

THE ROLE OF EXPORTS IN SMALL BUSINESS GROWTH AND JOB CREATION

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE ONE HUNDRED TWELFTH CONGRESS FIRST SESSION

AUGUST 11, 2011

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C O N T E N T S

OPENING STATEMENTS

	Page
Shaheen, Hon. Jeanne, a United States Senator from New Hampshire	1
Ayotte, Hon. Kelly, a United States Senator from New Hampshire	7

WITNESSES

Johns, Hon. Marie, Deputy Administrator, Office of the Administrator, U.S. Small Business Administration	15
Felton, Wanda, First Vice President and Vice Chair, Board of Directors, Export-Import Bank of the United States	21
Cox, James M., Regional Director, Northeast, Commercial Service, United States Commerce Department	32
Friedman, Richard L., President and Chief Executive Officer, Carpenter and Company, Inc.	38
Wivell, Dawn, Former Director, Office of International Commerce/International Trade Resource Center, State of New Hampshire	56
Moulton, Thomas, President and Chief Executive Officer, Sleepnet Corporation	64
Preston, Grace, International Sales Manager, Secure Care Products, Inc.	69

ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Ayotte, Hon. Kelly	
Testimony	7
Prepared statement	10
Cox, James M.	
Testimony	32
Prepared statement	34
Felton, Wanda	
Testimony	21
Prepared statement	24
Friedman, Richard L.	
Testimony	38
Prepared statement	42
Johns, Marie	
Testimony	15
Prepared statement	17
Moulton, Thomas	
Testimony	64
Prepared statement	66
President's Export Council	
Letter regarding Transportation Infrastructure	84
Letter regarding Trade Facilitation Single Window	87
Letter regarding Ex-Im Financing	90
Letter regarding Business VISAs	92
Letter regarding 21st Century Trade	94
Letter regarding SME Trade Capacity Export Assistance	99
Letter regarding Benchmarking	107
Letter regarding IPR	109
Letter regarding Services Data	113
Letter regarding Russia	115
Letter regarding Export Control	119
Letter regarding FTAs	121

IV

	Page
—Continued	
Letter regarding Travel and Tourism	124
Letter regarding Veterans Retraining	126
Preston, Grace	
Testimony	69
Prepared statement	71
Shaheen, Hon, Jeanne	
Testimony	1
Prepared statement	4
Wivell, Dawn	
Testimony	56
Prepared statement	60

THE ROLE OF EXPORTS IN SMALL BUSINESS GROWTH AND JOB CREATION

THURSDAY, AUGUST 11, 2011

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 2:05 p.m., in the Third Floor Auditorium, University of New Hampshire-Manchester, 400 Commercial Street, Manchester, New Hampshire, Hon. Jeanne Shaheen, presiding.

Present: Senators Shaheen and Ayotte.

OPENING STATEMENT OF THE HON. JEANNE SHAHEEN, A UNITED STATES SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Good afternoon, everyone. Senator Ayotte and I are delighted to be here with all of you. Thank you for coming out on such a beautiful afternoon to join with us in talking about the importance of exporting to small business.

I thought I would begin by just telling you a little bit about how today's hearing will work, and then I will do an opening statement and Senator Ayotte will do an opening statement. We will then turn it over to our panelists. We have two panels today. As you can see, the first panel is seated already, so we will spend about an hour with them and then invite the second panel up to join us and we will then be able to question each of our witnesses after they have finished with their testimony and hopefully it will be an enlightening discussion for all of us.

Let me also thank all of the witnesses who are here today, particularly those of you who have come from far away to join us on the panels. Of course, for those of you coming from Washington, you really ought to be paying us for getting you out of Washington and up to New Hampshire on such a beautiful day.

[Laughter.]

We are delighted to have you all here, and I will introduce the first panel and then Senator Ayotte and I will introduce the second panel before they appear.

Let me also point out that this is an official hearing of the Small Business and Entrepreneurship Committee and we have members of the committee who are here with us who, again, work for the committee. We have Katie Elder, who is with Senator Landrieu, the Chair of the Small Business and Entrepreneurship Committee, and Matt Walker, who is with Ranking Member Olympia Snowe from Maine, and Monisha Smith, who is the Committee Hearing

Clerk. So we are delighted to have each of you here today, and they will take very good notes and this will be part of the record of the Small Business Committee.

While I am doing my thanks, I should thank the University of New Hampshire for hosting us this afternoon. We are delighted to be here in this very beautiful facility.

So with that, let me begin my opening statement and then I will turn it over to Senator Ayotte.

I am really pleased to be chairing this hearing on small business exporting with my colleague, Senator Ayotte. We both sit on the Senate Small Business Committee. I think it is not surprising that both of New Hampshire's Senators would be interested in sitting on the Small Business Committee because small businesses are so important to the economy of this state. Over 95 percent of our employers in the Granite State are small businesses and it is essential that we in the delegation focus on ways that we can support your companies to provide good jobs for the state's residents.

Of course, we all know that the last few years have been particularly challenging for small businesses in New Hampshire and across the country, and while many have weathered the economic storm of the last few years, too many businesses continue to feel the effects of the recession. Today we are here to focus on one area that has really been a bright spot for the national economy and especially for New Hampshire's economy, and that is the opportunity to export.

Last year, exports from American businesses increased by 21 percent, contributing nearly half of the increase in our country's gross domestic product. In New Hampshire, exporting has become an increasingly important and promising part of our state's economy. Last year, New Hampshire companies set a state record for international sales and ranked first in the country in export growth. New Hampshire firms increased their exports by \$1 billion last year alone. In a difficult economic climate, this new revenue has provided an important boost to many of our businesses. With 95 percent of the world's customers living overseas, there is tremendous room for growth in exporting. That is especially true for small businesses, because while over 40 percent of large businesses export, only one percent of small companies are engaged in exporting. So while New Hampshire is doing well, we have the potential to do even better.

Accessing foreign markets remains a challenge for small businesses, but it is also a real opportunity. As I go around the state, many small businesses, small business people that I talk to tell me that trying to get into international markets can really be daunting, because unlike big companies, small firms simply do not have the resources that they need to navigate those new markets that often have complex rules and they are dealing with foreign cultures. Small businesses often also do not have the time or resources to identify the right global markets for their products, and many small businesses interested in exporting have a hard time getting the financing they need to make a deal happen.

The services available at the state and federal level can play an important role in helping our small companies overcome these challenges. That is what we are here today to talk about. Federal and

state programs that provide export assistance have helped thousands of small businesses sell their products overseas. I am looking forward to hearing more today about the value of these programs and looking at ways that we can improve the services that federal agencies provide to our small businesses.

Of course, we also need to consider additional ways to increase small business exporting. One common sense approach is to make sure that the Federal Government is not unnecessarily putting regulations in the way. For example, our export control regime remains a complex set of regulations that were designed decades ago for a Cold War environment. As a member of the Armed Services and Foreign Relations Committees, I have pushed to enact thoughtful reforms to our export control regime which better allow our businesses to compete in a global trade environment, and I know that the panelists we are going to hear from today are also working toward that end.

At today's hearing, we will take a look at these and other barriers to exporting that are faced by small businesses and examine new opportunities for helping them reach foreign markets. To help us do that today, as I said, we will hear from two panels. The first panel will discuss the resources that are available through the Federal Government and the ways that those programs might be improved and be available to the small businesses of New Hampshire. The second panel will provide a New Hampshire perspective. We will hear about the importance of exporting to the New Hampshire economy and about the experiences that our businesses have had as they have tried to work in international markets.

As policy makers, our job is to focus on the areas of the economy that will help create jobs now and enhance our long-term competitiveness. Helping small businesses export is a bipartisan, common sense way to help create jobs now and put the United States in a strong position in the global economy.

I look forward to a lively discussion and to hearing from our panelists. I will ask Senator Ayotte if she would like to make an opening statement and then we will introduce the first panel. Senator Ayotte.

[The prepared statement of Senator Shaheen follows:]

Opening Statement of Senator Jeanne Shaheen

Hearing of the U.S. Senate Committee on Small Business and Entrepreneurship:
"The Role of Exports in Small Business Growth and Job Creation"
University of New Hampshire – Manchester
Manchester, New Hampshire
August 11, 2011

Good afternoon, everyone. And thank you all for joining us at today's field hearing of the Senate Small Business Committee to discuss the very important role that exports play in helping our small businesses grow and create jobs.

Before we begin, I'd like to thank the witnesses who are here today to talk about this important issue, especially those that traveled to New Hampshire to share your thoughts and expertise.

And I'd like to particularly thank the University of New Hampshire for providing this facility and helping us hold this hearing today.

I'm very pleased to be chairing this hearing on small business exporting with my colleague, Senator Ayotte. Senator Ayotte and I both sit on the Senate's Small Business Committee, the forum for today's hearing. That shouldn't come as a surprise – small businesses are the backbone of New Hampshire's economy. Over 95% of employers in the Granite State are small businesses, so it is essential that the New Hampshire delegation focuses on ways to support the small companies in our state that provide good jobs to our state's residents.

The last few years have been particularly challenging for small companies in New Hampshire and across the country. Many small businesses have seen their credit dry up and their sales decline. While many have weathered the economic storm, they continue to feel the effects of a recession that they had no role in creating.

Today, we're here to focus on one area that has been a bright spot for the economy and represents a significant opportunity for small businesses, particularly here in New Hampshire. We are talking about exports. Last year, exports from American businesses increased by 21%, contributing nearly half of the increase in our country's GDP.

In New Hampshire, exporting has become an increasingly important and promising part of our state's economy. Last year, New Hampshire companies set a state record for international sales and ranked first among all states in export growth. New Hampshire

firms increased their exports by \$1 billion last year. In a difficult economic climate, this new revenue has provided an important boost to many New Hampshire businesses.

With ninety-five percent of the world's customers living overseas, there's tremendous room for growth in exporting. That's especially true for our small businesses. While over 40% of large businesses sell their products overseas, only one percent of small companies are engaged in exporting. So while New Hampshire is doing well, we have potential to do much better. Accessing foreign markets remains a challenge for small businesses, but also represents a real opportunity for growth and job creation.

Many small businesses that I've talked to have told me that "going global" can be daunting. Unlike big firms, small companies simply don't have resources to navigate new markets with complex rules and foreign cultures. Small businesses often don't have the time or resources to identify the right global markets for their products. And many small businesses interested in exporting have a hard time getting the financing they need to make a deal happen.

I've long believed that government plays an important role in helping our small companies overcome these challenges. When I was Governor, I saw first-hand the value of breaking down barriers and increasing trade opportunities through the trade missions I led, which helped many businesses access new markets for their goods and services. I hope to continue doing so through an upcoming trade mission to India – the first I'll lead as a Senator – that will help New Hampshire companies tap an emerging market with the second largest population in the world.

Federal and state programs that provide export assistance have helped thousands of small businesses sell their products overseas. I'm looking forward to hearing more today about the value of these programs and looking at ways we can improve the services that federal agencies provide to our small businesses.

We also need to consider additional ways to increase small business exporting. One common sense approach is to make sure the federal government isn't unnecessarily getting in the way. For example, our export control regime remains a complex set of regulations designed decades ago for a Cold War environment. As a member of the Armed Services and Foreign Relations Committees, I've pushed the Obama Administration to enact thoughtful reforms to our export control regime which better allows our businesses to compete in a global trade environment.

In addition, I'm hopeful that when Congress returns, we'll turn to the consideration of a number of pending free trade agreements, which have the potential to significantly increase export opportunities for businesses in New Hampshire. We must ensure that we are getting the best possible deal for American workers in any trade agreement, and we must have in place critical programs, like the Trade Adjustment Assistance program, that help businesses, workers, and communities affected adversely by trade.

At today's hearing, we'll cast a wide net and take a look at these and other barriers to exporting faced by small businesses and examine new opportunities for helping them reach foreign markets.

To help us do that, we'll hear from two panels today. The first panel will discuss the resources that are available through the federal government and ways that those programs might be improved. The second panel will provide a New Hampshire perspective – we'll hear about the importance of exporting to the New Hampshire economy and hear directly from New Hampshire businesses about their experiences and challenges while growing through exports.

As policymakers, our job is to focus on the areas of the economy that will help create jobs now and enhance our long-term competitiveness. Helping small businesses export is a bipartisan, common-sense way to help create jobs now and put the United States in a strong position in the global economy.

I look forward to a lively discussion today with this impressive panel of small business leaders in New Hampshire and federal agencies to talk about the exciting opportunity that exports represent for our economy.

I will end there and will include my full statement in the Committee's record.

OPENING STATEMENT OF THE HON. KELLY AYOTTE, A UNITED STATES SENATOR FROM NEW HAMPSHIRE

Senator AYOTTE. Thank you so much, Senator Shaheen, for chairing this very important hearing today.

I want to thank, of course, UNH for hosting us and I also want to thank each of our witnesses who have come here to testify today. We deeply appreciate your being here and taking the time, and all of you who have come. I see in this audience so many successful business people in our state, and we know how hard you work and your feedback means a tremendous amount to me and Senator Shaheen. We thank you all for being here today.

With the Labor Department reporting last week that 9.1 percent of Americans were unemployed in July, Washington must fully commit to helping create an environment that is conducive to job creation. It is imperative that we put the right policies in place to enable businesses to hire and grow, and that includes eliminating onerous regulations and mandates and opening markets around the world for American businesses, especially our small businesses which comprise over 96 percent of all New Hampshire businesses.

The economic struggles our country is facing have put the issues of exporting and free trade on the front burner, and that is why this hearing hopefully will be enlightening for everyone here today. Our two panels, comprised of government officials and small business exporters, will testify about how trade policies and programs are impacting firms that are trying to expand into foreign markets, home to 95 percent of the world's customers.

Our first panel includes representatives from three of roughly 20 Federal agencies that are involved directly or indirectly in promoting United States exports. I look forward to hearing about what the government is doing to increase small business exports, which in 2008 accounted for 31 percent of all U.S. export sales. I am especially eager to examine these programs' effectiveness and how the Administration is addressing barriers, like tariffs, regulatory challenges and intellectual property violations by other countries that make it difficult for small businesses to compete globally.

While I am pleased that we have the representatives here from the Federal Government, I am also very eager to hear from the second panel, which includes New Hampshire businesses with real world experience in navigating the complexities of exporting. I look forward to garnering their input on Federal trade policies and programs and how we can be more effective in not only helping them to succeed, but in getting more small businesses to expand their operations into international markets. With less than one percent of all U.S. small businesses currently exporting, there is a tremendous opportunity for us to increase our efforts in this area.

Last week when the Small Business Deputy Administrator Marie Johns, who we are so fortunate to have here with us today, stopped by my office in Washington, D.C., we discussed the government's role in helping small businesses increase exports. For instance, the Federal Government provides technical assistance, training, data, and information, financing in the way of export loans, match-making with sales opportunities abroad, and is responsible for enforcing our trade laws. I am interested to hear from both our panels, especially the small business exporters who have used these

services, on the effectiveness of what we are doing right now in the Federal Government's assistance and how we can improve our efforts to increase our exports and job creation here in New Hampshire and across the country.

I also want to say a few words about what Congress needs to do to enable our businesses to grow exports. When we return to Washington, D.C. after Labor Day, I am confident that we will be debating the Colombia, Panama, and South Korean Free Trade Agreements. By most accounts, the issue of temporary adjustment assistance will be worked out and we will finally be able to move forward and enact these crucial Free Trade Agreements, which will be significant and have a positive impact on New Hampshire's economy.

The U.S. International Trade Commission estimates that passing the trade agreements will increase United States exports by \$13 billion and create 75,000 jobs, all without one dime of new government spending. I am eager for the Senate to finally bring these agreements forward for us to debate them and to have votes on them.

New Hampshire is well positioned to benefit from Free Trade Agreements. Our state exports to over 160 countries, and exports from New Hampshire were up 43 percent in 2010 over 2009, as Senator Shaheen mentioned. This increase was number one in the nation. We are all proud of that. Of course, we want to do more. This should be a source of pride for all of us, and our pro-business tax policies and mindset have set us apart from other states in this region, and it is very important, of course, that we preserve the New Hampshire advantage.

However, the economy is not even close, to those of you who I know are here who are working hard in your own businesses, to where we know it needs to be. I read an August 1 report that the manufacturing sector had its weakest growth in two years. It was also reported by the Department of Commerce that factory orders in June declined 0.8 percent. I am concerned that these are alarming signs that the economy could possibly weaken further over the next year.

Jobs are not created in a vacuum, and we need private sector economic growth to create jobs. Increased export sales will aid both of those things, but it is not a cure to everything that we need to accomplish. Uncertainty is killing jobs as businesses are keeping their money on the sidelines, and I have heard it from so many businesses, large and small, both in Washington and here in New Hampshire. I came across a Harris Interactive poll commissioned in July stating that 85 percent of small business owners believe that the economy is on the wrong track versus only eight percent who believe that we are on the right track. Furthermore, 49 percent of these small businesses claim that uncertainty is their top challenge to what they are trying to accomplish at the moment.

When asked how reasonable Federal Government regulations are on small businesses, 9 percent said that government regulations were unreasonable, and 85 percent worried about the impact of Federal regulations and taxes on their ability to grow.

However, I was encouraged to see statistics stating that, by a two-to-one ratio, small business owners project that America's best days lie ahead. I wholeheartedly share this feeling. We need that

feeling of confidence to move forward, and now is the time for policy makers to provide small businesses the tools that they need to succeed, such as passage of the Free Trade Agreements and then to get out of the way and watch them thrive.

Again, I want to thank Senator Shaheen, my colleague, for chairing this hearing and thank all of you for being here today.

[The prepared statement of Senator Ayotte follows:]

Senator Kelly Ayotte
Senate Small Business Committee
New Hampshire Field Hearing
“Role of Exports in Small Business Growth and Job Creation”
Opening Statement
August 11, 2011

Thank you, Senator Shaheen, for chairing today’s critical Small Business Committee hearing on exports and job creation. With the Labor Department reporting last week that 9.1 percent of Americans were unemployed in July, Washington must fully commit to helping create an environment that is conducive to job creation.

It is imperative that we put the right policies in place to enable businesses to hire and grow – and that includes eliminating onerous regulations and mandates, and opening markets around the world for American businesses, especially small businesses, which comprise over 96 percent [96.3%] of all New Hampshire firms.

The economic struggles our country is facing have put the issues of exporting and free trade on the front burner. Our two panels, comprised of government officials and small business exporters, will testify about how trade policies and programs are impacting firms that are trying to expand into foreign markets, home to 95 percent of the world’s customers.

Our first panel includes representatives from three of the roughly 20 Federal agencies that are involved directly or indirectly in promoting U.S. exports. I look forward to hearing about what the government is doing to increase small business exports, which in 2008 accounted for 31 percent of all U.S. export sales. I am especially eager to examine these programs’ effectiveness and how the Administration is addressing barriers – like tariffs, regulatory challenges, and intellectual property violations – that make it difficult for small businesses to compete globally.

And while I am pleased that we have representatives from the Federal government here, I am eager to get to our second panel, which includes

New Hampshire businesses with real world experience in navigating the complexities of exporting. I look forward to garnering their input on Federal trade policies and programs, and how we can be more effective in not only helping them to succeed, but in getting more small businesses to expand their operations into international markets. With less than one percent of all U.S. small businesses currently exporting, there is a tremendous opportunity for us to increase our efforts in this area, especially when you consider that, according to the Commerce Department, firms that export hire more workers and pay better wages than those that only operate domestically.

Last week, when SBA Deputy Administrator Marie Johns stopped by my DC office, we discussed the government's role in helping small businesses increase their exports. For instance, the Federal government provides technical assistance, training, data and information, financing in the way of export loans, matchmaking with sales opportunities abroad, and is responsible for enforcing trade laws. I am interested to hear from both our panels – especially the small business exporters who have used these services – on the effectiveness of the Federal government's assistance and how we can improve our efforts to increase our exports and job creation here in New Hampshire and across the country.

I also want to say a few words about what Congress needs to do to enable our businesses to grow exports. When we return to Washington, DC after Labor Day, I am confident that we will be debating the Colombia, Panama and South Korea Free Trade Agreements. By most accounts, the issue of Temporary Adjustment Assistance will be worked out and we will finally be able to move forward and enact these crucial FTAs, which will significant and positive impact on the New Hampshire economy. The U.S. International Trade Commission estimates that passing the trade agreements will increase U.S. exports by \$13 billion and create 75,000 jobs – all without one dime of new government spending. So I am eager for the Senate to finally vote on these agreements.

New Hampshire is well positioned to benefit from free trade agreements. Our state exports to over 160 countries, and exports from New Hampshire were up over 40% in the first quarter of 2010. This increase is the 4th highest of any state, and far –and –away the highest of any of the ten northeast states. This should be a source of pride for all of us. Our pro – business tax policies and mindset have set us apart from other states in this region. However, the economy is not even close to where it could be.

I read an August 1st report that the manufacturing sector had its weakest growth in two years. It was also reported by the Department of Commerce that factory orders in June declined 0.8%. I am concerned that these are alarming signs that the economy could possibly weaken further over the next several months.

Jobs are not created in a vacuum and we need economic growth to create job growth. Increased export sales will aid both of those things, but it's not a cure—all. Uncertainty is killing jobs, as businesses are keeping their money on the sidelines. I came across a Harris Interactive poll commissioned in July stating that 85% of small business owners believe the economy is on the wrong track, versus only 8% who feel it is on the right track. Furthermore, 49% of these small businesses claim “uncertainty” as their top challenge.

