a concerted effort to reach out to minority and women-owned businesses, as well as businesses located in rural areas, to assist them with exporting. For example, in 2008, Commercial Service-Santa Fe recruited and coordinated the participation of Antelope Slot Canyon Tours by Chief Tsosie of Page, Arizona, a Navajo-owned and operated business, in the 2008 ITB Travel and Tourism Show in Berlin. Partly as a result of contacts made at trade shows, Chief Tsosie has seen an increase from 3,000 to 25,000 visitors on his tours in the last five years. Commercial Service-Santa Fe also organized the first ever American Indian Alaska Native Tourism Association-sponsored trade show booth at the ITB 2009 show.

EXPANDING OUR REACH WITH STRATEGIC PARTNERSHIPS

We are able to reach even more companies interested in exporting through strategic partnerships, 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, leveraging a Public-Private Sector Partnership model to expand the U.S. exporter base. Combining the export assistance services of the Commercial Service together with 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. Our partners have hosted export seminars, helped

produce and distribute the Export Finance Guide, and have 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 across the country to educate SMEs on the benefits of exporting and to provide them with specific industry and market information. Forty of our USEACs across the country are collocated with state or local partners to further strengthen our joint efforts. This collaboration brings the best possible combination of resources to the client, increasing successful exporting and resulting in local economic and job growth.

Commercial Service staff in Minneapolis, working closely with the Alexandria (MN) Economic Development Commission, reached out to Solar Skies Manufacturing of Starbuck, MN, a manufacturer of solar collectors, to understand their needs and provide any possible assistance. Commercial Service-Minnesota, working closely with Commercial Service-Toronto, was able to introduce the firm to a Canadian buyer, resulting in a sale. Follow-on assistance includes export financing counseling, in close partnership with the Export-Import Bank (Ex-Im) and Small Business Administration (SBA) colleagues.

The Commercial Service works closely with successful U.S. exporters through its relationship with the District Export Councils (DECs). DEC members are local business leaders, appointed to the DEC by the Secretary of Commerce, whose knowledge of international business provides a source of professional advice for local firms. There are 60 DECs located across the United States, each working closely with local Commercial Service offices on issues important to the local exporting community. Export University is a program carried out by the DECs in collaboration with the Commercial Service to help American companies begin exporting and gain new skills to expand their international sales.

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 for its Carnet program and with the U.S. Chamber of Commerce for its TradeRoots program for further outreach and education to their members. Our Trade Association Liaison provides associations' members with information and resources to begin exporting and to navigate the intricate issues surrounding international trade, including an introduction to our services.

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 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.

As part of our matchmaking service, we contact a number 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, Pioneer Equipment Limited of Jacksonville, Florida is an exporter of heavy equipment and cranes. In 2008, the Commercial Service arranged meetings for Pioneer Equipment in Senegal with potential customers in the Senegalese construction and transportation industries. As a result of these meetings, the company sold equipment worth approximately \$130,000 into Senegal.

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 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.

This past spring, the Commercial Service completed a successful trade mission to Poland, called TradeWinds, that had both a Pan-European conference and a matchmaking component. The program consisted of a full day business conference on the European market, one-on-one counseling sessions with 28 Commercial Service Officers stationed in Europe, and business-to-business meetings with potential partners from Poland and other European markets. One-hundred thirty-four representatives from 84 U.S. companies and 22 states participated in the event. Over 97 percent of these participants were representatives of SMEs. One of the firms that participated was Taking the Water, a woman-owned small business that manufactures products for the health and wellness industry. Taking the Water had never exported, and worked with Commercial Service-New Jersey prior to attending the TradeWinds mission to conduct market research and learn about methods of distribution; financing and pricing their product for export; methods of payment; shipping and logistics; and tax/tariff structures. As a result of their participation in the TradeWinds mission, the company met a number of potential distributors for its products in Poland and has already made an initial sale.