When asked how reasonable federal government regulations are on small businesses, 79 percent said they are “unreasonable,” and 85% are worried about the impact of federal regulations and taxes levied by the government.

However, I was encouraged to see a statistic stating that by a 2-to-1 ratio, small business owners project that America's best days lay ahead. I wholeheartedly share this feeling. Now is the time for policymakers to provide small business the tools needed to succeed—such as passage of the pending free trade agreements—and then get out of the way and watch them thrive.

Again, I want to thank Senator Shaheen for chairing this hearing, thank our witnesses for testifying and answering our questions, and express my gratitude for everyone who is attending here today.

Senator SHAHEEN. Thank you very much, Senator Ayotte.

Now, I would like to introduce our first panel of witnesses. As I said, most of them have come from outside of the state today, so we are really delighted that each of you are here.

First, I am very glad to welcome the Honorable Marie Johns, the Deputy Administrator of the Small Business Administration, to New Hampshire. As I mentioned, New Hampshire is a small business state, something I know you already know, and the services that the SBA provides here are critical. Ms. Johns has been serving as Deputy Administrator of this important agency since June of 2010, when she was unanimously confirmed by the Senate, and that says something about her and her background. Previously, she served as President of Verizon Washington. Recently, Ms. Johns has been focused on the implementation of the Small Business Jobs Act, including the SBA's trade and export program, so thank you very much for being here. I will just introduce the rest of the panelists and then ask Ms. Johns if she would give her testimony.

I would also like to welcome Wanda Felton, who is the First Vice President and Vice Chair of the Export-Import Bank of the United States, the Ex-Im Bank. The Ex-Im Bank is the lead agency for providing financing and insurance for non-agricultural exports. Nominated by President Obama and again quickly confirmed by the Senate, Ms. Felton has served over 20 years—has 20 years of investment and banking experience—sorry—and alternative investment advisory experience, something very important these days.

Next, I would like to welcome Jim Cox, the Northeast Regional Director for the Department of Commerce's Commercial Service. Jim has over 20 years' experience helping businesses sell their products overseas and has been the Northeast Regional Director since 2005. You can tell by all of these introductions that we have a wealth of experience here at the table. The Commercial Service is the lead agency providing assistance services for U.S. non-agricultural businesses, and just to show you how widespread they are, they have trade specialists in 107 United States cities and in more than 80 countries, and their specialists work with U.S. companies to help them get started in exporting. Today, Jim will provide us with more information about the services available through the Commercial Service.

And finally, it is my distinct pleasure to introduce Richard Friedman. Dick Friedman is a very successful businessman and entrepreneur who is based in Boston. He has developed many hotels, including the Charles Hotel and the Liberty Hotel, for those of us who know Boston here. He is also working on a project here in New Hampshire, helping redevelop the Hanover Inn. And in his spare time, what little he has of it, Mr. Friedman serves on the President's Export Council, which advises President Obama on ways to increase American exports, especially among our small and mid-size companies. He is the Vice Chairman of the subcommittee of that group that focuses on manufacturing services and agriculture and serves on the subcommittee focused on small- and medium-sized enterprises.

So I look forward to hearing your testimony, Dick, and it is very nice to welcome you to New Hampshire. Dick and I have been friends for a long time.

Now, I would like to ask Marie Johns if she would begin her opening testimony. We have asked each of our panelists to try and keep their testimony to about five minutes, so we hope that everybody can stay relatively, reasonably within that time frame. Thank you very much, and I am delighted to have you begin.

STATEMENT OF HON. MARIE JOHNS, DEPUTY ADMINISTRATOR, OFFICE OF THE ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Ms. JOHNS. Thank you, Senator Shaheen, Senator Ayotte. I am honored to be here to testify this afternoon at this very important hearing.

I am especially pleased to be in New Hampshire to talk about exporting because your state truly is leading the way with regard to international trade. As has already been mentioned, exports increased 40 percent in New Hampshire last year, which is the largest Statewide increase in the country.

SBA plays an important role in supporting New Hampshire small businesses. Already in fiscal year 2011, our resource partners have assisted over 4,000 small businesses through loans and counseling here in your State.

I want to acknowledge, Senator Shaheen, the fact that you have been such a strong leader on international trade issues, starting with your time as Governor, and certainly in your leadership on the Small Business Committee, and we thank you for your support of the Small Business Jobs Act.

Senator Ayotte, it has been a pleasure to meet you and to learn of your important work and your leadership roles on the Small Business Committee in the Senate as well as the Commerce Committee, and we know that small businesses are well poised for continued growth through exporting here in your state and the SBA has an important role to play.

With growth in technology and global connectivity, new markets are continually opening for small businesses. In fact, since 2003, America's small business exports have grown about 80 percent. They now account for nearly \$500 billion in annual sales. However, small businesses still only represent about 30 percent of the country's exporting in our country, and of those small businesses who are exporting, the vast majority only export to one country. So that is why at the SBA our goal is to increase both the number of companies exporting as well as the number of countries to which they export.

SBA has a variety of tools to support small business exporting. We have loan programs specifically designed for exporters and we have staff co-located with the Department of Commerce and the U.S. Trade Representative at 20 U.S. Export Assistance Centers, or USEACs, around the country. Meanwhile, as the agency that serves America's small businesses, we support small business exporters through our traditional loan and counseling programs.

The Small Business Jobs Act gave the agency new tools to increase our support for exporting. It elevated our Office of International Trade, increased the size of our international trade loans, and provided funding for export counseling through our resource partners. The Jobs Act also gave the SBA \$30 million a year for

two years to award State Trade Export Promotion Grants, or STEP Grants, and we expect to have those dollars in the hands of states in September.

In his first State of the Union Address, President Obama announced the National Export Initiative and his goal of doubling U.S. exports in five years. This is a very important goal. Increasing exports will strengthen our economy, both through our global competitiveness and create good jobs. In support of the NEI, SBA is working with our partners in the Trade Promotion Coordinating Committee, or the TPCC, to connect Federal resources and make them more accessible to small businesses. Our plan has four components: identify, prepare, connect, and support.

The first step is identifying small businesses that are ready to export. SBA and our partner agencies have done extensive outreach to identify and motivate small business exporters. For example, the Department of Commerce and SBA have worked closely together to identify and refer new clients to the most appropriate resources.

The second step in our plan is preparing these small businesses with counseling and technical assistance. To that end, Federal agencies have collaborated to, quote, “train the trainers,” unquote, offering export training for SBA resource partners.

The third step is connecting small businesses with export opportunities. For example, in September of 2010, we launched a series of export matchmaking events, which have been very well received.

Finally, the fourth step is continued support for these small business exporters with loans and counseling. This includes an increased presence at international trade shows, coordination of marketing materials, and ongoing outreach to lenders to encourage their participation in export financing programs.

These efforts are having a real effect on the ground in states like New Hampshire. Peter Kermond, for example, owns Burnham Boat Slings in Hanover. They make uniforms for crew teams, boat covers, and other accessories. And last year, the company used two SBA Export Express loans to support a number of foreign orders. Thanks to the Small Business Jobs Act, those loans carried a 90 percent guarantee, and the new orders are helping employ four full-time employees, three part-time workers, and Peter plans to bring on two more workers in the near future. Stories like that make me confident of our progress.

Total U.S. exports increased 17 percent from 2009 to 2010 and we are looking forward to building on that success, and I would like to thank you both for your support, for hosting this important hearing, and I am happy to answer your questions.

[The prepared statement of Ms. Johns follows:]



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

**Testimony of Ms. Marie Johns
Deputy Administrator
U.S. Small Business Administration**

August 11, 2011

**U.S. Senate Committee on Small Business and Entrepreneurship
Manchester, New Hampshire Field Hearing
*The Role of Exports in Small Business Growth and Job Creation***

Thank you, Senator Shaheen and Senator Ayotte. I am honored to be testifying here this morning.

I'm especially pleased to be here in New Hampshire to talk about exporting, because your state is leading the way with regard to international trade. As has already been mentioned, exports increased by 40% in New Hampshire last year, the largest statewide increase in the country.

The SBA plays an important role in supporting New Hampshire's small businesses. Already in fiscal year 2011, our resource partners have assisted over 4,000 New Hampshire small businesses through loans and counseling.

I want to acknowledge Senator Shaheen, who has been a strong leader on international trade issues, starting with her time as governor where she gave her support to New Hampshire's International Trade Resource Center, and now in the Senate where she was a sponsor of the Small Business Jobs Act.

And Senator Ayotte has already established herself as a leader on exporting issues on the Senate Small Business Committee and in her work on the Commerce Committee.

As you know, small businesses are well poised for growth through exports, and the SBA has an important role to play.

With growth in technology and global connectivity, new markets are continually opening for small businesses. In fact, since 2003, America's small business exports have grown about 80%. They now account for nearly \$500 billion in annual sales. However, small businesses still only represent about 30% of export revenues, and more than half of small business exporters only ship to one country.

That's why at the SBA, our goal is to increase both the number of small business exporters and the number of countries to which they ship.

SBA has a variety of tools to support small business exporting. We have loan programs specifically designed for exporters, and we have staff co-located with the Department of Commerce at 20 US Export Assistance Centers (USEACs). Meanwhile, as the agency that serves America's small businesses, we support small business exporters through our traditional loan and counseling programs.

The Small Business Jobs Act gave the agency new tools to increase our support for exporting. It elevated our Office of International Trade, increased the size of our international trade loans, and provided funding for export counseling through our resource partners. The Jobs Act also gave SBA \$30 million a year for two years to award State Trade and Export Promotion grants (STEP grants). We expect to advise states of their awards in September.

In his first State of the Union address, President Obama announced the National Export Initiative, and his goal of doubling US exports in five years. This is an important goal. Increasing exports will strengthen our economy, bolster our global competitiveness, and create good jobs. In support of the NEI, SBA is working with our partners in the Trade Promotion Coordinating Committee (TPCC) to connect federal resources and make them accessible to small businesses.

Our plan has four components: Identify, prepare, connect, and support.

The first step is identifying small businesses that are ready to export.

SBA and our partner agencies have done extensive outreach to identify and motivate small business exporters. For example, the administration launched a video series in partnership with Inc.com and ATT. SBA and Visa also collaborated on a video contest to promote exporting, which recently launched.

In addition, the Department of Commerce and SBA have worked closely together to identify and refer new clients to the most appropriate resource. An improved registration on www.export.gov is identifying new-to-market and new-to export companies. New-to-market leads are distributed to USEACs for follow-up. SBA is designing a results-driven process to direct new-to-export companies to the appropriate local resource partner, to help them take the next step in the export process.

The second step in our plan is preparing these small businesses with counseling and technical assistance.

To better prepare small businesses for successful exporting, federal agencies have collaborated to “train the trainers”—offering export training for SBA resource partners, such as counselors at the Small Business Development Centers, Women’s Business Centers, and SCORE. SBA’s Office of International Trade and the TPCC have also created a training program for SBDC counselors that will serve as preparation for SBJA required international trade certification.

At the same time, we have launched online trainings such as the “Six Steps to Begin Exporting” tool on export.gov, and the Export Business Planner on sba.gov.

The third step is connecting small businesses with export opportunities.

In September of 2010, we launched a series of export matchmaking events. The first of these events in New Jersey drew participation from approximately 150 small businesses, lenders, and others. The results of a participant evaluation were overwhelmingly positive, and many attendees indicated an interest in future events. There will be two more of these events in 2011, and the program will be expanded throughout the rest of the country in 2012.

USTR, the Department of Commerce, and SBA also worked together to launch a web tool that helps small businesses navigate tariffs and free trade agreements, available at export.gov.

Finally, the fourth step is continued support for these small business exporters with loans and counseling.

This includes an increased presence at international trade shows, coordination of marketing materials, and ongoing outreach to lenders to encourage their participation in export financing programs.

The success of the NEI depends on the work of more than a dozen agencies across the federal government. Each agency has staff dedicated to working on NEI initiatives, who meet and communicate regularly with their colleagues throughout the administration. We have worked to reduce bureaucratic barriers and make our efforts as cross cutting as possible. We know that interagency collaboration will be essential to our efforts.

These efforts are having a real effect on the ground in states like New Hampshire. Peter Kermond owns Burnham Boat Slings, in Hanover. They make uniforms for crew teams, boat covers, and other

accessories. Last year, the company used two SBA Export Express loans to support a number of foreign orders. Thanks to the Small Business Jobs Act, the loans carried a 90% guarantee. The new orders are helping employ four full time employees and three part-time sewers, and Peter plans on hiring two more workers.

Stories like that make me confident in our progress. Total US exports increased 17% from 2009-2010, and we are looking forward to building on that success. I would like to thank you both for your support for this important mission, and I am happy to take your questions.

Marie Johns is Deputy Administrator of the US Small Business Administration, where she contributes to management of the agency and development of SBA policy. Johns was nominated by President Obama on December 17th, 2009 and confirmed by unanimous consent in the Senate on June 22nd, 2010.

Prior to becoming Deputy Administrator, Johns was the Managing Member of L&L Consulting, LLC, an organizational effectiveness and public policy consulting practice. Previously, she served as President of Verizon Washington, where she was responsible for nearly 2000 employees and more than 800,000 customers, including many small businesses. Johns worked to develop products and services to meet the needs of Verizon's small business customers, and worked closely with Verizon's vendors, suppliers, and subcontractors, some of whom were SBA borrowers. She retired from Verizon in 2004 after 21 years of service in the telecommunications industry.

Johns has a long record of business and civic leadership. She is the founder of the Washington DC Technology Council, former chair of Leadership Greater Washington, and a member of the board of the Girl Scouts USA. Johns served for 10 years as a trustee at Howard University, where she chaired the Academic Excellence Committee. Johns also served as the founding chair of the Howard University Middle School of Mathematics and Science. As chair of the DC Chamber of Commerce, as well as chair of its Small Business Committee, Johns helped small businesses get technical assistance and mentoring from larger area firms, and helped create a Visitors Center to encourage tourists to explore more of Washington's many vibrant neighborhoods and visit local small businesses.

While at Verizon Washington, Johns created the Students Educated for Economic Development Success program (SEEDS). SEEDS prepared over 200 high school dropouts for entry-level positions in the telecommunications industry, many of whom were hired by small local firms.

Johns earned her BS and MPA degrees from Indiana University's School of Public and Environmental Affairs, and was awarded an honorary doctorate of humane letters from Trinity University in Washington, D.C. She is the recipient of many awards in recognition of her business and civic leadership. Among her honors, Johns was recognized as a "Leader of the Years" by the Greater Washington Board of Trade, one of the "25 Most Influential Black Women in Business" by the Network Journal and one of the "100 Most Powerful Women" by Washingtonian Magazine. In 2004, Johns was inducted in the Greater Washington Business Hall of Fame.

Johns has been married for 40 years to Wendell Johns. They reside in Washington, DC, and have one son, Richard, an attorney in private practice in Washington, DC and Maryland. They are the proud grandparents of Richard Franklin II and Lauren Marie Johns.

Senator SHAHEEN. Thank you very much.
Ms. Felton.

**STATEMENT OF WANDA FELTON, FIRST VICE PRESIDENT AND
VICE CHAIR, BOARD OF DIRECTORS, EXPORT-IMPORT BANK
OF THE UNITED STATES**

Ms. FELTON. Thank you. Senator Shaheen and Senator Ayotte, thank you for inviting me here to testify in Manchester about how the Export-Import Bank is supporting small business exporters. We are very grateful to have this opportunity to come here and get the word out about how we can help more small businesses grow their exports and create jobs.

I am honored to be here and would like to acknowledge each of you for your support of small businesses. The fact that you are hosting this event is evidence of your commitment to helping small businesses and your awareness of the role exports can and must play in job creation.

Both Senators and Ms. Johns commented on New Hampshire's export growth in 2010, so I will confine my time to talk about what Ex-Im Bank is doing to help small businesses across the country and how we are directly impacting small businesses in New Hampshire.

In 2010, Ex-Im Bank supported \$126 million in exports from New Hampshire. Of this amount, 89 percent directly supported small businesses. The amount authorized for companies in New Hampshire increased dramatically, from roughly \$5.5 million in 2009 to over \$65 million in 2010. While these numbers are impressive, we are making every effort to do more. We are a small agency, but we pack a big punch, and we do it at no cost to taxpayers. We are financially self-sustaining. In fact, we have returned more than \$3.4 billion of surplus to the U.S. Treasury in the last five years.

With two months left in the fiscal year, we are on track to achieve a third straight year of record growth in our support for U.S. exporters. So far in fiscal year 2011, Ex-Im Bank has supported more than \$31.5 billion of export sales and 213,000 American jobs in communities across the country. These numbers include more than 2,500 transactions that went to finance small business exports.

Ex-Im Bank support for small businesses has increased 58 percent, from \$3.2 billion in 2008 to a record \$5.1 billion in 2010, and I would like to point out that it is important to recognize that these numbers do not capture indirect support for small businesses. We estimate that Ex-Im Bank provided an additional \$1.7 billion in 2010 to small businesses that acted as suppliers to larger companies which were exporting. Our support for these hidden exporters is not captured because the larger company is the exporter of record.

We have a Congressional mandate to allocate at least 20 percent of our authorizations to small businesses. We have met this mandate in the past couple of years. While 20 percent of our dollars go to small businesses, small businesses account for more than 80 percent—85 percent, I am sorry—of our transactions.

We work hard to reach out to small businesses. I said earlier that we punch above our weight. We have been able to do this with

new initiatives designed to increase the awareness of our programs through more proactive outreach, speed up our response time, and make sure we are offering products that really meet the needs of small companies.

Without getting into detail, because we have packages available that will provide the specifics, Ex-Im Bank offers three basic products to help small businesses finance their exports. Direct loans, or buyer financing, will lend directly to foreign buyers to help U.S. businesses compete more effectively for sales. Working capital guarantees—we provide guarantees to banks so small business exporters can fulfill orders. And export credit insurance—this program allows small companies to extend credit terms to their customers by protecting them against the risk of nonpayment. Our insurance covers default for both political and commercial reasons. The ability to offer credit terms can help a small business become much more competitive in winning sales.

These are our core products, but we have introduced many new products, again, to speed up turnaround time and to be more responsive to small companies' real needs. We have introduced, for example, Export Express Insurance. Express Insurance streamlines the application process for export credit insurance and makes it easier for small businesses to finance their short-term receivables. Supply chain financing is targeted at those hidden exporters I spoke of earlier, small companies that need working capital to finance receivables that are due from larger companies that are exporting. Finally, Renewable Express is a streamlined process to finance exports involving renewable energy projects.

With that overview, I would like to share a few examples of how Ex-Im Bank has helped small businesses in New Hampshire. In 2010, we launched Global Access for Small Business. These are forums that we hold all over the U.S. to improve our outreach. We have held 20 so far. Senator Shaheen, I believe you attended our first one, which was held here in New Hampshire last January. We do these in cooperation with other city and state partners. Here in New Hampshire, we have worked closely with the New Hampshire Office of International Commerce.

As I mentioned, we kicked off our first event in Portsmouth, New Hampshire, and that forum, I think, really does illustrate what we can accomplish. Bill Skelley of Skelley Medical here in Hollis, New Hampshire, stood up at this event and said his company could double his exports by offering open account terms. We processed his application in two weeks and approved \$250,000 in Export Credit Insurance. Since then, we have increased the policy to more than \$1 million and he is able to sell to India and Mexico.

Land and Sea, Inc., in Concord manufactures dynamometers, which is engine testing equipment that tests the horsepower of cars, bikes, airplanes, and the like. Land and Sea has used our working capital guarantee for two years. That company is exporting to Taiwan and Malaysia and the U.K. Exports now comprise almost 50 percent of its sales, and that is up from 17 percent two years ago.

Just this week, and you will excuse me, please, if I butcher this, Monadnock Paper Mills—

Senator SHAHEEN. Very good.

[Laughter.]

Ms. FELTON [continuing]. In Burlington was awarded a policy through our Express Insurance Program. The company manufactures specialty paper and paper products and has been in business since 1819. It employs 325 people. It has three customers in China and Hong Kong, but has never extended credit before to its customers. Now it is able to meet the competition by offering credit terms in order to increase its sales.

And finally, I will mention GT Solar of Merrimack. This company manufactures materials and equipment to produce the raw material for solar cells and other industrial uses. GT Solar exports to Asia, mostly China, and is a real success story because when the company first began using our products, it was a small business. Now, thanks in part to its growth in exports, GT Solar has graduated and no longer qualifies as a small business. That is the kind of impact we are looking to have, and I would like to just thank you again for having us here.

[The prepared statement of Ms. Felton follows:]

**TESTIMONY OF
WANDA FELTON – FIRST VICE PRESIDENT & VICE CHAIR
EXPORT-IMPORT BANK OF THE UNITED STATES
SENATE COMMITTEE ON
SMALL BUSINESS AND ENTREPRENEURSHIP
FIELD HEARING, MANCHESTER, NEW HAMPSHIRE
AUGUST 11, 2011**

INTRODUCTION

Senator Shaheen, Senator Ayotte, thank you for the invitation to testify here in Manchester to speak about the role of the Export-Import Bank of the United States (“Ex-Im Bank” or the “Bank”) in supporting small business exporters and their important contribution to US job creation. I am happy to say that the Bank has stepped up to the challenge of meeting the financial crisis by helping businesses large and small increase their exports, thereby supporting US jobs. In FY 2010, Ex-Im Bank supported an estimated \$126 million in exports from New Hampshire. Of this, 89% directly supported small business. Ex-Im Bank’s authorizations for the state also saw major growth from FY 2009 to FY 2010 of \$5,493,000 to \$65,728,749.

But we need to do even more. Having worked in finance and banking for more than 20 years, I know the many obstacles facing businesses in today’s global marketplace. And I look forward to learning from those gathered here on how we can further assist our small business exporters.

I’m pleased to note that Ex-Im is already supporting small business in New Hampshire and I would like to give you a few examples. For two years Ex-Im Bank has provided export working capital support to Land & Sea Inc. in Concord, which manufactures engine testing equipment, known as dynamometers. Exports to countries including Taiwan, Malaysia, and the United Kingdom comprise almost 50% of all Land& Sea’s sales. Polyonics, Inc. in Westmoreland, has been doing business with the Bank as an insurance policyholder for four years. The company manufactures polymeric coating materials for use in electronics, electrical, aerospace and automotive industries. It exports to Brazil, Israel, and countries in Asia.

A third company Ex-Im works with is G.T. Solar of Merrimack, NH which manufactures chemical vapor deposition reactors used to produce polysilicon, the raw material in solar cells, and the furnaces used to transform polysilicon into ingots, which are sliced into silicon wafers to become solar cells that they export primarily to Asia, mostly China. G.T. Solar is a success story in that when they first began using the Bank’s products they were a small business. Today, thanks in part to their growth in exports, G.T. Solar has graduated to become a large business.

THE ROLE OF THE EXPORT-IMPORT BANK

The Export-Import Bank is the official export credit agency of the United States. Ex-Im Bank's mandate is to enable U.S. companies – large and small – to turn export opportunities into sales that help maintain and create U.S. jobs. The Bank achieves its mission by providing export financing through loan, guarantee, and insurance programs when the private sector is unable or unwilling to do so. Ex-Im Bank also tries to level the playing field by meeting financing competition that foreign export credit agencies provide to their businesses. However, Ex-Im Bank is careful not to compete with the private sector in helping to finance exports. Our activity typically increases during economic downturns and provides an alternative source of financing to bank lending.

Since FY 2008, Ex-Im Bank has operated at no cost to the US taxpayer because it is financially self-sustaining. Ex-Im Bank more than covers its administrative and loan loss reserve expenses through the fees it charges to foreign buyers. Over the past five years, Ex-Im Bank has sent \$3.4 billion of excess funds to the U.S. Treasury. As a result of our diligent credit review and management, the Bank has a loss rate of roughly 1.5% – well below most commercial banks.

Ex-Im Bank has been able to accomplish this despite these difficult economic times. The Bank has addressed the financial crisis by supporting levels of authorizations far higher than historical averages. In FY 2008, Ex-Im Bank authorized \$14.4 billion in transactions resulting in roughly \$19.6 billion of U.S. exports. In FY 2010, Ex-Im Bank authorized a record \$24.5 billion in export finance; this level of authorization supported roughly \$34.3 billion of U.S. exports that supported 227,000 U.S. jobs at more than 3,300 U.S. companies. Just last week, the Bank announced that we have already exceeded last year's record amount with two months still remaining in fiscal year 2011.

We have done all of this while still emphasizing our strong support for small businesses. Ex-Im Bank's support for small business increased from \$3.2 billion in FY 2008 to a record \$5.1 billion in FY 2010—a 58% increase. And while the Bank has met the Congressional mandate that 20% of its financing directly support small business exports, in a time that has seen total business grow by 70% it is increasingly difficult to reach that 20% level. I am hopeful that your hearing today will raise awareness of our services and generate even more small business activity from New Hampshire to help grow jobs and help us attain our small business goals.

EXPORT-IMPORT BANK PROGRAMS

Ex-Im Bank offers three basic financial programs: direct loans, guarantees, and insurance.

Direct loans provide financing directly to foreign buyers of U.S. goods and services and cover up to 85% of the U.S. contract value or 100% of the U.S. content, whichever is less.

Loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Support is up to 85% of the U.S. contract value or 100% of the U.S. content, whichever is less.

Working Capital Guarantees provide repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. Ex-Im Bank's working capital guarantee protects the lender from default by the exporter for 90% of the loan. In fiscal year 2010, the Bank authorized about \$1.5 billion in working capital guarantees to small businesses compared to \$1.2 billion in 2009.

Export credit insurance helps U.S. exporters sell their goods by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, allowing them to extend credit to international customers. In fiscal year 2010, Ex-Im Bank authorized more than \$2.6 billion in export credit insurance to small businesses.

Thus, our working capital guarantees and export credit insurance provide most of our support for small businesses, \$4.1 billion in FY '10, with another \$1 billion coming from the loan and loan guarantee programs.

OUTREACH TO SMALL BUSINESSES

Small business transactions account for more than 85% of total Bank transactions. All of Ex-Im Bank's regional offices are devoted to small business outreach and support. Meeting the 20% small business mandate is highly labor intensive and requires significant resources. But it cannot happen unless we can help small businesses all over the country, especially here in New Hampshire. We want any small businesses here interested in exporting to please call our regional office at 212 809 2650 or call 800 565 3946 and press 2 at the prompt to get started.

I am glad my colleagues, Marie Johns of the SBA and James Cox of the Commerce Department, are here since we all work closely together in our Global Access Exporter Forums to expand small business activity. I am also pleased to follow in the footsteps of Ex-Im Bank's Chairman Fred Hochberg who was in Portsmouth in January for our first Global Access Forum of 2011.

Here are some of the ways we reach out to small businesses.

- **Global Access for Small Business Initiative:** Ex-Im Bank has already sponsored 20 Global Access Forums across the country to assist small business exporters in understanding how the programs at the Bank, the Small Business Administration (SBA),

and Department of Commerce can help them to export or increase their international sales. In addition to presentations by successful small business exporters, the Global Access Forums include panels of Ex-Im Bank, SBA and Department of Commerce staff based in local United States Export Assistance Centers, as well as one-on-one counseling by Ex-Im Bank Export Finance Managers and other federal agency representatives.

These half-day events are free and held in collaboration with elected officials, representatives from federal and local government agencies, lenders and insurance brokers. The Bank also features small business owners as panelists. Having our small business customers highlight their export success is a very effective means of encouraging other small business owners to utilize Ex-Im's products. For example, the owner of Skelley Medical in Hollis, NH testified at our first Global Access Forum that he could double his company's sales in emerging markets by offering open account terms. Two weeks later the Bank approved a \$250,000 small business insurance policy for Skelley. Since then, Ex-Im has increased the policy by more than \$1 million to cover exports to India and Mexico.

- **Expanded Bank and Broker Training:** The Bank expanded its lender and broker training options to include monthly trainings around the country. New webinars help exporters, lenders, and insurance brokers learn how to use Ex-Im Bank products and services.

NEW FINANCING PROGRAMS FOR SMALL BUSINESSES

- **Supply Chain Finance:** This program provides competitively priced working capital financing to businesses that supply products or services to larger U.S. exporters. The product works through approved lenders with an existing supply-chain finance program, enabling the lender to purchase accounts receivable from small business suppliers whose goods will be part of an export. Suppliers are paid for their goods, improving their cash flow and liquidity in approximately five days. The Bank provides the lenders with a 90 percent guarantee. In turn, the Bank requires that at least 50 percent of the credit be to small business suppliers. This program was developed as a direct response to the needs of small businesses in the recent financial crisis.
- **Reinsurance:** Reinsurance assists private-sector insurers that provide short-term export-credit insurance covering foreign receivables to predominantly U.S. small business exporters. This new product increases the capacity of insurance companies to offer insurance to small business exporters that have had difficulty obtaining short-term export credit since the financial crisis.

- **Express Insurance:** Responding to exporters and Ex-Im Bank broker-partners, the Bank added a new program to its flagship Trade Credit Insurance product – Express Insurance. Express Insurance specifically targets small businesses. Ex-Im Bank streamlined its short-term export credit insurance application process with a targeted turnaround time for a quote of 5 days—down from an average of 15. We cut processing time by 2/3 and the application length in half to 2 pages.

Increased Lender and Broker Participation - Ex-Im Bank leverages its resources for small businesses by working with private-sector lenders, insurance brokers and other financial and trade institutions. In fiscal year 2010, 18 new lenders received Delegated Authority. Delegated Authority provides lenders a pre-approved credit line to approve loans and receive Ex-Im Bank's guarantee without submitting individual applications for approval. An additional 14 brokers serving small businesses trade insurance needs were added to the roster. At fiscal year's end, Ex-Im Bank had a total of 100 delegated authority lenders and 194 registered brokers helping deliver the Bank's small-business products. While these numbers are significant, we continue to seek additional brokers and lenders to partner with Ex-Im Bank.

Export Initiative with State and Local Constituencies - One effective approach to developing strong relationships is our initiative with our City/State Partners. More than 60 City/State Partners in 40 states work with Ex-Im Bank and report their activity annually. Their mission is the promotion, creation and expansion of businesses in a given region by making available financing assistance and entrepreneurial services. Examples of eligible partners include: State, County, City Governments—either directly or indirectly funded; local non-profit economic development entities funded through universities and colleges; and Small Business Development Centers.

I am pleased to report that Ex-Im Bank works closely with a City/State Partner in Concord. Our staff and Robert Barry, an export finance officer in the Office of International Commerce, comprise an effective team in helping New Hampshire businesses consider their exporting options.

Many small business owners are veterans, women, and minorities. Ex-Im Bank wants to reach these key groups which historically are less likely to approach the Bank. To increase our interaction with these groups, Ex-Im Bank has worked with the Department of Commerce and other sources to increase our outreach. I would also ask you and your colleagues for suggestions of organizations, constituencies, and events that you think we should be participating in so we can grow participation among veterans, women and minorities.

Significant emphasis is placed on events attended by small business exporters, as well as minority, rural, and woman-owned entrepreneurs. During 2010, staff from within the Small

Business Group at the Bank attended 85 outreach events reaching approximately 5,500 Minority and Woman-Owned Business exporters and intermediaries. Ex-Im Bank made presentations at 75 percent of the events attended in 2010.

Significant steps are being taken to boost this segment of the Ex-Im Bank business. First and foremost, during 2010, Ex-Im Bank hired as our new Senior Vice President of the Small Business Group, a former banker with 20 years in community development and minority lending and investment experience. In addition, we hired a Vice President of Marketing and Sales, a Community Reinvestment Act professional from a major bank. In addition to their managerial responsibilities, these two officers will further expand minority and woman-owned business outreach activities.

To expand the reach and service to minority and woman-owned businesses, Ex-Im is doing the following:

- **Global Access Events.** Developing at least 4 Global Access media and training events specifically for minority and woman-owned businesses.
- **Community Development Financial Institutions.** The Small Business Group attends the conferences for the National Federation of Community Development Credit Unions, Opportunity Finance Network, National Community Reinvestment Coalition and events sponsored by federal regulators concerning Community Reinvestment Act initiatives. The chief objective is to expand the number of local and community development banks and other intermediaries using the Ex-Im Bank trade credit and working capital products and services.
- **Direct Calling on Minority and Woman-Owned Exporters.** In order to expedite the communication with the exporter, Ex-Im has established a “smart data-base” program. The program is designed to support direct outreach to minority and woman-owned exporters through systematic cold calling by experienced Ex-Im Bank export finance officers.

CONCLUSION

The global marketplace is brutally competitive for businesses small and large. As commercial lenders routinely limit the amount of exposure U.S. businesses can have in particular regions of the world, especially the riskier ones, more of those businesses are turning to Ex-Im Bank for help in export financing.

As I said above, I am a former Ex-Im Bank employee, and now I am proud to be the Vice Chair. I know how our employees, at all levels, are contributing significantly to making the U.S. economy more robust. They have dealt with a huge increase in business, 70 percent since 2008, while implementing new technologies and programs like Express Insurance and Supply Chain Finance.

At the same time, we have received only a 7.6 percent increase in our administrative appropriation since FY 2008 and have only increased staffing by 13 full time staff. Simply put, we have become leaner and more productive, something that every business strives to achieve. However, an increase in our administrative budget will allow us to hire more staff and upgrade our IT systems. This will help us support the President's goal of doubling exports by 2015 and to reach more small businesses in New Hampshire and the rest of the United States. If you could take that message back to your colleagues in the Senate, I would be most grateful.

And I have one more important request. I hope you agree that Ex-Im Bank is providing a key service to businesses – large and small – in the United States. In order for us to continue helping companies to grow and sustain jobs through exports, the Bank needs to be reauthorized by September 30. I look forward to working with Senators Shaheen and Ayotte in our reauthorization effort.

Senator Shaheen, Senator Ayotte, thank you again for inviting me here. I look forward to any questions you all may have.

Wanda Felton

Wanda Felton is First Vice President and Vice Chair of the Export-Import Bank of the United States (Ex-Im Bank). She was nominated by President Obama on April 8, 2011 and confirmed by the U.S. Senate on May 26, 2011.

Ms. Felton has approximately 25 years of financial industry experience. As an investment banker, she raised capital for banks and other financial institutions. For the past 15 years, she focused on private equity as an advisor to institutional investors and subsequently raising partnership capital. Many of the transactions directed capital to U.S. middle-market companies. In addition, she has led transactions which steered capital to emerging markets, including sub-Saharan Africa, a region where Ex-Im Bank has a special focus and a congressional mandate to boost exports.

Prior to her Ex-Im appointment, she operated MAP Capital Advisors. Previously, she was a Managing Director at Helix Associates, a division of Jefferies Inc.; a Director at Credit Suisse First Boston; and a Managing Director at Hamilton Lane Advisors. She began her career as a Loan Officer at Ex-Im Bank.

Ms. Felton received a B.A. from the University of Pennsylvania and an M.B.A. from Harvard Business School.

Senator SHAHEEN. Thank you very much.
Mr. Cox.

STATEMENT OF JAMES M. COX, REGIONAL DIRECTOR, NORTH-EAST, COMMERCIAL SERVICE, UNITED STATES COMMERCE DEPARTMENT

Mr. COX. Thank you, Senator. Thank you, Senator Shaheen and Senator Ayotte, for the opportunity to testify today on the role of the International Trade Administration's U.S. and Foreign Commercial Service and supporting the efforts to increase U.S. exports, assist in small business growth and creating jobs.

The Obama Administration, in March 2010, announced the National Export Initiative, which sets as a goal to double exports by the end of 2014. We are on pace to reach that goal. Overall, in the first five months of 2011, exports of goods and services are up over 16 percent from last year. U.S. goods and services in 2010 comprised nearly 13 percent of our national Gross Domestic Product, GDP, an increase from 11.4 percent the previous year.

New Hampshire in particular highlights this success. The total value of goods and services exported from New Hampshire, as you mentioned, increased 43 percent in 2010, over 2009, to a record \$4.4 billion. New Hampshire led the nation in export growth in 2010. Through the first five months of 2011, New Hampshire merchandise exports were 12 percent higher than the same period in 2010.

As the key export promotion agency, the U.S. and Foreign Commercial Service fosters economic prosperity, enhances jobs, and strengthens national security through a global network of our outstanding trade professionals. Our international network of about 1,450 trade specialists provides comprehensive export-focused business counseling and supports the small- and medium-sized businesses, SMEs, throughout the United States. We are located in over 100 U.S.-based USEACs, U.S. Export Assistance Centers, and in 129 countries—excuse me, 129 embassies and consulates in nearly 80 countries. Last year, we assisted 5,600 companies in exporting for the first time, of which 85 percent were small- and medium-sized enterprises.

I am very proud that we have here locally in New Hampshire Director Justin Oslowski and International Trade Specialist Taylor Little of our New Hampshire USEAC, located at UNH-Durham, to counsel local exporters on a range of issues focusing on promoting their products internationally, sales, and market development. This team works in close collaboration with the state and state agencies, such as the New Hampshire Office of International Commerce and other local organizations to deliver seamless and complementary services to small- and medium-sized businesses.

One example of a company that successfully used our services is Sky-Skan, a Nashua, New Hampshire-based manufacturer. Sky-Skan focuses heavily on export opportunities for planetarium theater systems. The company learned of a large public tender and installation of a new theater system at the Copernicus Science Center in Warsaw, Poland. By participating in the Commercial Service Trade Winds Trade Mission Program to Poland in 2009, Sky-Skan benefitted from the customized matchmaking appointments ar-

ranged by our New Hampshire and Warsaw offices using the Gold Key Program. The meetings included visits with officials from the Copernicus Science Center and other contacts in the industry. With innovative products and the Federal assistance provided, Sky-Skan won the bid and signed a contract for the installation of a new theater system in December of 2010. This single success resulted in a sale worth more than \$750,000.

In addition to companies like Sky-Skan, the USEAC in New Hampshire has worked with more than 1,500 exporters. In the last ten months, the office provided more than 300 individual counseling sessions for New Hampshire exporters, 100 of which have been in partnership with the state's Office of International Commerce.

The New Hampshire USEAC and its partners host regular events attracting both local and national audiences. Two locally held programs include the standing room only U.S. Export Controls training session. This event was so successful that the office will again hold a session in April of 2012. The second is a recently offered Value-Added Tax webinar focusing on the European Union. More than 90 companies were trained on international pricing and tax policies.

As we look for more opportunities to increase the competitiveness of U.S. businesses, the Obama Administration has made passage of the pending agreements with Korea, Colombia, and Panama a priority, as Senator Ayotte mentioned. USEACs work with companies and partners in the communities to help them realize the benefits of existing trade missions and trade agreements. The New Hampshire USEAC guides local companies through the international documentation process. This counseling provides especially important guidance on issues such as the NAFTA Certificates of Origin. These are requirements for New Hampshire exporters to our two largest trading partners, Mexico and Canada.

To increase the economic competitiveness of our businesses, the U.S. Foreign and Commercial Service is working diligently each day to connect those SMEs with the 95 percent of consumers living outside the United States. New Hampshire businesses have the full support of the U.S. Government in conducting and contacting potential exporters to global partners and markets.

Again, I thank you very much for the opportunity to appear before you and I look forward to your questions. Thank you.

[The prepared statement of Mr. Cox follows:]

**Testimony of
U.S. and Foreign Commercial Service Network Director James Cox
before the Senate Small Business Committee on
"The Role of Exports in Small Business Growth and Job Creation"
August 11, 2011**

Thank you Senator Shaheen and Senator Ayotte for the opportunity to testify today on the role of the International Trade Administration's U.S. and Foreign Commercial Service (US&FCS) in supporting the efforts to increase U.S. exports, assisting in small business growth, and creating jobs.

With our reputation for high quality and reliability, the world's consumers value "Made in USA" products and services more than any other. The Obama Administration, in March 2010, announced the National Export Initiative, which set a goal to double exports by the end of 2014. And we are on pace to reach that goal. Overall for the first five months of 2011, exports of goods and services are up 16.4 percent from last year, and in 2010, U.S. exports of goods and services comprised 12.7 percent of our national GDP, an increase from 11.4 percent the previous year.

New Hampshire in particular highlights this success. The total value of goods exports from New Hampshire increased 43 percent in 2010 over 2009 to a record of \$4.4 billion. New Hampshire led the nation in export growth in 2010. Through the first five months of 2011, New Hampshire merchandise exports were 12 percent higher than the same months of 2010.

As the key export-promotion agency, the U.S. and Foreign Commercial Service fosters economic prosperity, enhances job creation, and strengthens national security through a global network of outstanding international trade professionals. The US&FCS global network of approximately 1,450 trade specialists provides comprehensive export-focused business counseling and support to small and medium-sized businesses throughout the United States. Through our 108 U.S.-based Export Assistance Centers, or USEACs, in conjunction with 129 offices located in U.S. Embassies and Consulates in 78 countries, our trade specialists are available to provide export services including business matchmaking and counseling to U.S. businesses looking to expand through exporting. Last year, the US&FCS assisted 5,600 companies in exporting for the first time, of which 85 percent were small and medium-sized enterprises (SMEs). Locally, Director Justin Oslowski and International Trade Specialist Taylor Little, of our New Hampshire USEAC located at the University of New Hampshire, counseled local exporters on a range of issues focused on promoting international sales and market development. This team works in collaboration with state agencies like New Hampshire's Office of International Commerce and other local organizations to deliver seamless and complementary services to SMEs.

In addition to our export counseling, in 2010, nearly 900 individual companies participated in the US&FCS Gold Key business matchmaking program; more than 1,100 companies used the International Company Profile background check; and we completed more than 2,500 customized Business Facilitation Services. Thousands of additional matchmaking appointments are arranged through numerous trade missions, shows, and other export-related events frequently coordinated by our offices every day.

One example of a local company that successfully used our services is Sky-Skan. A Nashua-based manufacturer, Sky-Skan focuses heavily on export opportunities for planetarium theater systems. The company learned of a large public tender for the installation of a new theater at the Copernicus Science Center in Warsaw, Poland. By participating in the US&FCS TradeWinds mission to Poland in 2009, Sky-Skan benefited from customized matchmaking appointments arranged by our Warsaw office through the Gold Key program. The meetings included a visit with officials from the Copernicus Science Center and other contacts in the industry. Sky-Skan received support from both the Warsaw and New Hampshire offices. With innovative products and the federal assistance provided, Sky-Skan won the bid and signed a contract for the installation of a new theater system in December 2010. This single success resulted in a sale worth more than \$750,000.