We have a number of trade missions planned for coming year, including an Aerospace Supplier Development Mission to India; an Aerospace Executive Service Trade Mission to Singapore; a Bright Green Program at the United Nations Climate Change Conference (COP15) in Copenhagen; and a solar and energy efficiency mission to India. In December, Commercial Service-Minnesota is supporting Governor Pawlenty's trade mission to Brazil and Chile.

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 promotes these trade shows and recruit foreign buyer delegations to attend these shows.

The Trade Fair Certification program is a cooperative partnership arrangement between private sector show organizers and the U.S. government to increase U.S. exports and to expand U.S. participation in overseas trade shows. The program provides Department of Commerce endorsement, show-related services, oversight and coordination of event services, promotional support, exhibitor marketing facilitation, and in-country/show site assistance for private sector organizers to recruit and build a U.S. Pavilion at selected foreign trade shows. These shows serve as a vital access vehicle for U.S. firms to enter and expand foreign markets. The certified show/U.S. pavilion ensures a high-quality, multi-faceted opportunity for American companies to successfully market overseas. In 2009, the TFC Program certified 107 overseas trade fairs.

COMMERCIAL DIPLOMACY & ADVOCACY

U.S. companies often need assistance to address specific trade-related issues. The U.S. Government can weigh in on behalf of a U.S. company with the foreign government to help the company resolve these issues. 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.

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.

U.S. companies also look to Commercial Service to help them win bids on foreign tenders. The Advocacy Center coordinates U.S. Government advocacy on behalf of U.S. companies bidding for procurements. 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, Corgan Associates, Inc. of Dallas, Texas, a small architectural design firm, led a consortium of architectural and engineering consultants that was recently awarded a contract for a new LEED-certified "green build" office complex for the China Construction Bank in Wuhan, China. On a short timeline, the Commercial Service provided an advocacy letter to Chinese government officials associated with the contract award which highlighted Corgan's ability to deliver a first-class eco-friendly facility to their client. Corgan values their portion of this project at \$1.6 million, which represents significant revenue for a small firm and economic security to their fifteen person team of specialists dedicated to this effort. They are also optimistic that this win will aid them in the future, noting in a letter to the Commercial Service that, "this project has catapulted our name into the market."

EXPORT FINANCING

The Commercial Service regularly works with its colleagues and strategic partners to provide trade finance assistance and expertise. In addition to our counseling visits with SMEs, we work closely with our TPCC partners to conduct seminars and webinars in this area to advise SMEs on export financing options. In response to the recent need for additional trade financing information, the Commercial Service has launched a new global Finance Team, to assist U.S. exporters with receiving financing assistance and solutions in a rapidly changing commercial banking landscape. In November, the team will hold a seminar in Miami, FL titled "Finding Financing for Florida Exports." This seminar is being organized by the team in close collaboration with the Florida International Bankers' Association, SBA, and Ex-Im.

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 SBA or the Ex-Im; 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 credit worthy 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.

UPCOMING DEPARTMENT OF COMMERCE INITIATIVES

I am pleased to inform you of an initiative that will allow the Commercial Service to better leverage the types of resources I have described. Earlier this year, Commerce Secretary Locke announced a pilot program aimed at providing U.S. companies with a single point of contact for U.S. government business assistance. The program, which has been called the "One-Stop Shop" will provide assistance to firms to meet a wide range of needs. Whether a business needs help patenting a new technology or improving their manufacturing processes or getting access to a new market, they are going to have one place to go to access the full spectrum of both Commerce Department programs, as well as other federal programs available to our businesses. The Department's goal is to unveil this concept in Detroit in this week.

Later this year, Secretary Locke will also convene the Trade Promotion Coordinating Committee (TPCC), which 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 SBA, Ex-Im, 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, the U.S. Department of Labor 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.

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 750 participants from 12 agencies and eight states have completed the program.

CONCLUSION

In these uncertain economic times, the Department of Commerce stands ready to help U.S. companies at home and abroad. ITA's work is more important than ever for U.S. economic prosperity and for job creation and the Commercial Service is there to assist SMEs by helping them grow and maintain the long-term competitiveness of the United States. Members of the Committee, we look forward to working with you and invite you to be a partner in supporting our efforts here in Washington, in your states, and abroad.