In addition to companies like Sky-Skan, the USEAC in New Hampshire has worked with more than 1,500 exporters through the years. In the last 10 months, the office provided more than 300 individual counseling sessions for exporters, 100 of which have been in partnership with the State of New Hampshire's Office of International Commerce. The New Hampshire USEAC and its partners host regular events attracting both local and national audiences. In April 2010, one such event was a three-day U.S. export controls training held by the Department of Commerce's Bureau of Industry and Security (BIS). Export controls directly impact the ability of U.S. companies to ship abroad. This standing-room-only event was so successful that the office will again host BIS in April 2012. Recently, the office and its partners offered a Value Added Tax webinar focusing on the European Union, which attracted a national audience at limited cost to the participants. More than 90 companies were trained on the complex nuances of product pricing and international tax policy. This is just a small sampling of the many events and programs the office organizes every year.

As we look for more opportunities to increase the competitiveness of U.S. businesses, the Obama Administration has made passage of pending trade agreements with South Korea, Colombia, and Panama a priority. USEACs work with companies and partners in the community to help them realize the benefits of existing trade agreements. The USEAC office here in New Hampshire helps guide local companies through the international documentation process. This counseling proves especially important for Certificate of Origin requirements for shipments to New Hampshire exporters' two largest trading partners, Mexico and Canada.

Last year marked the second best year on record for U.S. exporters, with goods and services exports totaling \$1.84 trillion, an increase of 17 percent from the previous year. In 2010, the US&FCS assisted 18,000 companies in support of their export goals, 16,000 of which were SMEs, the backbone of the American economy. US&FCS helped facilitate 12,300 export successes worth \$34.8 billion in U.S. export sales. When companies succeed globally, workers benefit locally. In the manufacturing sector, wages of employees involved in exporting are 18% higher, on average, than in the sector generally.

To increase the economic competitiveness of our businesses, the U.S. and Foreign Commercial Service is working diligently each day to connect those SMEs with the 95 percent of consumers living outside the United States. American businesses, particularly small and medium-sized enterprises, have the full support of the U.S. government in connecting potential exporters to global partners and markets.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.

James M. Cox

Since May 1990, and between 1983 and 1987, James Cox has worked for the U.S. Department of Commerce. In October 2005 Mr. Cox was appointed Northeast Regional Director. His responsibility is to assist Northeast companies in exporting their products and services. This help has been in the form of providing information and access to Federal Government programs to increase sales to foreign markets and identify export trade opportunities. As Northeast Director with a territory of eight states (CT, ME, NH, NY, Northern NJ, RI, VT) and thirteen U.S. Export Assistance Centers, Jim Cox works with the Commercial Service staff to improve their outreach of export assistance to the business community. Special initiatives have included increased partnerships with state, industry and local export promotion organizations.

In 1994, as Senior Trade Specialist with the US and Foreign Commercial Service Mr. Cox left the Commercial Service Office in Boston to open the Montpelier (Vermont) Export Assistance Center. Four years later Mr. Cox returned to the US Export Assistance Center, Boston, as Deputy Director and in 2003 was appointed Director.

Between 1987 and 1990, James Cox was the Regional Director of the New York State Department of Economic Development office in Montreal, Quebec. There he represented New York's commercial interests in Canada. The Montreal office promoted New York State as a site for Canadian expansion and investment. Responsibility encompassed the region from Kingston, Ontario, Quebec to the Maritimes. In addition to economic promotion the office also featured tourism promotion to New York State.

From 1980 - 1983 he was at the U.S. Department of Commerce International Trade Administration headquarters in Washington, D.C. There he organized U.S. corporate participation and attendance at international trade shows in Eastern Europe and China.

Mr. Cox's career with the U.S. Government began with the U.S. Customs Service in 1977.

He studied at McGill University, Montreal, graduating in 1977 with a major in North American Studies. After McGill he returned to Washington for advanced studies at the George Washington University, focusing on international trade.

Mr. Cox was born in Washington, D.C. and grew up in Washington, D.C. and Maine. He and his wife reside in Rockport, Massachusetts.

Senator SHAHEEN. Thanks very much.
Mr. Friedman.

**STATEMENT OF RICHARD L. FRIEDMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER, CARPENTER AND COMPANY, INC.**

Mr. FRIEDMAN. Thank you, Senator Shaheen and Senator Ayotte and members of the committee, for inviting me here today. My name is Richard Friedman, and I am President of a Boston-based hotel development firm working on a national level on a variety of hotel types. We have many hotels in Boston and some across the country, including the Charles Hotel and the Liberty Hotel, and right here in New Hampshire, we are now redeveloping the Hanover and the Dartmouth, my alma mater.

I was appointed by President Obama as a member of the President's Export Council. On that council, I am Vice Chairman of the Subcommittee on Manufacturing, Services, and Agriculture, which includes tourism policy. The President's Export Council has some 18 private sector unpaid members, many from large businesses—the chairman of Boeing, the chairman of Xerox, Ford Motor Company, UPS, Met Life—and a few small people like me, and the PEC also has eight members of Congress, five Senators and three House members, and some Cabinet Secretaries, as well, and we meet periodically.

The PEC advises the President on increasing United States exports and competitiveness on an advisory basis. In his National Export Initiative, the President asked the council to explore methods to double exports over the next five years, or actually four to go. We have made great progress to this goal, and in 2010, exports increased 17 percent. One-point-eight trillion dollars of exports of goods and services represents the second highest annual total on record, and in May of this year, exports of services are up again 14.9 percent to \$505 billion.

As a PEC member and hotelier, I have made it my personal goal to try to help our country's tourism, hospitality, and air transit industries. Most importantly, as a small business owner, I have tried to help these businesses as a member of the PEC Small- and Medium-Sized Business Engagement Subcommittee. Increasing the export capacity of these enterprises is essential if we are to double exports. Small- and medium-sized exporters, SMEs, are typically credited with creating three out of every four jobs in the United States, and some SME exporters currently account for four million U.S. jobs, and they tend to grow significantly faster and larger than non-exporting businesses.

We are making great strides in helping our SMEs to export. In 2010, almost 5,600 companies exported for the first time, and their exports—and increased their exports abroad. Eighty-five percent of those companies were SMEs. But we have a huge room for improvement. Only one percent of exporters are small- and medium-sized businesses.

In the last year, the PEC has adopted 15 letters and sent to the President in the areas of export controls, FTAs, terms of promotion, veterans' retraining, benchmarking export promotion, lots of other things, as well. If these recommendations were to be adopted, we estimate we could increase U.S. exports by \$630 billion.

In particular, I would like to talk for a moment about the tourism sector of exports. Nationally, one in nine jobs is related to tourism or travel. In New Hampshire, I estimate that it is probably substantially more than that as a ratio. It may sound odd, but when a foreign traveler comes to the United States, it is an export because they are bringing money here, spending it on all kinds of goods and services—hotels, travel, meals, shopping, et cetera. Northern New England is a very attractive international tourist destination. In the post-9/11 years, our national tourism performance has suffered very dramatically and we have lost 68 million visitors and \$500 million in lost spending plus 400,000 lost jobs and \$32 billion in lost tax revenues.

The President's Export Council is working closely with the President and the Administration in an attempt to reverse these trends. There are two primary methods by which this is occurring. One is, for the first time ever, is to advertise America as a destination, and the other is to shorten visa waiting times at our embassies and train our Border Patrol people and others in being more customer friendly.

In the early years of the Obama Administration, the President signed the Travel Promotion Act—thank you, Senator Shaheen, for your support of that—which is a public-private partnership now just getting underway, yet to run their first ad, to promote travel to the United States. It is a very promising effort.

Secondly, efforts are underway with the Department of State to reduce wait times to obtain visas at our embassies and in some cases to expand the locations at which travelers can obtain visas.

Increased tourism has the potential to have dramatic impact on Northern New England in many regards. Hotel and travel destinations in Northern New England are well equipped to receive foreign visitors. For example, there is a great potential for people to come—foreigners to come here and watch the New Hampshire Presidential primary and see our democracy at work.

Senator SHAHEEN. We like that.

Senator AYOTTE. We love that, yes.

[Laughter.]

Mr. FRIEDMAN. Well, the hoteliers like it, too. On a national basis, if we just doubled the arrivals from the 36 visa-waivered countries, over \$200 billion in spending would be generated. Tourism would be helped dramatically in New Hampshire.

The United States is in a great position to increase our exports and foreign travel business. Currently, each Euro is worth \$1.40, which makes our goods and services a true bargain for foreigners. Worldwide, people want to buy American, and now with our currency conversion levels, our trade policy makes us well positioned for export growth.

Small- and medium-sized enterprises face unique barriers to exporting that require targeted action. The PEC's SME Business Engagement Subcommittee has held roundtables around the country with small businesses to explore obstacles to exporting. The recommendations we came up with, adopted by the full PEC in March, fall into three categories: education, access to capital, and regulatory and cost burden issues.

Hundreds of state and local organizations and agencies are engaged in export outreach, but the findings by the SME Subcommittee indicate prominent and persistent education gaps and confusion among small businesses on a broad range of export issues. We recommend that the Federal Government provide catalyst grants to foster regional export development strategic planning among identified chambers, economic development centers, academia, state and local governments, et cetera.

The second challenge that we face is lack of access to information. We recommend the development of new and maximizing of existing public-private partnerships and acceleration of expansion of on-demand educational resources on export trade channels such as trade.gov, YouTube, YouTube videos, export.gov, USTR, et cetera.

The third challenge we face is a continuing misperception about the Free Trade Agreements, as the Senators have discussed, and there is significant disconnect in which the people do not understand what these Free Trade Agreements actually mean. We recommend continuing to work with all the International Association of Manufacturers and other people to get these bills passed.

We also face a persistent lack of access to capital for small businesses. The current loan initiation process lacks transparency and takes too long. We recommend expediting the increase in delegated lending authority to existing trade finance lenders, as noted in the Small Business Act of 2010, conducting finance trade training to community banks to include receptivity to working with small exporters and working more closely with small businesses in training them to prepare documents for international transactions before going to their financial institutions.

There is also a lack of support for young small businesses. We recommend establishing formal incubator programs at the Federal Government level that specialize in working with young SMEs to fund their working capital and export finance needs during the start-up process. It is equally important to develop these young businesses, and we have encouraged additional support of the Young Entrepreneurship Programs at community colleges.

On the regulatory side, we have overcome cumbersome export compliance regulations, procedures, and policies. The President's Export Control and Regulatory Reform Initiatives are a step in the right direction, but we need to create one-stop shops where small businesses would be able to find guidance on all matters related to exporting, including international trade regulations.

We also need to address the prohibitive cost of intellectual property rights protection, which are inordinately high for small businesses. We recommend working within the World Trade Organization to improve the simplicity, speed, and cost of registering and maintaining international intellectual property.

A final challenge deals with the rules of origin, which are complex and inconsistent, and it is difficult for small businesses to be export compliant or take advantage of the Free Trade Agreements. SMEs just do not have the staff to manage or the market power to leverage suppliers to gain proper origin information from their supply chains. We recommend that the Administration bring this to the attention of the World Trade Organization and other bodies to standardize their rules of origin.

As you can tell from these recommendations, small businesses are unique in their needs and ability. They often lack the resources available to large businesses, and, therefore, it is critical that specific programs are rolled out under the NEI with special consideration given to easing the burden on small businesses so they can unlock their full potential.

The long and short is that America must learn to think of itself as an exporter, just like Germany, China, and Japan. We are uniquely positioned in the world to make this happen. We can be rightly optimistic about our trade and export potential, and the President's goal of doubling exports in five years is worthwhile and realistic.

Thank you very much.

[The prepared statement of Mr. Friedman follows:]

TESTIMONY FOR “EXPORTS AND JOBS” HEARING

RICHARD FRIEDMAN

August 11, 2 P.M., University of New Hampshire

Good afternoon, and thank you, Madame Chairwoman and distinguished members of the Committee, for inviting me to testify today. My name is Richard Friedman. I am a Boston based hotel developer, working on a national level in a variety of hotel types. We have many hotels in Boston including the Charles Hotel and the Liberty Hotel and right here in NH, we're active right now in the redevelopment and repositioning of the Hanover Inn at Dartmouth.

I was appointed by President Obama as a member of the President's Export Council (PEC). On that council, I'm Vice Chairman of the subcommittee on Manufacturing, Services and Agriculture, which includes tourism policy. The PEC advises the President on increasing US exports and competitiveness. In his National Export Initiative, President Obama tasked the Council with exploring methods to double exports over five years. We've already made great progress toward this goal. In 2010, exports increased 17 percent -- the \$1.84 trillion in exports of goods and services represents the second-highest annual total on record. As of May of this year, goods and services exports are up again--14.9 percent to \$505.2 billion.

As a PEC member and hotelier, I've made it my personal goal to try to help our country's tourism, hospitality and air transit industries. But perhaps most important, as a small business owner, I've sought to help these businesses as a member of the PEC's Small and Medium Sized Business Engagement Subcommittee. Increasing the export capacity of these enterprises is essential if we are to double exports. SMEs (Small and Medium size Employers) are typically credited with creating three of every four of our nation's jobs, and SME exporters—which currently account for 4 million U.S. jobs—tend to grow significantly larger and faster than non-exporting businesses. And, we are making great strides in helping our SMEs to export; in 2010 almost 5,600 companies exported for the first time or increased their exports abroad, 85 percent of those companies were SMEs. But we still have much room for improvement — only one percent of exporters were small and medium sized businesses.

In the last year, the PEC has adopted 15 letters of recommendation in the areas of export controls, FTAs, tourism promotion, veterans retraining, benchmarking export promotion, IPR protection, Russian accession to the WTO, services data, tax reform, business visas, transportation infrastructure, trade facilitation, export financing, and a new 21st century trade policy. If these 15 recommendations were to be adopted, we estimate that we could increase U.S. exports by \$630 billion.

In particular, I would like to talk for a moment about the tourism sector of exports. It may sound odd, but when a foreign traveler comes to the United States it is an export, because they are bringing money here, spent on all sorts of goods and services from hotels, travel, meals, shopping, etc. Northern New England is a very attractive international travel destination. In the post 9/11 years our national tourism performance has suffered dramatically and we have lost 68 million visitors and \$500 million dollars in lost spending, plus over 400,000 lost jobs, and 32

billion dollars in lost tax revenues. The President's Export Council is working closely with the President and the Administration in an attempt to reverse these trends. There are two primary methods by which this is occurring. One is, for the first time ever, to advertise America as a destination and the other is to shorten the visa waiting times at our embassies and to train our border patrol people and others in being more customer friendly. In the early years of the Obama Administration the President signed the Travel Promotion Act, which is a public/private partnership just now getting underway to promote travel to the United States. It is a very promising effort. Secondly, efforts are underway with the Department of State to reduce wait times to obtain visas at our embassies and in some cases to expand the locations at which travelers can obtain visas. Increased tourism has the potential to have a dramatic impact on northern New England in many regards. Hotel and travel destinations in northern New England are well equipped to receive foreign visitors. For example, there is a great potential for foreigners to come and observe the NH Presidential Primary and see our democracy at work. On a national basis, if we double the arrivals from the 36 countries, where there is a visa waiver program, over 200 billion dollars in spending would be generated. Tourism in NH in particular is a major economic factor and the potential for substantial growth is there.

The US is in a great position to increase our exports and our foreign travel business. Currently, each euro is worth \$1.40 – which makes our goods and services a true bargain for foreigners. Worldwide, people want to “Buy American,” and now our currency conversion levels and our trade policies make us very well positioned for export growth.

SMEs face unique barriers to exporting that require targeted action. The PEC SME Business Engagement Subcommittee held six Roundtables around the country with small businesses to explore obstacles to exporting. The recommendations we came up with, adopted by the full PEC in March, fall into three categories: education, access to capital, and regulatory and cost burden issues.

Hundreds of local, state and federal organizations and agencies are engaged in export outreach, marketing and education efforts. But findings by the SME Subcommittee indicate prominent and persistent education gaps and confusion among SMEs on a broad range of export-related issues. We recommend that the federal government provide catalyst grants to foster regional export development strategic planning among identified chambers, Economic Development Centers, academia, state and local governments, non-profits and the private sector to establish organizational coordination and create formal lines of communication between regions and federal resources.

The second challenge we face is a lack of access to information. We recommend the development of new – and maximization of existing – public-private partnerships and the acceleration and expansion of on-demand informational/educational resources on export and trade Web channels- including Tradegov, Youtube videos, Export.gov and USTR.gov.

The third challenge we face are the continuing misperception about Free Trade Agreements. There is a significant disconnect between exporting SMEs and non-exporting SMEs – which comprise much of the economic landscape - on the economic benefits of FTAs. We recommend

working with organizations like the National Association of Manufacturers, as well as some of the Nation's top global exporting corporations, to expand current education efforts.

We also face a persistent lack of access to capital for small businesses. The current loan initiation process lacks transparency and takes too long. We recommend expediting the increase in delegated lending authority to existing trade finance lenders (as noted in the Small Business Jobs Act of 2010); conducting finance trade training to community banks to include receptivity to working with smaller exporters; and working more closely with small businesses in training them to prepare documents for international transactions before going to their financial institutions.

There is also a lack of support for young small businesses. We recommend establishing formal "incubator" programs at the Federal government level that specialize in working with young SMEs to fund their working capital and export finance needs during the start up process. It is equally important to develop the leadership of these young businesses and we have encouraged additional support of Young Entrepreneurship Programs at community colleges.

On the regulatory side, we need to overcome cumbersome export compliance policies/procedures. The President's Export Control and Regulatory Reform Initiatives are a step in the right direction. We should create "one-stop-shops" where small businesses would be able to find guidance on all matters related to exporting, including international trade regulations.

We also need to address the prohibitive cost of intellectual property rights protection, which are inordinately high for SMEs. We recommend working within the World Trade Organization to improve the simplicity, speed and cost of registering and maintaining all IPR.

A final challenge deals with Rules of Origin which are complex and inconsistent, making it difficult for SMEs to be export compliant and/or take advantage of FTAs. SMEs do not have the staff to manage or the market power to leverage suppliers to gain proper origin information from their supply chains. We recommend that the Administration bring this to the attention of the WTO and other trade bodies in order to begin to standardize rules of origin.

As you can tell from these recommendations, SMEs are unique in their needs and abilities. They often lack the resources available to large businesses, and it is therefore critical that as specific programs are rolled out under the NEI, special consideration be given to easing the burden on SMEs so they can unlock their full export potential.

The long and short is that America must learn to think of itself as an exporter, just like Germany, China, Japan, etc. We are uniquely positioned in the world to make this happen. We can be rightly optimistic about our trade and export potential and the Presidents goals of doubling exports in 5 years is a worthwhile and realistic goal.

Thank you again for the opportunity to speak with you today, and I look forward to your questions.

Richard L. Friedman

President and Chief Operating Officer

Richard L. Friedman, President and Chief Operating Officer, Carpenter & Company. Mr. Friedman began developing hotels and mixed-use projects in the early 1970s. As President of Carpenter, he developed the Liberty Hotel in Boston, the St. Regis San Francisco, Charles Square and the 293-guestroom Charles Hotel, the Brookline Marriott Courtyard, and Hyatt hotels in Cambridge, Massachusetts and Princeton, New Jersey.

Mr. Friedman has also developed numerous other projects, including office buildings and shopping centers. Mr. Friedman was the founder of the Interagency Security Task Force for Washington, which works with the U.S. Secret Service, Department of Homeland Security, and others to improve security in Washington while preserving democratic and urban values.

Mr. Friedman is the former Chairman of the National Capital Planning Commission, the Federal government's urban planning agency in charge of all master planning, monuments, and parklands in the Metro D.C. area. President Barack Obama appointed Mr. Friedman to the President's Export Council, where he serves as Co-chairperson on the manufacturing, Services and Agriculture Sub-committee. Mr. Friedman serves on numerous boards of directors including the NYSE-listed Gatehouse Media, and the Steppingstone Foundation, which assists low income students in reaching higher education goals, and the John F. Kennedy Library Foundation. Mr. Friedman received a B.A. degree from Dartmouth College in 1963.

Senator SHAHEEN. Thank you, Mr. Friedman, and thank you, each of you, for your testimony.

Now, if we were in Washington, the way this would work is we would have a little timer and each of us would get about five or seven minutes of time to ask questions before we would turn. I would get that, and then I would turn to Senator Ayotte and she would also get that amount of time. But since we are not there, we thought it might work better here if we would just alternate questions, and so that is what we are going to do, so I will ask the first question and then turn it over to Senator Ayotte.

Mr. Friedman talked about the President's Export Council and some of the recommendations and the challenges that it identified, one of which is the bureaucracy as a hurdle to small businesses taking advantage of resources at the Federal level. Can I ask each of you if there are ways in which you all cooperate as agencies and if there are other ways in which you think you could better cooperate as you look at how we improve exports and access for businesses to exports? I will just ask, I do not know who wants to go first. Ms. Johns, would you like to go first.

Ms. JOHNS. Certainly, Senator Shaheen. I was listening with great interest to Mr. Friedman's testimony, which I think was very well done. What was particularly of interest were some of the issues that he outlined, and I was thinking about how the resources in the Small Business Jobs Act has actually given us more bandwidth to address some of those very issues, and I will certainly be happy to talk in greater detail about those.

But the issue of coordination is a very important concern that I know you both have, and what I want to assure you is that the SBA works very closely with the Department of Commerce, with Ex-Im Bank, and we look at ourselves as part of a system that the Federal Government has in terms of resources to support small businesses in exporting.

We—the business community is not monolithic. We are not focused on the Raytheons or the Lockheeds, who exporting is important to them, but we are focused on the Burnham Boat Slings, those companies, and they need different resources than do larger companies, and that is why the SBA's participation in this important support for small businesses is so critical. And again, we thank you for the support of the Small Business Jobs Act because that allowed us not only to improve and give greater heft to our loan programs, it also gave us opportunities to expand our counseling and technical assistance programs and to create a stronger, independent Office of International Trade at the agency.

I will give you an example of how we are coordinating through the Trade Promotion Coordinating Committee. There is a Small Business Working Group which Karen Mills, the SBA Administrator, chairs, and it is through that mechanism that we are working closely with Ex-Im Bank, with the Department of Commerce, with the U.S. Trade Representative. We coordinate our efforts to make sure that we are providing that continuum of service for businesses, whether they are small, and as was mentioned, businesses who grow into larger businesses and then may appropriately be more in the domain of the Department of Commerce.

Mr. Friedman mentioned about the Rules of Origin and some of the difficulties that small businesses have in terms of getting the information they need. We have worked closely with our Federal partners on developing tools to address just that. The Free Trade—there is a Free Trade Agreement Tariff Tool that was unveiled in May of this year. We worked with the Department of Commerce and with the U.S. Trade Representative to develop that tool, and what it is, it is an online tool for small businesses to actually allow them to calculate what the tariff would be for their particular good or service that they would want to export, depending on which country they were planning to export. It gives information about rules of origin and addresses what is a big issue with getting more small businesses involved in exporting, and that is to demystify the process, to make sure that we have information at their disposal.

We have a planning tool on our Web site, the SBA's Web site, that is a workbook of sorts where small businesses can get access to a variety of pieces of information. They can store information and return to it, continue to update it.

Those are examples of—I think strong examples of how we are coordinating with our Federal partners, not just to share information but to create real tangible tools, put them in the hands of small businesses to help them improve their opportunities to export, to grow their businesses, and to create more jobs.

Senator SHAHEEN. And can I just ask for the benefit of our audience, how can people access the tariff tool and the other tools? Can they get that through your Web site?

Ms. JOHNS. Yes. Well, export.gov really is that—Mr. Friedman also mentioned the need for a one-stop shop. In our experience, that is not so much a physical place, because, again, the needs are so diverse in terms of what the business is, what industry the business is in, et cetera. But we have created, again, in partnership with our Federal partners, export.gov, which is that virtual, that online front door, if you will, that can give a small business access to the plethora of tools that are out there to help them in the exporting arena.

Senator SHAHEEN. Great. I do not know if either of you would like to add anything to—

Mr. COX. Senator, if I could give a more local perspective, here in New Hampshire, we are very pleased with the community effort, and by that I mean the U.S. Department of Commerce, USEAC, the Small Business Development Centers, the SBA, the states all work very much together, because we realize that for a small business, it is daunting. It is the Federal Government. How do I approach? It is the local government. It is the state government.

So our colleagues are cross-trained. John Joyce with the Small Business Administration, Bruce Drossman with the Export-Import Bank, ourselves, will make joint calls. We will visit the company directly. If a call comes in and it is not appropriate for us, we are on speed dials with one another. So we try to get that information to the company as quickly as possible to resolve their questions.

Senator SHAHEEN. Thank you.

Ms. FELTON. Senator, I would add that all three agencies work very closely together and I think our various services and programs complement each other. I have been on a couple of different events,

even though I am very new to Ex-Im Bank, with both colleagues from the Commerce Department and the SBA. The Commerce Department, in particular, offers trade missions that will take companies abroad, help them with market research, help them matchmake and to find opportunities to sell their goods and services abroad.

Once the company is at a stage where they have got a contract or a purchase order, if it is appropriate, they can then, in terms of their business life and where they are with respect to financial statements, et cetera, that would be available to make them qualified to participate in Ex-Im Bank's programs, then they would refer that lead over to Ex-Im Bank and we would begin to talk about how we can help with our various programs.

Senator SHAHEEN. Thank you.

Senator Ayotte.

Senator AYOTTE. Thank you very much, Senator Shaheen.

I actually wanted to follow up on Senator Shaheen's question, because as I understand it, in 2009, the GAO issued a report that expressed concern over export promotion targeting services. Just thinking about it from a small business perspective, as I understand it, there are about 20 different agencies that either have a direct or indirect role in trade, and one of the announcements that the President has made previously, I think around the State of the Union, was to look at this, the fact that 20 agencies interacted in some way on these issues, and to come up with a plan to streamline the efforts of government, hopefully to make it easier for the end user and to make sure that we were being efficient as possible with the resources that we have.

I guess I would ask to all of you, I know that Mr. Friedman mentioned one-stop shopping, if you could update us on whether there is a plan that is going to be brought forward that would streamline more or has looked at duplication. I think it can often be really intimidating for small businesses when they are trying to deal with multiple agencies, and I do appreciate what you, Mr. Cox and Ms. Johns, have said about the attempts at coordination, but I wanted to get your thoughts on what the President had announced at the State of the Union and also the GAO report.

Ms. JOHNS. If I may, Senator Ayotte, I will start. Certainly, we are always looking for ways to operate the agency more efficiently and more effectively. As good stewards of the agency, that is our responsibility. And so we have had conversations with our Federal partners as well as OMB about how we can ensure that we have the most streamlined and most easily navigable process for small businesses. And at the SBA, we are particularly sensitive to that because we live and breathe small businesses and trying to serve their needs and we know that it has to be easy—the resources for the Federal Government have to be easily accessed, easily understood in order for them to be useful. Otherwise, they are not going to be utilized.

And so the export.gov, for example, is a response to that issue, to ensure that we are coordinating our resources and the information that we have across the Federal Government and putting that—packaging that in a way that is more easily accessible for small businesses.

Senator AYOTTE. I would love to hear from all of you. Also, should we do the one-stop shop? Should we eliminate some of the agencies' involvement to make it easier for small businesses to navigate and make sure that we are not duplicating some of the things that we are trying to accomplish?

Mr. FRIEDMAN. If I may, Senator, I would support the idea of more one-stop shopping. In particular, in the travel and tourism business, there is a lot of conflict between, on the one hand, trying to advertise to get people to come here, then people trying to get a visa to come here, whether it is for business, they want to buy machinery or something in New Hampshire, they cannot get a visa in China and they do not want to come. Homeland Security may not welcome them when they get here.

We are probably one of the only major countries in the world, frankly, that does not have a Minister of Tourism as a cabinet-level position, and tourism is actually the largest single industry in the world. So I think that simplifying these overlapping jurisdictions is very, very critical for actually small and—for all kinds of businesses, but big businesses can handle it because they have armies of people who can figure it out.

Senator AYOTTE. Right.

Mr. FRIEDMAN. But the little guy, he is just stunned. I got an email from a Congressman in Vermont who had some Chinese people who wanted to come and invest a substantial amount of money in Vermont and hire 50 or 100 people. They could not get a visa. Well, Commerce cannot help with that. Homeland Security cannot. Sometimes people get to our borders and they get turned away. So it is a bit of a morass, and post-9/11, we have had a very defensive view of ourselves as a country.

Senator AYOTTE. Well, I appreciate that. Mr. Cox, I do not know if you wanted to comment?

Mr. COX. I would just say, Senator, that the one-stop shop was the genesis of the Export Assistance Centers and the idea was that no one agency would really be the agency. All agencies would share equally to help exporters, so that exporters, small businesses could come in, and regardless of whose jurisdiction—we would not worry about that. We would get the answers as quickly as possible.

Here in New Hampshire, there is a great tradition of that with the International Trade Resource Center, where six or seven agencies participate under one roof to help get that word out to the company. Again, we want to help one another because the company's success is all of our successes.

Ms. JOHNS. May I add one quick point, Senator Ayotte, and that is, particularly with the Department of Commerce, the way we have organized our thinking around this—I have talked about the identifying small businesses, preparing them, connecting and supporting, et cetera. The SBA is very focused on new to exporting, in other words, identifying those small businesses that are poised to be successful as exporters but need some preparation in order to really enter that arena and get going. So that is where we provide a very important set of resources because that is what we are built to do through our technical assistance and counseling programs, the various resources that we do every day for small businesses.

Then at a certain point it is appropriate to hand that business off to the Department of Commerce so that they can then pick up in their area of expertise, which is actually helping that—guiding that small business into a market outside of our country, et cetera.

So this is—we are not taking a haphazard approach to this at all. We are being very thoughtful about how to play to our agencies' strengths to make sure that we provide that seamless level of support for small businesses.

Mr. FRIEDMAN. And, Senator, I would add that, to echo what was just said, that to the extent that the SBA is more involved in helping some of the small businesses that may be very young companies—there was some discussion earlier of an incubator-type approach to helping young companies that want to get involved in exporting, and these companies have a life cycle that they move through that make them get to a size and a stage of development that makes them more appropriate to then become eligible to use Ex-Im Bank programs, we can then pick them up at that point.

The Commerce Department may have helped them identify market opportunities, to demystify some of what is keeping people from going out and starting to export. And then at some point, it becomes a company that is—that has an order, that has a market. We offer products that may be relevant to a company that is only selling in a single country or that has expanded and developed its exporting activity and now is reaching out and able to sell to multiple countries.

But we at Ex-Im Bank also then help much larger companies, and so I think that we have a continuum along the not just—just along the life cycle and stage of development and size of companies that we serve and that that is useful. We do have—we do cooperate very effectively and we have, I think, on our Web sites the ability to direct our customers to each agency, as appropriate.

Senator AYOTTE. Thank you very much.

Senator SHAHEEN. Thank you.

One of the things that we wanted to do a little differently today is give an opportunity for those people invited today to ask a question, so we have gotten questions from a number of you in the audience and I am just going to read one of those. Some of the questions were not questions that were really appropriate for the members of this panel. They dealt with other issues. And so I just wanted to let anybody who had submitted a question that is not for this panel know that we are going to forward those questions to the appropriate Federal agency so you can get an answer to them.

This is from Peter Antoinette, who I think is still here. I saw him earlier. He is the President and CEO of Nanocomp. There he is. Peter asked what specifically can be done or should be done to simplify or reduce ITAR export regulations. We addressed this a little bit earlier. I think you addressed it, Dick, as you were talking in your testimony. Would you like to expound on what you had to say a little bit about what can be done to make our export control regime more user friendly for the businesses of this country?

Mr. FRIEDMAN. Well, I think it somewhat goes to Senator Ayotte's question about single sourcing, single whatever, single window. I can actually read to you out of our letter to President Obama on this section. He said, a single window, which is a system

that allows traders to lodge information with a single body to fulfill all import or export related requirements, would reduce a major barrier to U.S. exports and deliver immediate measurable results.

The World Bank estimates that, globally, it takes an average of six days to move goods to or from the United States. A one-day improvement in that time, export time for imports by means of a single window, would increase U.S. trade by \$29 billion—

Senator SHAHEEN. Wow.

Mr. FRIEDMAN [continuing]. And create thousands of new jobs in the United States—one day. So, on average, some stuff is held up in these—with this bureaucratic stuff for months, and so if we can speed up the process and expedite this, these are customers. They are not foreigners. They are customers. And if you are McDonald's, you determine your success by how fast you can make hamburgers. So the speed is very, very important.

Senator SHAHEEN. Thank you.

Senator Ayotte.

Senator AYOTTE. Thank you very much. I think that goes to the overall question of what can we do to speed this up? What can we do, Mr. Cox, following up on what Mr. Friedman has said, from the Department of Commerce perspective? I know I am cosponsoring several pieces of legislation to make sure that the regulations are passed in Washington that impact small businesses, and all businesses, frankly, that there is more of an analysis of the indirect costs on business in terms of what the regulation does and making sure that we are trying to streamline more. Can you help us with—I hear this so much, whether it is ITAR or other areas, what Mr. Friedman has just described—what is being done right now and what more can be done to make it easier for businesses on the regulatory end.

And I know, Ms. Johns, you have experience in the private sector on this, as well, so I would love to hear your thoughts on it.

Mr. COX. In terms of export regulations, my understanding is that there are proposals for a single entry type of processing, and I believe the hope, and I am sure the expectation is to speed up processing of export applications and licenses. Right now, there are a number of agencies—the Commerce Department, the State Department, the Treasury Department—that get involved in those export licenses. Then they get involved in dual use issues and ITAR, as we have heard. So there is a recognition. I think your comments, your interest is helping to push this issue.

At the local level, I would say that our initiative is to make companies aware of the regulations, bring our officials from Washington to New Hampshire and elsewhere so they can have conversations; we can have seminars and discussions on these issues so that the people on the front lines in our offices in Washington also go back and understand the issues that are being faced by New Hampshire exporters.

Ms. JOHNS. Senator Ayotte, what I would add is that you are absolutely right. As a retiree from the telecommunications industry, I know a little bit about regulatory issues and how they can sometimes impede business growth. And so what we want to make sure is that there is an appropriate level of regulation. It has its place. But we want to ensure that we are looking constantly for ways to

not burden—to ensure that small businesses are not burdened by undue regulations.

So a few things we have done at the agency. First of all, we started at home to make sure that our processes—we have gotten feedback. We have roundtables with small businesses around the country all the time, Administrator Mills, myself, other senior officials at the agency, to hear directly from small businesses, and we are taking that input and we are making improvements at home by streamlining our loan application processes, making sure that we have the touchpoints and using the new technology to allow us to be more customer friendly, if you will, for small businesses, and that work continues.

Start-Up America is an initiative that the SBA has been very involved with, and we not long ago finished a nationwide tour in several key markets around the country to hear directly from small business owners and other key stakeholders about what were the regulatory burdens they were facing. That information has been compiled. We are in the final stages of preparing a report that will be shared across the government, and we will be working closely with our Federal partners to ensure that what we learned from the Start-Up America road tour, that those issues are being factored into plans that other agencies have for improving the regulatory process.

Senator AYOTTE. Thank you very much, and I know that both of us stand ready to work with you to make the regulations easier for our businesses, and hopefully we can speed that time up and really create more jobs here.

Senator SHAHEEN. And one of the things that I think would be very helpful to everybody on the Small Business Committee, not just Senator Ayotte and I, would be to get copies of the council's letters, like the one you just read from, so that we can see what your recommendations are and we can make sure that that gets into the record for the Small Business Committee and that everybody has a chance to see those. That would be very helpful.

[The President's Export Council letters appear in the Appendix on p. 84.]

Mr. FRIEDMAN. I would be happy to send them to you.

Senator SHAHEEN. Great. Thank you.

Mr. FRIEDMAN. Sure.

Senator SHAHEEN. I know that we have another panel to do, so I think, as interested as we are in what everybody has to say, we will do one more question each before we bring on the second panel.

I would like to just ask each of you, just very briefly, if you could talk about what kind of outreach efforts you have, because one of the things that we are all struggling with is how do we make sure that businesses in New Hampshire and throughout the country know what is available to them. So if I could just ask you, each in one minute to talk about what you are doing at your agency to make outreach available.

Ms. JOHNS. Should I start, Senator?

Senator SHAHEEN. Yes, please.

Ms. JOHNS. Well, Senator Shaheen, that is an area that is very close to my heart because it is striking to me how many businesses,

small businesses around the country, do not have a full understanding of what the SBA does. And so outreach is high on our agenda, to build awareness about the SBA's resources, access to those resources, and we are particularly focused on exporting.

As has been expressed in a number of very powerful ways through the panelists, we have got to change the mindset of small businesses in this country to let small businesses know that the tools are there, the resources are there for them to get involved in exporting. That is where the new markets are. And if we do not, we are going to have a huge detriment for our small businesses.

So we are doing a number of events, exporter matchmaking events. We are involved with the Department of Commerce through the District Export Councils, the 56 of those around the country. We are using new technology through our newly revised Web site. We have an exciting contest that is underway on YouTube that is a cosponsorship with Visa, tell us your exporting story. That contest was just launched in August. We will be announcing the winner in November and that winner will get not only cold, hard cash, they will also get the benefit of Gold Key service from the Department of Commerce.

So we are trying to be as creative as possible to use every opportunity through our headquarters efforts, but we have a very powerful tool in that the SBA has 68 field offices. We have a district International Trade Officer in each one of our district offices. We have an increased presence in the USEACs, 20 of those around the country, and we are intending to bring more online.

So we are operating on all fronts to make sure that we are using the tools, connecting with partners, and using all networks that we can access to tell the story that, small businesses, now is the time to get involved with exporting.

Senator SHAHEEN. Great.

Ms. FELTON. Yes, Senator. We have a number of initiatives that we have launched in the last year or two in order to make sure that we are reaching out more effectively to small businesses, one of which I mentioned earlier the Global Access Forums. We have webinars. We have a new small business portal that will direct small businesses quickly to where to go on our site in order to find what they need in order to access Ex-Im Bank programs.

Importantly, we have five regional offices. We are, as I mentioned, a small agency. We have a Northeast Regional Office. Bruce Drossman is here today and he can—he will be sticking around to make sure that he can talk to everybody who might have a need. But he is based in New York. He is responsible for handling our potential customers and developing leads in New Hampshire. What he will do is help determine what the need is that the business has and direct them to the right place. They may be insurance brokers. We, I should also mention, use a number of lenders who have delegated authority to process things quickly and Bruce would be able to help determine who would be the best fit for the customer's need.

Senator SHAHEEN. Great. Bruce, do you want to stand up so everybody can see you. Thank you.

And we are going to ask all of the SBA people who are here to stand up, too.

Ms. JOHNS. I have a great team with me today.

Senator SHAHEEN. Marie, would you like to introduce everybody who is here.

Ms. JOHNS. We have got lots of people here today, so—our Regional Administrator, Jeanne Hult, is here. Our District Director is here, Greta Johansson, and members of their team. Marilyn is our International Trade Officer for the New Hampshire District and doing a great job. Who have I missed? John Joyce, yes, is here, and our Advocacy Regional Administrator—when we talk about regulatory impediments, our Office of Advocacy at the SBA is a critical partner in that work and our Region I Administrator is here, as well.

Senator SHAHEEN. Great. Thank you. So if you need help from any of these people, you know who to check at the end.

Jim.

Mr. COX. Senator, with that, I cannot let my own people off the hook. I want to introduce Justin Oslowski and Taylor Little, who are great partners here in New Hampshire—

Senator SHAHEEN. Thank you.

Mr. COX [continuing]. So they are our turn-to people.

What I would say in response to your question is that we are, like SBA and Ex-Im Bank, always running events, always doing programs. We are very pleased to have a partnership with the Granite State District Export Council. John Sutton of Dartware is our chair of it, and the next panel, you will be hearing from the Vice Chair, Grace Preston. That is a public—it is a private sector voice of what is going on in the exporting community and it keeps us honest and gives us guidance and it helps us out in a great way.

Events are being held all the time. I mentioned a couple of seminars and webinars. I am very pleased that your interest as Governor and your interest as Senator to lead a trade mission. It is a fantastic event where people can learn of the opportunities, whether they can attend or not. These markets are out there. Some are very easy and approachable for small companies that are just getting started. Some are very difficult and it is not transparent what goes on in those. So having an executive-led trade mission is very important and I would certainly invite Senator Ayotte, if opportunity presents itself, to lead a trade mission, as well. It does provide great opportunities for companies to see first-hand and it is quite a bit of work, as you are aware. Those are long, long days.

Those are some of the areas that we focus on. Again, the partnerships, the working in the community, getting the counseling done through all the partners, just the great partnerships here in New Hampshire are key to us.

Senator AYOTTE. Thank you.

Dick, I do not know if you want—

Mr. FRIEDMAN. I am not doing any coordination. I have no people here.

[Laughter.]

Mr. FRIEDMAN. But I just would say one thing. I think that the dollar is very favorable for trade. “Made in USA” is prestigious worldwide, and “Made in New Hampshire” is particularly prestigious because people think of New Hampshire, whether it is maple syrup or Segways or whatever—

Senator AYOTTE. We would fully agree with that.

[Laughter.]

Mr. FRIEDMAN [continuing]. About quality. And people who export ought to blast on their boxes or whatever, "Made in the USA," "Made in XYZ, New Hampshire, USA." There is a gigantic potential. We have got to learn to think. Can you imagine a Japanese company that does not think about exporting? I do not care how big they are. That is their business. We have got to get back to the basics, that 95 percent of the consumers are non-American.

Senator SHAHEEN. Great. Well, thank you all very much.

Senator AYOTTE. Thank you very much.

Senator SHAHEEN. We hope that you will stick around for the second panel and hear what some of the New Hampshire folks who are engaged in trade have to say. Thank you.

So we are going to be switching over panels, and while we are doing that, let me just recognize two people on my staff who have worked really hard to put together this event, Chris Neary who is my assistant who works with the Small Business Committee, and Scott Merrick, who works with business interests here in New Hampshire, and Senator Ayotte, you may want to introduce folks who you have here.

Senator AYOTTE. Yes. I want to introduce John Lawrence from my staff, actually from Washington, up here to help me. And then I have other members of my staff who are here, Susan Terzakis, who is here in the back, who also works in the New Hampshire office, and my State Director, Bud Fitch, is wandering around here somewhere, along with Steve Monier, who works on veterans' issues for me, and Liz Johnson, who does press for me.

Senator SHAHEEN. Thank you.

I think two of our panelists are here. I do not know if Tom Moulton has—there he is. Thank you. We have you in the middle here.

[Pause.]

Senator SHAHEEN. We are going to go right into the second panel because we are running a little bit behind. We started a little late, so hopefully we can run over a little bit, but we do not want to run over too long since we promised folks that we would get you out as close to four as possible.

But we are delighted to have a second panel of New Hampshire witnesses here, and they will help us explore some of the issues that were raised by the first panel, those challenges faced by New Hampshire small businesses as they try and export.

We will hear directly from small business exporters about their experience, and I would like to begin by introducing Dawn Wivell, who anybody who has worked in exporting in New Hampshire knows that she is the former Director of New Hampshire's International Trade Resource Center. She just retired recently. We are really going to miss her. But the good news is that she is now going to be in the private sector.

I worked with Dawn very closely during my six years as Governor and I continue to rely on her expertise. So under Dawn's leadership, I think everybody who has spoken today has talked about how well New Hampshire has done with regards to trade. Well, that speaks to all of the innovative businesses we have here,

but it also speaks to Dawn's leadership and the work of the International Trade Resource Center. So thank you, Dawn, very much, for being here.

Ms. WIVELL. Thank you.

Senator SHAHEEN. I would also like to introduce Grace Preston, who is the International Sales Manager at Secure Care, which is based in Concord. Secure Care's employees design, manufacture, and service systems that protect Alzheimer's and dementia patients from wandering out of nursing homes. They protect infants from being abducted from a hospital maternity ward. Under Ms. Preston's leadership, Secure Care has generated millions of additional dollars in revenue by exporting its products. Utilizing both state and federal resources, Secure Care has developed working relationships in Ireland and Australia and plans to continue expanding to new international markets. So, again, we are delighted to have you here, Grace.

I will turn it over to Senator Ayotte to introduce Mr. Moulton.

Senator AYOTTE. Thank you very much, Senator Shaheen. It is my privilege to introduce Thomas Moulton, who is here today. In 1989, Tom founded Sleepnet in Hampton and now serves as the President and CEO. Sleepnet has been making quality products that help hundreds of thousands of people around the globe sleep better, and we all could use that, right?

[Laughter.]

Senator AYOTTE. It has become an industry leader in mask innovation and development. Tom's passion for American manufacturing and job creation has led to his success, and a lot of hard work. In two-plus decades, he has grown his company to a position where it exports to 30 countries in 14 languages. Sleepnet has 25 employees, all in New Hampshire, and all his products are designed and assembled in the United States, with 65 to 70 percent of his sales coming from exports.

It is a privilege to have Tom here with us today and we look forward to hearing your perspective, and I thank you.

Senator SHAHEEN. So, again, thank you all for being here. We hope you will try and stick with the five-minute time limit, please, and if we can ask you to speak directly into the microphone so we can make sure we can record your testimony.

And I will ask you to begin, Dawn.

STATEMENT OF DAWN WIVELL, FORMER DIRECTOR, OFFICE OF INTERNATIONAL COMMERCE/INTERNATIONAL TRADE RESOURCE CENTER, STATE OF NEW HAMPSHIRE

Ms. WIVELL. Okay. Thank you, Senator Shaheen. Good afternoon, Senator Shaheen and Senator Ayotte. I would like to thank you for this opportunity to address this committee on the importance of exports to our economy and how we might boost U.S. exports to the level at which they should be.

My name is Dawn Wivell and for the past 21 years I have proudly served as the International Trade Director for the State of New Hampshire. I resigned my post less than two weeks ago to launch an international business development company. Previously, I worked in the private sector, both overseas and in the U.S. in sectors ranging from oil drilling to import/export to manufacturing. I

also spent five-and-a-half years with the Italian government, where my job was to assist Italian companies to penetrate the U.S. market.

During my two decades with the state, I have witnessed tremendous growth in exports, in export markets, in the sophistication of our industry base and our capabilities. As has already been mentioned, at \$4.4 billion in sales, New Hampshire's exports increased by 43 percent in 2010, reaching an all-time record, in addition to being the highest percentage increase amongst the States.

The bottom line in dollars and cents, which is the number, I think, that is really exciting, is that New Hampshire companies sold over \$1.3 billion more in goods in 2010 than they did in 2009. That number does not even account for the export of services, which we do a lot, and we are unable to quantify that due to available data. Moreover, our exports continue to increase, and as of the end of May, we are already up another 12 percent. I think in this current economy, that is pretty tremendous.

One-quarter of all manufacturing workers in New Hampshire depend on exports for their jobs. Over 2,200 New Hampshire companies export, 88 percent of which are SMEs, which generate 42 percent of New Hampshire's total exports. This is the ninth highest share among the States and well above the national average, which is about 31 percent, I think.

According to the Tech America Foundation, New Hampshire has the third highest tech export concentration in the nation, accounting for 50 percent of total exports.

Over the years, I have had the opportunity of working with a huge spectrum of companies in nearly every industry sector. I have worked with many very small companies that have achieved amazing results in the foreign marketplace, some of which would no longer be in business were it not for their foreign sales. As we all know, these entrepreneurs and innovators are the drivers of the U.S. economy, the job creators. Companies like them throughout the world are the drivers of the global economy. I can attest to the fact that the majority of economic development agencies around the world are equally focused on the development of the sector of their economy and they are hyper-focused on export-led growth.

The term SME or SMB is a term that one can freely use across any language without translation. The difference is that the United States spends just one-sixth of the international average helping its small businesses to export. In actuality, a World Bank study found that each dollar increase in export promotion expenditures bought a 40-fold increase in exports.

The reality is that there is tremendous untapped opportunity for our small businesses in the global marketplace. However, these businesses need a little help and they are competing with businesses around the world that get a lot of help. What they need in terms of assistance is access to buyers, market intelligence, capital, advocacy, reduced tariff and non-tariff barriers, reasonable export regulations, and technical assistance. These are all services that are offered in whole or in part by the federal export promotion agencies and by the state trade offices.

However, over the past couple of years, budget reductions on the federal and state levels have severely hampered the ability to effec-

tively provide these services. For example, the U.S. and Foreign Commercial Services provides programs that are essential to U.S. exporters, the most important of which is their customized match-making with buyers and partners, their ability to provide direct market intelligence, customized marketing events, and in-country advocacy. These are fundamental needs that are essential to achieving America's goals of doubling exports in five years. Yet over the past few years, the U.S. and FCS has lost 239 staff positions, some overseas offices, and has undergone many budgetary constraints, including significant cuts to travel funds.

The capacity to keep up with the ever-growing demand is a problem. Many of the states partner with the Commercial Service, and none more so than the State of New Hampshire. A recent trade mission to Canada led by Governor Lynch demonstrated to me how counterintuitive these reductions are. In many regards, Canada is the most important market to U.S. exporters, yet there is only one Commercial Officer covering the entire country and the local staff is and was so overburdened that they had to hire an outside contractor to support the needs of the mission participants. And this mission, by the way, consisted of 17 companies, most of which were new clients.

Many state trade offices have suffered severe cuts to their trade promotion budgets, aggregated at about 20 percent. In the case of New Hampshire, the International Trade Resource Center, which not so long ago was a national award winning program serving hundreds of New Hampshire companies, has been reduced to one staff person with a zero travel budget.

The State Trade and Export Promotion Grant Program, which came out of the 2010 Small Business Jobs Act, will provide much-needed support to the state trade offices to meet the demands of their clients. While the program has seen delays and has been burdensome to some of the state trade offices, particularly with the recent requests for adjustments and resubmission, it is a boon for every state and is much appreciated. As a bonus, I appreciate that the STEP program may spawn some new and innovative programs.

Another issue which continues to be very important and increasingly so is the fact that there is no mandate or directive in place which provides a real incentive for federal-state collaboration. The effectiveness of collaboration cannot be overstated. The organizations at the local level working in the field know their companies, their assets, and their weaknesses better than anyone.

In New Hampshire, this collaboration, which has included the state office, the U.S. Commercial Service, Ex-Im Bank, SBA, SBDC, TDA, and MEP, has worked beautifully and is something that we became known for. It is quite confusing as to why this issue, which has been brought up so many times, has never been seriously addressed.

Economists and analysts are predicting a significant global economic transformation over the next decade where emerging economies will account for more than half of all global growth, where economic powers will shift and the world economy becomes multipolar. Barring any major calamitous event, demand should continue to grow and may even be unprecedented. Accordingly, both opportunities and competition will increase. It is of the utmost im-

portance that we consider the impact of investing and the potential for growth. In addition to the fact that export jobs pay more, it is a well documented fact that those companies that exported during the last couple of years were able to sustain their business, in great part due to their broader customer base.

There are many reasons why exporting is actually becoming more viable, such as the rapid diffusion of information technology. In addition to being at the vanguard of innovation, the most compelling reason why we know that American SMEs can compete in the global marketplace is that they have already been successful in the most competitive market in the world.

Again, thank you for this opportunity to speak, and thank you, Senator Ayotte, and I want to thank Senator Shaheen, in particular, as always, for all the many years of significant contribution you have made to small business and exports in particular.

[The prepared statement of Ms. Wivell follows:]

Testimony of

**Dawn Wivell, CEO
Firebrand International LLC**

U.S. Senate Committee on Small Business and Entrepreneurship

“The Role of Exports in Small Business Growth and Job Creation”

Thursday, August 11, 2011
Manchester, New Hampshire

Good afternoon Senator Shaheen and Senator Ayotte. I would like to thank you for the opportunity to address this committee on the importance of exports to our economy, and how we might boost U.S. exports to the level at which they should be.

My name is Dawn Wivell, and for the past 21 years I have proudly served as the international trade director for the State of New Hampshire. I resigned my post less than 2 weeks ago to launch an international business development company. Previously, I worked in the private sector both overseas and in the U.S., in sectors ranging from oil drilling to import-export to manufacturing. I also spent 5 ½ years with the Italian Trade Commission, where my job was to assist Italian companies in penetrating the U.S. market.

During my two decades with the State, I have witnessed tremendous growth in exports, in export markets, in the sophistication of our industry base, and our capabilities. At \$4.4 Billion in sales, New Hampshire's exports increased by 43% in 2010, reaching an all-time record, in addition to being the highest percentage increase amongst the states. The bottom line, in dollars and cents, is that New Hampshire companies sold \$1.3 Billion more in goods than they did in 2009. This doesn't even account for the export of services which we are unable to quantify due to lack of available data. Moreover, our exports continue to increase; by an additional 12% as of the end of May. In the current economy, I think that is tremendous.

One-quarter of all manufacturing workers in New Hampshire depend on exports for their jobs. Over 2,200 New Hampshire companies export, 88 percent of which are SMEs, which generate 42% of New Hampshire's total exports. This is the ninth highest share among the states and well above the national average. According to the TechAmerica Foundation, New Hampshire has the third highest tech export concentration in the nation, accounting for 50 percent of total exports.

Over the years, I have had the opportunity of working with a huge spectrum of companies in nearly every industry sector. I have worked with many very small companies that have achieved amazing results in the foreign marketplace, some of which would no longer be in business, were it not for their foreign sales. As we all know, these entrepreneurs and innovators are the drivers of the U.S. economy; the job creators. Companies like them throughout the world are the drivers of the global economy. I can attest to the fact that the majority of economic development agencies around the world are equally focused on the development of this sector of their economy, and hyper-focused on export-led growth. SME or SMB is a term one can freely use across any language, without translation. The difference is that the United States spends just one-sixth of the international average helping its small businesses to export. In actuality, a World Bank study found that each dollar increase in export promotion expenditures brought a 40-fold increase in exports.

The reality is that there is tremendous untapped opportunity for our small businesses in the global marketplace. However, these businesses need a little help, and they are competing with businesses around the world that get a lot of help. What they need in terms of assistance is access to buyers, market intelligence, capital, advocacy, reduced tariff and non-tariff barriers, reasonable export regulations, and technical assistance. These are all services that are offered, in whole or in part, by the federal export promotion agencies and by the state trade offices. However, over the past couple of years, budget reductions on the federal and state levels have severely hampered the ability to effectively provide these services. For example, the US & Foreign Commercial Service provides programs that are essential to U.S. exporters, most important of which is their customized matchmaking with buyers and partners, their ability to provide direct market intelligence, customized marketing events, and in-country advocacy. These are fundamental needs that are essential to achieving America's goal of doubling exports in 5 years. Yet, over the past few years, the US & FCS has lost 239 staff positions, some overseas offices, and has undergone many budgetary constraints, including significant cuts to travel funds. The capacity to keep up with the ever growing demand is a problem. Many of the States partner with the Commercial Service and none more so than the State of New Hampshire. A recent trade mission to Canada, led by Governor Lynch, demonstrated to me how counterintuitive these reductions are. In many regards, Canada is the most important market to U.S. exporters, yet there is only one Commercial Officer covering the entire country and the local staff is and was so overburdened that they had to hire an outside contractor to support the needs of the mission participants. This mission, by the way, consisted of 17 companies, most of which were new clients.

Many State trade offices have suffered severe cuts to their trade promotion budgets; aggregated at about 20%. In the case of New Hampshire, the International Trade Resource Center, which, not so long ago, was a national award winning program, serving hundreds of New Hampshire companies, has been reduced to one staff person with 0 travel budget. The State Trade and Export Promotion grant program which came out of the 2010 Small Business Jobs Act, will provide much needed support to the state trade offices to meet the demands of their clients. While the program has seen delays and has been burdensome to the state trade offices, particularly with the recent request for adjustments and re-submission, it is a boon for every state and is much appreciated. As a bonus, I anticipate that the STEP grant may spawn some new and innovative programs.

Another issue which continues to be very important, and increasingly so, is the fact that there is no mandate or directive in place, which provides a real incentive for federal-state collaboration. The effectiveness of collaboration cannot be overstated. Organizations at the local level, working in the field, know their companies; their assets and their weaknesses, better than anyone. In New Hampshire, this collaboration which has included the State office, the U.S. Commercial Service, Eximbank, the SBA, the SBDC, the TDA, and the MEP has worked beautifully, and is something we became known for. It is quite confusing as to why this issue, which has been brought up so many times, has never been addressed seriously.

Economists and analysts are predicting a significant global economic transformation over the next decade, where major emerging economies will account for more than half of all global growth, where economic powers shift, and the world economy becomes multipolar. Barring any major calamitous event, demand should continue to grow, and may even be unprecedented. Accordingly, both opportunities and competition will increase. It is of the utmost importance that we consider the impact of investing in the potential for growth. In addition to the fact that export jobs pay more, it is a well-documented fact that those companies that exported during the last couple of years were able to sustain their business in great part due to their broader customer base. There are many reasons why exporting is actually becoming more viable, such as the rapid diffusion of information technology. In addition to being at the vanguard of innovation, the most compelling reason why we know that American SMEs can compete in the global marketplace is that they have already been successful in the most competitive market in the world.

Again, thank you for this opportunity to speak and, Senator Shaheen, thank you, as always, for the many years of significant contributions you have made to the small businesses of New Hampshire and to export development.

**Dawn M. Wivell, CEO
Firebrand International LLC**

Dawn Wivell recently founded Firebrand International LLC, a New Hampshire based firm which focuses on developing international business strategies for U.S. and foreign businesses, economic development agencies and trade associations, worldwide.

Prior to the launch of Firebrand International, Dawn spent 21 years as the International Trade Director for the State of New Hampshire, where she was responsible for developing and implementing all state international trade related programs, strategies and activities. Dawn established the export development department for New Hampshire, creating the NH International Trade Resource Center, which was recognized as a national model. Together with her team, she worked with over 2,000 companies, organized trade missions to 30 countries, hosted hundreds of foreign delegations, and developed award winning marketing campaigns and strategies.

Ms. Wivell's previous positions include managing an oil drilling operation in Italy, working as a senior trade analyst for the Italian Trade Commission, director of an international trading company, and sales administration for the oldest company in the U.S. Originally from California, Dawn has also lived in Texas, Scotland and Italy. She is fluent in Italian, and competent in Spanish and French.

Ms. Wivell is a director of the New Hampshire International Trade Association, a member of the Advisory Council to the Graduate School of International Management of Southern New Hampshire University, a member of the District Export Council, a member of the NH International Trade Advisory Council, and advisor to the Urban Solutions Institute of Indonesia. Dawn was the recipient of the NHITA Excellence in Trade Award, the national Vision 2000 Award, the SBA's New Hampshire Small Business International Trade Advocate of the Year Award, and has been certified by the National Association of Small Business International Trade Educators (NASBITE), as a Global Business Professional.

Senator SHAHEEN. Thank you very much.
Mr. Moulton.

**STATEMENT OF THOMAS MOULTON, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, SLEEPNET CORPORATION**

Mr. MOULTON. Good afternoon, Senators. Thank you for having me. As my university professor taught me to KISS, “keep it simple, stupid,” and I will try to do that for you, to be short and brief but hopefully to the point.

My name is Tom Moulton. I am the Founder and President of Sleepnet Corporation in Hampton, New Hampshire. Sleepnet is the leading domestic manufacturer of masks that sleep apnea sufferers wear nightly. For over 15 years, I have employed eight to ten manufacturing employees, 25 to 30 at some times, including engineers and business people as well. I do this in part in the spirit of patriotism and partly because it makes sound business sense.

For the first time, however, I have begun to source components in Asia. While this does not affect the Sleepnet workforce, I am not blind to its impact on my New England area vendor base, whose staff will be less busy and pay fewer taxes as a result.

I have been asked to comment on the role of exports in job creation for America. But before I can make my comments and observations, it is my opinion that we first must reflect on our past for guidance and then be willing to make changes in order to create a better future for all of us. I will talk about the manufacturing in particular.

It is a vital and key economic component to any industrialized nation. Typically, for every one manufacturing job, seven other jobs are created. The key to America’s economic strength was created and embodied in manufacturing. From manufacturing, many other industries were created—finance, banking, insurance, real estate, trade, the service industries, et cetera. Make no mistake, it is powerful and impactful to an economy. If you doubt it and do not believe me, look what manufacturing has done for China and other economies over the past two decades. It is not rocket science.

Just to segue for a second, on the front page of the Wall Street Journal today, there is quite a naval aircraft carrier that China has built, and quite frankly, you cannot do this if you do not have superior manufacturing. That is something to take note of.

Unfortunately, over the recent decades, America has lost its competitive edge and is on a continuing downward slide. We have literally given away our technology and manufacturing jobs to others, and I find it sinful.

We say, how did this happen? It is really not hard to figure out, and I often refer the scenario to my business colleagues as corporate treason. I say it was far from our objectives to wake up one day and find ourselves in an unfavorable business climate created by government, largely caused by overregulation, onerous labor laws, and over-taxation. They found themselves in an uncompetitive environment for business, so they went elsewhere with manufacturing jobs to improve their bottom line. The result is an ongoing catastrophe and a slow death for our nation.

What can we do to reverse the slow death? Give manufacturing companies a good reason to come back to and set up shop in Amer-

ica again. Where and how can the government help manufacturers? Get involved and get out of the way. Predictability, I feel, with government incentives and technology. America is known for its ingenuity. We can compete with cheap labor because we have better technology. At least, our country has been known to create cutting edge in technology in all different industries.

For starters, I think the government needs to create meaningful and long-term incentives for manufacturers to reinvent in themselves, by giving opportunities for companies to invest in new equipment, so they can be competitive in our global economy. Look how some of the foreign car companies have set up manufacturing plants in the South and have done well. And if you look at Detroit now, it is abominable. Sixty years ago, Detroit was a shining jewel, and today it is a rust bowl. Very sad.

Commit to some long-term R&D tax credits. Temporary incentives do not give companies ability to do long-term planning. Competing in business is a marathon, not a spring. Well-run businesses that pay taxes require predictability from their government on how they are treated.

Education, and you can refer to the Wall Street Journal article of yesterday on how to close the skills gap, a very good article if you have not read it. It is excellent on education. There are about three million jobs available right now, but we do not have the skill sets to support them.

As I referred to again in the past, numerous industries can point to their very existence as the result of creations, including computers, microwaves, and communication technology. To ensure the future viability of the future manufacturing workforce, new engineers and scientists are needed to create the next big thing, or 100 things. It is critical we train that next generation of math and science majors in this country that want to and can stay here.

Our immigration policy, our education policy and incentives around each will have an outsized effect on whether we have 1,000, 10,000, or 100,000 new engineers, and the resulting multiple of manufacturing jobs that they will create ten years from now. There needs to be a comprehensive plan to ensure future manufacturing jobs. It is vital.

And that is it. I appreciate the opportunity you have given me to give some personal thoughts on the matter. I am both honored and humbled to be asked to be here. I took my time away from my business today because I care and I really want to make a difference in my country. I love my country. I love the State of New Hampshire where I reside. I raised my family here. Like you, my motivation is to support the efforts to make life better for my fellow citizens and my country. I am an American, and I am proud to be one. Thank you.

[The prepared statement of Mr. Moulton follows:]

Testimony of Tom Moulton, Sleepnet Corporation Hampton, NH

Good afternoon.

My name is Tom Moulton. I am the founder and President of Sleepnet Corporation in Hampton. Sleepnet is the leading domestic manufacturers of masks sleep apnea sufferers wear nightly. For over 15 years, I have employed 8-10 manufacturing employees. I do this partly out of a spirit of patriotism and partly because it makes sounds business sense. For the first time, however, I have begun to source components in Asia. While this does not affect the Sleepnet workforce, I am not blind to its impact on my New England area vendor whose staff will be less busy and pay fewer taxes as a result.

I have been asked to comment on the role of exports and job creation for America. Before I can make my comments and observations it is my opinion that we first must reflect on the past for guidance and then be willing to make changes in order to make a create a better future.

Manufacturing

Manufacturing is a vital and key economic component to any industrialized nation. For every one manufacturing job, seven others are created. The key to America's economic strength was created and embodied in manufacturing. From manufacturing many other industries were created, finance, banking, insurance, real estate, trade, service industries, etc. Make no mistake it is powerful and impactful.

If you doubt it, or do not believe me, look at what manufacturing has done for China's and other economies over the past 2 decades. It is not rocket science to figure this out.

Unfortunately over the recent decades America has lost its competitive edge and is on a continuing downward slide. We have literally given away our technology manufacturing to others. It is sinful.

How did this happen?

It is not hard to figure out. I often refer to this scenario to my business colleagues as corporate treason. I say it was fostered by executives who woke up one day and found themselves in an unfavorable business climate created by our government largely caused by over regulation, onerous labor laws, and over taxation. They found themselves in an uncompetitive environment for business. So they went elsewhere with manufacturing jobs to improve their bottom line. The result is an ongoing catastrophe and a slow death for our nation.

What can we do to reverse this slow death?

Give manufacturing companies a good reason to come back home to America to setup shop again.

Where, and how the Government can help manufacturers.

Get involved and get out of the way.

Predictable Governmental Incentives in Technology

American ingenuity! We can compete with cheap labor with better technology.

For starters the government needs to create meaningful and long term incentives for manufacturers to reinvest in itself. By giving opportunities for companies to invest in new equipment so they can be more competitive in a global economy. Look at how foreign car companies have set up manufacturing plants in the south and have done well.

Commit to long term R&D tax credits. Temporary incentives do not give companies the ability to do long term planning. Competing in business is a marathon not a sprint. Well run businesses that pay taxes require predictability from their government on how they treated.

Education

Numerous industries can point to their very existence as a result of NASA's creations, including computers, microwaves, and communication technology. To ensure the future viability of a domestic manufacturing workforce, new engineers and scientists are needed to create the next big thing (or 100 things). It is critical we train the next generation of math and science majors in this country and that they want to and *can* stay here. Our immigration policy, our educational policy and incentives around each will have an outsized affect on whether we have 1,000, 10,000, or 100,000 new engineers (and the resulting multiple of manufacturing jobs they create) ten years from now.

There needs to be a comprehensive plan to insure future manufacturing jobs.

Conclusion

I appreciate the opportunity to be able to give you some personal thoughts on these matters.

I am both honored and humbled to be asked to be here.

I took my time away from my business because I care and want to try to make a difference.

I love my country and the state of NH where I reside.

Like you, my motivation is to support efforts to make life better for my fellow citizens and our country.

I am an American and proud to be one. Thank you.

**Tom Moulton****CEO & PRESIDENT**

With extensive business experience in areas such as real estate development, construction, and fitness, Tom's passion remains his medical business: Sleepnet. His business education and machine shop and tooling background continue to prove invaluable as he leads Sleepnet's innovative design team. In addition to being an inventor, Tom is a sleep apnea sufferer and end user. All who know him know he loves to "sleep with the competition" in order to improve the Sleepnet product line. Tom is also passionate about sharing his good fortune with his philanthropic endeavors. He was proud to rebuild his college fraternity, Sigma Beta, from the ground up in 2010. It was an important part of shaping his future and he was humbled to be able to protect it for future generations. Known for his continuing involvement in community and country, he is passionate about his quality product line. Tom lives in Rye, NH with his wife Dana and daughters Rachel and Cassie. He loves to play and coach hockey as well as other sports.

Senator SHAHEEN. Thank you.
Ms. Preston.

**STATEMENT OF GRACE PRESTON, INTERNATIONAL SALES
MANAGER, SECURE CARE PRODUCTS, INC.**

Ms. PRESTON. Senator Shaheen, Senator Ayotte, thank you very much for inviting me today, and I am really honored to be able to give a perspective from a small New Hampshire manufacturing company.

Secure Care Products was founded in 1979 to provide health care facilities with radio frequency identification technology, RFID. We basically, as the Senator said, protect Alzheimer's dementia residents from wandering out of a nursing home and we protect infants from being abducted from a hospital's maternity ward. Secure Care Products is a wonderful example of a small New Hampshire manufacturing company, only one of which that makes the state so great.

It is safe to say that Secure Care Products initially dabbled in the international marketplace, but it was not until the mid-1990s in which the international expansion took off. We would not have been able to do this without the assistance of both state and federal service initiatives. The New Hampshire International Trade Resource Center and the U.S. Commercial Service helped us in many ways. Such things as Gold Key matchmaking services, trade missions, sometimes coordinated through a joint state and federal effort, market research, and just plain general guidance have allowed Secure Care Products to successfully expand the overall growth of our company.

I would like to share a few examples with you that help validate how Secure Care has benefitted from both state and federal export assistance initiatives. Secure Care established one of our most important international relationships in 1997 during a Gold Key matchmaking trip coordinated through the U.S. Commercial Service. Secure Care signed a distributor in Ireland. A Gold Key is a program offered by the U.S. Commercial Service that helps specific in-country partnerships at a minimal cost.

Since then, this relationship has grown and flourished. Today, more than a decade later, this partnership has generated millions of dollars worth of revenue to Secure Care and helped our company hire and sustain jobs. Looking forward, we are now working together to further leverage the synergy between our two companies into growth outside of Ireland and further into other European markets.

Within more recent years, another Gold Key matchmaking program established a new Australian partner in 2008. This relationship is not only producing sales, but today we are cooperating in new technology development together with the end goal of bringing new products and offerings to all of our current and future customers worldwide.

To further quantify the importance of just these two relationships alone, Ireland and Australia, these two partnerships have generated approximately six percent of our 2010 annual revenue, so just two partnerships.

Even such programs that do not equate to immediate returns are critical to our future sustained growth of our company. In 2007, I personally participated in a trade mission with Dawn to the Kingdom of Saudi Arabia that was coordinated on a state level by the New Hampshire International Trade Resource Center. As you can imagine, there is an inherent cultural challenge as a businesswoman traveling into Saudi Arabia. The trade mission allowed me to successfully represent Secure Care, investigate market conditions, and develop critical relationships. The trade mission provided me a hands-on understanding of both market and cultural conditions that I otherwise would not have been able to access.

At the beginning of this year, when the Saudi Ministry of Health mandated that all maternity hospitals in the Kingdom of Saudi Arabia implement an RFID solution like ours, I was well positioned with knowledge, understanding, and most importantly, the credibility in having traveled to the region to pursue the opportunity. Last month, we secured our first sale in Saudi Arabia, and the company has been chosen as one of two companies that were short-listed from a field of 13 companies to bid under a Ministry of Health tender for 150 Saudi hospitals. I believe that our chances for such opportunities are strengthened by the support we receive from state and federal export initiatives.

My last example is literally playing out as I speak to you today. We are in a highly competitive situation for a premier hospital in Doha, Qatar. We are competing against a Canadian company. With one phone call to the local U.S. Commercial Service Office, I have access to U.S. Embassy staff in Doha to provide advice and advocacy in hopes of securing the business. One phone call, that is all it took. It is our hope that the embassy can provide some lobbying efforts on our behalf, an effort that otherwise we would not have been able to accomplish on our own, and I would be happy to let you know how it turns out. I am still in the process of working with everyone.

The challenges we face in our particular business are many—budgets, competition, specifically in our market, a very long sales cycle in hospital sales. As a small manufacturing company of less than 100 people, our resources are extremely limited. To have access to a wealth of information, in-country experts on local business climate, and those willing and able to lobby on our behalf is invaluable. While we are not the biggest company in New Hampshire, I believe that we are a solid example of what makes the New Hampshire business community thrive.

In closing, state and federal programs such as the International Trade Resource Center, Small Business Association, U.S. Commercial Service, are valuable tools for small companies like Secure Care, which increasingly have limited resources available for developing knowledge and know-how and opening up markets overseas. If your company is not global, it is going to be tougher and tougher to survive the ever-competitive marketplace. Thank you.

[The prepared statement of Ms. Preston follows:]



Testimony
of
Grace Preston
International Sales Manager
Secure Care Products
39 Chenell Drive
Concord, NH 03301

United States Senate
Committee on Small Business & Entrepreneurship
Field Hearing
“Role of Exports in Small Business Growth and Job Creation”

August 11, 2011
University of New Hampshire – Manchester
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Page 1

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Page 2

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Page 3

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Grace Preston

Grace Preston is an expert in building international strategic partnerships, relationships and channel development. In addition she has developed and implemented international sales and marketing strategies for several high tech companies. Grace is well versed in the art of international negotiations and understands the nuances of many cultures. Her 15+ years of experience in international business began with a division of Gerber Scientific and includes firms such as Amiable Technologies and Metrobility. Currently she is the International Sales Manager for Secure Care Products, a healthcare RFID company headquartered in Concord, New Hampshire.

Grace holds a B.A. in Political Science from the University of Connecticut and is active in several organizations promoting international business development. Grace serves as Vice Chair – Granite State District Export Council; an organization affiliated with the US Commerce Department's Export Assistance Centers to complement the US Commercial Service's export promotion efforts. She has lived in New Hampshire for 10 years and can be reached at gpreston@securecare.com or gracepreston@comcast.net.

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Senator SHAHEEN. Thank you. Thank you all very much for your testimony.

Ms. Preston, you had two great anecdotes about the help that Secure Care has gotten with exporting, and you talked about working with the Commercial Service and, of course, with the International Trade Resource Center. Were you able to take advantage of any other federal or state resources, and were there any lessons from your experience that you can share about collaboration within or among the agencies?

Ms. PRESTON. It is evolving now, and as our deals get bigger and bigger, particularly working with the Ministry of Health in Saudi Arabia—I have actually just spoken to Bruce Drossman to see if he could come over and talk to us about financing, credit, insurance, that type of thing, because we are going to be looking at that as we move into bigger and bigger deals and as we expand. So it is evolving every day.

Senator SHAHEEN. Great. Thank you.

Senator AYOTTE. Thank you very much. I wanted to follow up. I appreciate both these New Hampshire stories about businesses built here and wanted to get both of your insights, both Mr. Moulton and Ms. Preston, on what are the regulatory challenges that you are facing and how can we help cut through some of the red tape that you are facing? Both of us serving on the Small Business Committee—I also serve on the Commerce Committee—and I think hearing your perspective on the ground level would be helpful to us as we move forward. I have heard so many stories from small businesses in our state that are really concerned about well-intentioned things passed in Washington that, when put in application, do not always work, and I am sure, Ms. Wivell, you have insight on that, as well.

Mr. MOULTON. The unintended consequences.

Senator AYOTTE. Right.

Mr. MOULTON. Exactly. Well, our product is an FDA-approved product and obviously you have to go through the regulatory approval and things like that, 510(k) processes. It is kind of good to get that expedited so it does not get worn down. That would be our perspective from my lens.

That is what would help our business, so that we can basically try—because we have a lot of new products in the pipeline right now, and in order to get them through, some require 510(k) approval. Obviously, we go through all kinds of biocompatibility testing, materials, you know, do testing to make sure the products are safe and secure, as is typical of a low-risk product. But, to be able to get that process condensed so we can get the products to market is helpful, because the sooner you can get it to market, the sooner you can hire more people, and we do a significant amount of business overseas, so on the horizon, that is helpful.

Not to segue out of the regulatory thing, but also, and I know it is probably a topic we certainly cannot discuss in great detail, but free trade. One thing that concerns me is that Brazil is a very big market. We want to get in there, but the problem with Brazil is they tax the product, like, twice to get it into the country. We have got a great product. They want it. But if I sell it for \$50, they

are going to whack it another \$50 and now they make me not competitive. So there is a lot of protectionism going on there.

So I know there are all kinds of debates on free trade and open borders, but there has got to be some common sense there, too. That would be very helpful, if you can do those things.

Senator AYOTTE. Great. Thank you very much.

Ms. Preston.

Ms. PRESTON. We are FCC regulated here in the U.S., and whenever we enter into a new country, we have to get approval to operate our radio frequencies in-country. So a lot of it is just working with the local regulatory authorities, but I have also asked U.S. Commercial Service and the embassies overseas to help us kind of push that process through.

The other issue that I have is, because I am working and quite active in the Middle East is—I know it was mentioned in the previous panel—but getting visas for some people to come here. So we want to train people. We want to get them up and going because it is critical for us to have local representation in a market. If I cannot get people here to be trained on our products, it is going to be very difficult for us to have support in-country.

Senator AYOTTE. Thank you. I do not know if you had anything you wanted to add.

Ms. WIVELL. Well, just very simple common sense would dictate that the export promotion agencies should work together with the export regulatory agencies. They completely work at cross-purposes, and you see some of the most ridiculous things. I am sure you have heard all of the stories where it just absolutely—the regulations do not make sense and they absolutely do not work together. They do not see the reason to work together. They think very differently and there is really absolutely no reason why they could not sort of see the benefits and detriments. Obviously, you have, again, heard the stories about all of the companies who lose sales to similar companies, competitors in other countries, because they do not have the same regulatory issues.

And the visa situation, since Gracie brought it up—sorry, we call her Gracie—is a big issue. So you work with a company that has gone and made a great deal, maybe signed with a great distributor or is doing a joint venture, and they have not even thought that they are not going to be able to bring these partners over here to do training. So you might have worked on it for months and months, a year, and it is time to get over here, get people trained, and start really selling. You cannot get a visa.

Senator AYOTTE. Thank you very much. I appreciate your insight.

Senator SHAHEEN. Dawn, in your testimony, you talked about the challenge of federal and state collaboration and that there is no requirement that agencies work together at the federal and state level. Were you suggesting that you think there ought to be legislation that requires that, or did you have other thoughts about how to make that happen?

Ms. WIVELL. Well, since we have been talking about it for the entire 20 years that I have been in this job, my colleagues and my former colleagues all over the country, it is something that we talk about on and on and on, maybe it would take legislation. It seems

that it should not have to, because the whole point is that the collaboration is so important. We have talked about that several times today, the leveraging resources, working together, but especially at the field level.

So if you want to talk in practical terms, in a lot of states, there is no collaboration. We are so fortunate that we have that in New Hampshire and it has been awesome. We are all really good friends. We are all cross-trained, as Jim Cox said, and we work really well at handing clients off. We work as a group, seamless operation. That is very unusual. We have had—when we started doing that, we had, I think, nine or ten states actually fly out and some federal people fly out and watch us because they could not understand how we did that. I do not really get that.

But there is no—I have brought this up at other times when I have testified. There is no incentive. There is no directive. There is no mandate, you will work with your local partners. You will—this is part of what your job is, and somehow, I guess, you will be measured on that performance. But there is no mandate that comes from Washington, D.C. So you will find states—Pennsylvania is a very good example. The State of Pennsylvania office and the Department of Commerce office, they hate each other. They do not work together at all. It makes absolutely no sense. That is a huge exporting state. It has got a lot of great companies, a lot of opportunities. They do not work together. The territoriality, it does not make sense.

So there has to be, I think, some kind of incentive, mandate, directive. I do not know why it would take legislation. I know you have got the Trade Promotion Coordination Council, and for years and years and years, the State Trade Directors have—we have a formal organization. We have been advocating for that a state person has a place on that council so that there is more coordination, and it has been ignored.

Senator SHAHEEN. So do you think as the Small Business Jobs Act is being implemented and the STEP program that is part of that and some of the other focus on exporting that is part of that legislation, are there any ways as that is being implemented to encourage more of the kind of collaboration that you are talking about, do you think?

Ms. WIVELL. I think that is a good point and I think that because the STEP grant program is specifically coming out of the SBA that at the local level, there is going to be more coordination. So I actually think that is a very good point.

Senator SHAHEEN. And perhaps guidelines for awarding those grants could include some sort of points for states that are working closely or with their federal agencies.

Ms. WIVELL. Yes. That is actually a really good idea.

Senator SHAHEEN. I see Marie Johns shaking her head back there, agreeing. Thank you.

Senator Ayotte.

Senator AYOTTE. I very much thank you, Senator Shaheen.

Just to follow up on that, since we, based on the discussion of the prior panel, when we have got 20 agencies, federal agencies, we have done a great job of coordinating in New Hampshire, and I know that you are a huge leader in that, and that has been the

New Hampshire way, that people actually talk to each other, that foreign concept.

[Laughter.]

But with 20 agencies at the federal level with some hand in export, import, trade policy, what can we—you have such a breadth of experience. I appreciate your feedback on making sure that we have a State representative on the council and others. So should we be making it more one-stop shopping, or from your experience over the years, what could we do better just to make sure that we are maximizing our resources, number one, and that we are making it easier for businesses, because I think it must be really confusing for a business to know which agency to start with.

Ms. WIVELL. Yes. The one-stop shop, I am a huge advocate of that and that is what has worked so well in New Hampshire. I do not see any reason why you cannot have that in every state. Basically, that puts everybody under one roof, and it is how you manage it and how it functions that is important. So everybody should be cross-trained like we are in New Hampshire. I could get up and talk about Justin's programs as well as he could talk about mine.

So you have to have a place where companies, small businesses, could walk in and everything is there for them, whether they need marketing, whether they need technical expertise, they need education, they need financing. It was a beautiful situation when we could take a company by the hand and he would mention, "I think I might need money," and say, okay, we are going to take you to the money guy, and, okay, we are going to take you to the Middle Eastern guy, all in one location.

But everyone had to be physically working together and they had to be told that you have—there is no territoriality. There is no duplication of efforts. Everyone needs to work together.

I am really—it has to work on a local level. It has to be in the field where you are actually working with companies. It is great that the TPCC and all that, but that is way up in D.C. and that is not down where the companies are. And each state is different and the industry bases are different. The needs of the companies are different. And so each state should be able to sort of customize it to the way the state functions.

Senator AYOTTE. I do not know if our small business owners have any comments or experiences they have had with trying to deal with multiple agencies.

Ms. PRESTON. I think, as an experienced professional, I have worked with the Trade Center for ten years now and I really feel sorry for the new companies that are going out there to try and export because they are not going to know how to negotiate those avenues. I have made the relationships. I know everybody at the Department of Commerce locally and I work with them quite frequently, Justin and Taylor, and I think it is going to be very difficult, and I am really sad that the budget was cut for the state because it was a great environment to call up and to go and have all these resources under one roof. I think it is a detriment to small businesses that are just getting out there to export.

Ms. WIVELL. I just want to add that the USEAC situation was created to do the one-stop shopping, but it should include many of the other agencies that you mentioned. There are 20 agencies—the

MEP, SBDC, TDA is a really good one that is often overlooked. They have some very—OPIC is another one. So everybody, or at least the staff, should be trained or cross-trained on what they do so all the resources are there.

Mr. MOULTON. And we work with Dawn and Taylor, as well, and they have done a great job helping us. Even though I would encourage some small businesses that maybe cannot afford to go, like MEDICA is one of the largest medical trade shows in the world in Dusseldorf every fall and they get a group, if you could not afford it, a booth, if you will, a trade show booth, and they could take a series of, what, eight, ten different small companies and they could share a space to make it more economical to go there, and the Gold Key program opens up opportunities to speak with, where they can make, like, a matchmaker—harmony.com, if you will—to get companies lined up with the right distributor and contacts in the countries and they have been very helpful.

Senator SHAHEEN. Thank you.

Senator AYOTTE. Export-harmony.com.

Mr. MOULTON. Export-harmony.com, yes.

Senator SHAHEEN. We are trying to get us back on time, so I think we have time for each of us to have one more question, and I would like to again use a comment that we got from someone who I think is in the audience, though I have not seen him this afternoon. Ray Boissoneau [phonetic], is he—he was here, I think. But he asked something that I think is very good that has been touched on. Given the recent unemployment numbers, what can be done to lower the cost of doing business for exporters? Any thoughts that any of you have about that?

Mr. MOULTON. Well, one thing, if we could be competitive, I mean, it is about keeping your costs down. My main competitors are three particular companies. One is Phillips Medical over in the Netherlands. They bought a company called Respironics. Resmed in Australia, and Fisher and Paykel in New Zealand. They are all foreign companies. I have been forced to look to get sourcing because I have to compete with them on the cost of my product. They are the big 800-pound gorilla that I have to deal with.

If I have to outsource outside the country, which I prefer not to do, to be honest with you. I really am doing everything I can to keep it internal. But if I have to be competitive, obviously, it would be helpful not to get the products that I am bringing in, or the components, getting taxed to death. If I can keep that as minimal as possible to cover the expense of doing that, that would be helpful, because then my end cost makes me more competitive, because they all have plants in China. I just refuse to go over there. I am not going to, as long as I can hold out.

Senator SHAHEEN. Good.

Mr. MOULTON. Yes.

Ms. PRESTON. I think from my perspective, and I have a sales and marketing role, is to ensure that the initiatives and the programs that U.S. Commerce offers do not go up in price, because I have a budget that I have to stick to, and if I spend too much money here, I cannot spend too much money elsewhere. So I have got to make my budget, just like my household budget, last. If the

programs either go away or they get raised in price, it is going to be difficult for me to take advantage of that and grow our market.

Ms. WIVELL. I was just going to say that, and it is really important that you do keep the costs down. There was a movement a couple years ago to raise the prices and it would have gone up from something like \$700, the Gold Key cost, to \$3,000. So then you are competing with the private sector. And it was actually done quite sneakily. The OMB was trying to get this cost—I am not going to go into all that.

But the Trade Offices advocated to keep the costs down and we were successful in doing so. Maybe the ITAR registration fees, you might want to take a look at that. And patents, the cost of patents and the time that it takes to get patents through. I do not see Mike Barratt in the audience from Aricept, but he had a great idea the other day. I was talking to him and he was saying that it takes, like, five years and several hundred thousand dollars to get a patent and he was thinking, you do it in Germany, it is like no time at all and does not cost anything. He actually lost a lot of money to a company that he had a patent situation here.

But he had a great idea of starting something like a small claims court for patents worth under, like, \$25 million, and make it quick and easy and inexpensive. That would make them more competitive, as well. A lot of good ideas.

Senator SHAHEEN. I think the good news on patents is that patent reform legislation has passed both Houses. I think there is an agreement to move that legislation forward. This has actually had real strong bipartisan support, so it has been one of the things that people have gotten behind, and hopefully that will make a huge difference.

But thank you all very much. Thank you for taking time to be here and for your testimony and for your good ideas, and we will take back what we have heard today, share that with the Small Business Committee, and hopefully all of us be able to respond in ways that will make it easier for small businesses to export.

Senator AYOTTE. Thank you very much. I appreciate it. Thank you, Senator Shaheen.

Senator SHAHEEN. Let me also point out that the record of this hearing will be open for two weeks, so there may be other questions that we will submit. We will submit some of the questions that we got from the audience for answers from some of the agencies who have been represented here.

Again, I want to thank—special thanks to all of the folks who have come from out of town, all of our witnesses from Washington. We hope you will stay overnight here in New Hampshire, enjoy—

Senator AYOTTE. Spend lots of money.

[Laughter.]

Senator SHAHEEN. Yes, enjoy what we have to offer.

To all of you in the audience, thank you very much. We hope you will take note of everybody who represents one of the services that is available through our Federal Government, and if you need to talk to them, hopefully, they will stay around for a few minutes so you can have a chance to connect with them and get answers to any questions that you have had. Thank you all, again, very much.

The hearing is adjourned.

[Whereupon, at 4:07 p.m., the committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

As members of the President's Export Council, we appreciate the opportunity to help you and your Administration craft a national strategy to enhance our nation's ability to send American-made goods and services into markets around the world.

A robust, reliable, and efficient domestic transportation infrastructure is the critical 'first-step' on the road to more exports, and your Administration has made a tremendous investment in repairing and replacing our nation's aging infrastructure. As you explained in the 2011 State of the Union address, *"Over the last two years, we have begun rebuilding for the 21st century, a project that has meant thousands of good jobs for the hard-hit construction industry."* We support these efforts, not only because of the positive economic impact they have had, but also because of the role they play in facilitating exports.

America's transportation infrastructure is also America's export infrastructure.

America's highways, railways, bridges, waterways, ports, runways and air traffic control systems are at the very beginning of a very long global logistics chain. American business cannot participate in the global economy if it cannot get its products out the door.

This is an effort that includes all modes of transportation:

- Freight rail moves goods in and out of 49 of the 50 states.
- 70% of all U.S. freight moves at some point by truck.
- 60% of all U.S. grain exports are shipped through the mouth of the Mississippi River.
- In 2009, U.S. exports transported by U.S. passenger and cargo airlines equaled \$334 billion or nearly 20% of all U.S. exports of goods and services.
- U.S. ports support, directly and indirectly, more than 13 million American jobs.

There are several steps we suggest your Administration consider enhancing America's export infrastructure:

1. Comprehensive Review and Collaboration. The Department of Transportation (DOT) should embark on a top-down review of the nation's export infrastructure value chain in order to determine where the weaknesses and choke-points are located. Armed with this information,

collaboration between local, state and federal agencies and the private sector should be encouraged to create opportunities that will speed products to overseas markets. The Regional Goods Movement Plan being created by the Port Authority of New York and New Jersey and the Southern California Multi-County Goods Movement Action Plan are examples of significant regional effort that align with the PEC's goals.

2. Develop Export Corridors. Using the results of the DOT's study, your Administration should identify export infrastructure 'corridors' and build federal inter-agency and inter-governmental teams to provide strategic guidance for the development, management and enhancement of export infrastructure programs. Various incentives to encourage private sector infrastructure investment within the corridors could also be explored. Protecting and modernizing the vital Detroit/Windsor border crossing, projects to prepare South Atlantic seaports for the calling of Post-Panamax vessels, and rail-focused improvements to the San Pedro Bay Ports complex are examples of areas where a newfound commitment to export infrastructure is needed.
3. Export Driven Prioritization of Infrastructure Projects. There is a long list of transportation infrastructure projects awaiting action. We believe that the federal government should take into account their positive impact on exports when evaluating, prioritizing, and scheduling transportation infrastructure projects. As you explained in your 2011 State of the Union address, we should pick infrastructure projects "*...based on what's best for the economy, not politicians.*" Assigning a metric to each project that compares a project's contribution to increasing exports relative to its overall cost might be one way to highlight those efforts where the contribution is exceptionally strong. Investments to upgrade ports, such as the one at Long Beach, California, and those serving the Pacific Northwest, would likely find themselves well-placed on such a list. The Lower Mississippi River is in need of reliable funding for dredging in order to maintain a safe depth for navigation and prevent disruptions to ship traffic and the commerce it supports. Modernizing our nation's outdated air traffic control system, including the acceleration of NextGen, is another critical infrastructure priority that will help drive export growth.
4. Comprehensive Funding Strategy. Modernizing our nation's export infrastructure system will require not only greater investment, but also more efficient use of resources in light of your Administration's focus on reducing the federal budget deficit. Nevertheless, your Administration should ensure that transportation trust funds are used for infrastructure development, not deficit reduction. The highway, inland waterways and aviation trust funds, protected by budgetary firewalls, should be the backbone of these transportation infrastructure investments. We further encourage consideration of the establishment of a National Infrastructure Bank, which will leverage private and other non-federal government resources to make wise investments in infrastructure projects that will help drive exports.
5. Address longer-term structural needs of exporters. Efforts such as Surface Transportation Board reform (involving rail competition), using truck-only lanes in congested urban areas, reducing driver wait times, and alleviating the significant shortage of long-haul drivers will promote efficient and cost-effective interstate commerce and further enable the export corridors to flourish. Improving our infrastructure to reduce congestion and wait times will bring efficiencies

to our nation's supply chain that will translate to savings and help reduce the burden on small- and medium-sized businesses engaged in commerce.

These policy suggestions can be readily applied to existing infrastructure funding programs. Developing the metrics to better understand a project's impact on exports will help our nation decide where to invest our limited infrastructure dollars.

As you know, infrastructure investments benefit more than just the export community; the positive domestic economic impact of this investment is tremendous:

- U.S. ports are directly responsible for 8.4 million jobs.
- U.S. freight rail paid \$18 billion in wages alone.
- One of every thirteen private sector employees in the U.S. works in trucking.
- Transportation construction generates over \$245 billion in annual economic activity and supports more than three million U.S. jobs.
- The U.S. air transportation system supports a civil aviation industry that accounts for \$1.2 trillion in economic activity, or 5.2 percent of U.S. Gross Domestic Product (GDP), while the U.S. aerospace industry has the largest export surplus of any manufacturing sector.
- Accelerating NextGen and incentivizing the necessary avionics equipage would generate over \$30 billion in economic activity.
- And America's rural communities draw particular economic strength from their ability to generate trade surpluses year after year.

The dynamic global economy is open to America's manufacturers, small businesses, farmers, and other innovators. Through continued investment in America's export infrastructure, your Administration can help ensure America's competitive advantage through our ability to offer products on affordable, reliable, and consistent terms.

Thank you again for the opportunity to share these important ideas with you and your Administration.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

As we continue to work together to implement the National Export Initiative (NEI) goal to double exports in the next five years, we believe that it is important for the U.S. government to place a renewed focus on trade facilitation. Trade facilitation – the streamlining of the administrative and physical barriers that delay the movement of goods across borders – is critical to enhancing the ability of U.S. companies to export globally. By some estimates, inefficient customs, trading practices and procedures can alone increase the cost of selling into a country by 5 to 15 percent.

In order to address these inefficiencies, the U.S. should continue to encourage our trading partners to adopt the recommendations in the Revised Kyoto Convention (RKC) and the SAFE Framework of Standards established by the World Customs Organization (WCO) and ensure that the trade facilitation measures already largely agreed in the current Doha Round are put in place regardless of the outcome of the over-arching negotiations.

The U.S. should view the NEI as an opportunity to refocus current and past trade security, compliance and facilitation measures to fully establish an automated single shipment information window, that works with equal efficiency for both imports into and exports from the United States and is aligned with international data standards. As your leadership of export control reform progresses, all of the gains should be made available through automated processes that comply with essential National Security controls, but expedite the clearance of all other goods so the U.S. can compete in the competitive, global environment.

A single window, which is “a system that allows traders to lodge information with a single body to fulfill all import or export related regulatory requirements” would reduce a major barrier to U.S. exports and deliver immediate, measurable benefits.

For example, the World Bank estimates that, globally, it takes an average of six days to move goods to or from the U.S. A one day improvement in the time it takes to export from and import into the U.S., by means of a single window, could increase U.S. trade by almost \$29 billion and would help to create thousands of new U.S. jobs.

Automated Single Window

The automated single window is not a new undertaking in the U.S. and some progress has been made on its development and implementation since its genesis in 1993.

In 2001, Customs and Border Protection (CBP) initiated a project to modernize their customs information systems. The project created the Automated Commercial Environment (ACE) as the single online access point that connects CBP, the trade community, and other government agencies. This system will replace CBP's older Automated Commercial System (ACS).

A key aspect of the ACE effort is the International Trade Data Systems (ITDS) program. ITDS is a single-window that will allow traders to provide electronic international trade and transportation data to all Federal agencies that have import/export responsibilities. The ultimate goal is a single window into the Federal government that will facilitate commerce and increase compliance with trade laws.

To date, the ACE/ITDS program has focused primarily on U.S. import data. However, the 2010 ITDS Report to Congress authored by the Department of the Treasury recommends that export functionality be given a higher priority. Export agencies should work with the ITDS Board of Directors to quickly identify ways to provide an export single window. The ITDS Board has already engaged the Export Control Reform Task Force that you have created and is preparing to push this initiative forward. The absence of a single, automated system for export clearance increases costs for U.S. exporters, unnecessarily adding expense and time-in-transit to business transactions.

New technologies, for example "cloud computing", allow users the ability to seamlessly interface data in real-time while still protecting sensitive and agency specific data and ensuring that they are readily available. These advances make the goal of creating a single window for trade data much more achievable and much more worthwhile than ever before.

We recommend your Administration work with the various stakeholders, including the DHS/CBP, USTR, Treasury, USDA/FAS, and DoC/ITA to invigorate the creation of a single window to create a seamless export process. Additionally, work with Congress to secure adequate resources to enable the development and implementation of a single window in a timely manner.

The Council believes that the creation of this single window would increase the efficiency and ease of exporting, especially for small- and medium-size enterprises and reduce friction in trade. Although this is just one part of the larger trade facilitation effort, it is an important and critical step that can be undertaken now with little or no cost to help achieve the goals of the NEI.¹

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McFarlane". The signature is fluid and cursive, with a large initial "J" and "M".

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

As members of the President's Export Council, we fully share your goal to double U.S. exports by the end of 2014. As you and your Administration are fully aware, financing plays a vital role in furthering U.S. exports. U.S. exporters – especially small- to medium-size companies – still have difficulty obtaining working capital and retail financing at a time when overseas customers remain financially constrained. The Export-Import Bank of the United States (Ex-Im) – the principal U.S. export credit agency – is positioned to provide this needed service and is a vital tool in the nation's current export strategy.

Due to limitations placed upon Ex-Im, however, it operates far below levels of other countries' official export credit agencies. Although Ex-Im provided a record \$24.5 billion export financing in FY'10 (an increase of 70% over FY'08), supporting a record \$34.3 billion in export sales, official export credit agencies around the world are typically much more supportive of their own domestic exporters.

As the Chairman of Ex-Im regularly points out, Ex-Im is "self-sustaining" and, therefore, no longer requires annual funding from the Congress. Moreover, Ex-Im has generated billions in revenues to the U.S. Treasury through its transaction fees to customers. Over the past five years, in fact, Ex-Im has generated \$3.4 billion in revenues in excess of administrative costs and loan loss reserves which it has remitted to the U.S. Treasury. In addition, since 1934, Ex-Im's net losses on its entire portfolio have been less than 1.5%; and since the start of Credit Reform in 1992, Ex-Im has set aside prudent reserves to cover such losses.

As a result, it can—and should—provide even more financing assistance to U.S. businesses. According to the National Association of Manufacturers, an additional \$40 billion in guarantees annually would generate an additional \$50 billion in U.S. exports each year. And, even at this increased level, it would still be less than the amount the export credit agencies of Japan and Canada provide to their exporters. In addition, a modest increase in Ex-Im's administrative budget would generate capacity to undertake more business. This can be accomplished by simply allowing Ex-Im to keep more of the revenue it generates.

Therefore, the PEC makes the following specific recommendations regarding Ex-Im:

1. The Administration and Congress reauthorize Ex-Im by September, 2011.
2. The Administration provide nominees and push to fill vacancies within Ex-Im's Board as expediently as possible. The minimum requirement for a quorum to conduct business at Ex-Im is three. If nominees are not confirmed and in place by July, only the Chairman will be in office and Ex-Im will not be able to process transactions;
3. With the level of financing currently at approximately \$78 billion, the allowable financing cap of Ex-Im be raised from \$100 billion to, at a minimum, \$200 billion that would allow Ex-Im to increase significantly its loans and guarantees annually;
4. Ex-Im's content regulations be modified to better reflect the way goods and services are transformed and transacted in today's marketplace;
5. Ex-Im take steps to make it easier for small and medium-sized enterprises (SMEs) to access Ex-Im's resources, with the goal of doubling Ex-Im's financing for SMEs over the next four years; and
6. Ex-Im develop an action plan to address increased financing for the services sector, consistent with Ex-Im's stated desire to increase financing for critical sectors of the U.S. economy.

Mr. President, members of the Council look forward to working closely with you and your Administration over the coming months to support the timely reauthorization of Ex-Im and to move forward on these recommendations.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

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Washington, DC 20500

Dear Mr. President,

We write to express our concern over the effects our country's visa policies are having on our ability to do business in the short term and to remain competitive internationally over the long term. We ask you to designate a high-level representative to meet with us to learn more about the barriers to America's competitiveness and innovation posed by current U.S. visa policies and to work with relevant government agencies and Congress to address the specific problems outlined below.

Timely, transparent and fair visa policies and processing procedures are critical to our ability to innovate domestically and compete internationally. Efficiently transporting and relocating talent around the world are critical to the survival of U.S. businesses in a world characterized by just-in-time global supply chains and immediate customer and supplier demands. Many American companies utilize business-related visas to facilitate the entry of suppliers, customers, foreign employees, business partners, prospective investors, and conference and trade show participants.

A series of changes in the visa process following 9/11 have added time and uncertainty to the application process and made it more difficult for global companies to grow their business. These policies include increased security checks of certain visa applicants, the collection of biometric data to secure a visa, and the institution of mandatory in-person interviews for most visa applicants. A survey released in 2004 calculated direct and indirect losses to business of over \$30 billion due to visa restrictions. We believe those losses have continued in the intervening period. These policies are costing U.S. jobs by encouraging trade shows to locate meetings abroad and for centers of global research and collaboration to be built offshore.

Conversations with the State Department, the Department of Homeland Security, the Commerce Department and Congress over the years have been promising, but few lasting improvements have occurred. Our experience has been that each time a problem appears to be solved; a new one pops up to take its place. In particular, we urge you to work with the business community on the following priorities to improve the ability of U.S. companies to innovate and compete globally:

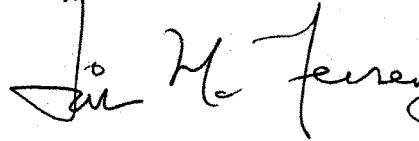
- **Facilitate visa processing for B visa travel.** While AmCham and other business programs have cut processing times for some business travelers, many of the U.S. companies and associations who most require short turnaround times for visas are least-able to afford participation in the programs designed to facilitate travel. Increasing the

use of dedicated business windows, setting aside time specifically for B visa traveler interviews, and encouraging post-specific initiatives in conjunction with AmChams to assist small business-related travel would help to facilitate important business transactions and movement of international personnel.

- **Streamline the visa interview and issuance processes.** Increasing the number of consular officers worldwide, moving resources to those posts with the highest demand and the longest waiting periods, and waiving the interview requirement for business-related visa applicants in appropriate low-risk cases would facilitate visa issuance and make the United States a more welcoming place for foreign business travelers. The Administration should work to reinstitute the option for those already working in the United States to renew their visas without leaving the United States.
- **Work with Congress to reform U.S. visa and immigration policies** to better attract and retain the kind of highly-skilled workers, entrepreneurs and innovators from around the world. Common-sense reforms that are essential if the U.S. is to out-innovate the rest of the world – such as reforming the quota system for highly-skilled temporary entry and immigrant visas and stapling a green card to the diplomas of highly-skilled foreign students studying in the United States – cannot wait for comprehensive immigration reform and must be pursued in the near term.
- **Establish a Trusted Employer Program through U.S. Citizenship and Immigration Services** to facilitate and streamline travel for employers with strong track records of compliance. The newly deployed system known as VIBE, Validation on Instrument for Business Enterprises, may be one tool to streamline the process.
- **Form an informal public-private working group** to serve as a mechanism to improve transparency and increase communication between the Departments of Commerce, Homeland Security and State, other relevant government agencies, and affected U.S. companies and industry groups.

Sensible reforms of current visa policies can aid efforts to deny entry to those who seek to harm us by refocusing resources where they are needed most. We would appreciate a report on progress made on these proposals at our next meeting in November. In the interim, we urge you to have the Interdepartmental Working Group on Business-Related Visa Issues, created by Commerce, State, and Homeland Security in late 2009, to meet with us, learn more about the difficulties we have experienced, and then work with the relevant agencies to address the specific problems and changes we have suggested.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

U.S. trade agreements can fairly be characterized as representing the "gold standard" of bilateral and regional agreements. They include binding commitments and enforcement obligations across a broad range of issues ranging from across-the-board tariff eliminations and intellectual property and investment protections to the addressing of standards and regulatory issues in key sectors.

In September, the private sector members of the PEC called for all three pending FTAs to move forward to Congress for swift approval. With the approval of the FTAs, the United States has the opportunity to build on twenty plus years of successful bilateral and regional negotiations. The PEC believes it essential that the Administration and the Congress work together to develop a consensus on trade policy and to deal effectively with 21st century issues and commercial realities. As the Administration works to promote exports, we would strongly encourage the incorporation of disciplines to address current commercial needs in order to establish new market access and promote increased opportunities for American exporters and their workers. The Trans-Pacific Partnership (TPP) negotiations, in particular, provide a critical and immediate opportunity to create a 21st century agreement, that could serve as the vehicle for developing a renewed, broad, bipartisan consensus on the importance of international trade to the U.S. economy.

To establish the roadmap for the next generation of U.S. bilateral, regional and multilateral international trade and investment agreements, the following issues should be addressed in the TPP negotiations:

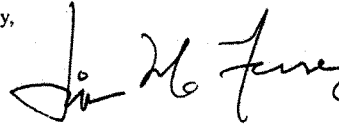
1. Market Access: The TPP must ensure that all members of the TPP commit not only to meaningful market access in their national markets but also establish mechanisms to ensure enforcement of market access commitments.
2. Non-Tariff Barriers: The TPP should strive to eliminate discriminatory standards, discriminatory industry-specific market distorting subsidies, regulatory distortions and other non-tariff barriers that prevent effective access by U.S. goods and services into foreign markets, distort efficient trade flows and add costly and unnecessary delays. The TPP should focus on creating new procedures to promote coherence and convergence, rather than creation of new distortions, in the development of new regulations.
3. Regulatory Coherence: The TPP should focus on facilitating the movement of goods and services among TPP countries by ensuring that they maintain transparent, effective, enforceable and mutually

coherent regulatory systems which are both risk and science based, adhere to international best practices and assure high levels of collaboration among TPP governments and their stakeholders.

4. Trade and Supply Chain Facilitation: The TPP should establish streamlined, more effective and coherent rules that promote the safe, secure and efficient movement of products from the point of their production across the border to the point of sale.
5. Strong Intellectual Property Protection: The TPP should provide for state-of-the art-intellectual property protection and enforcement for all products, building off of the provisions in the U.S.-Korea Free Trade Agreement and considering developments in the global economy. The U.S. should strive to ensure that enforcement of intellectual property protection is no less effective than the standards found in U.S. law.
6. Liberalization of Trade in Services: The TPP should address liberalization of trade in services, as services provide the infrastructure and means by which all commerce operates. Liberalizing trade in services means that services can be delivered more cost effectively, efficiently and flexibly across the whole range of commercial activity and act as an enabler and multiplier across all sectors.
7. Strong Investment Protection and Access: The TPP should provide for improved access for U.S. investment overseas that helps drive U.S. exports and economic growth, strong legal protections for U.S. investors and their property overseas and access to fair and impartial investor-state arbitration to ensure that investment disciplines and appropriate safeguards are enforced.
8. Government Procurement: The TPP should ensure transparent and non-discriminatory access to foreign government procurement markets for U.S. suppliers that will help governments make more effective use of limited resources and funds.
9. Transparency/Corruption: All TPP members should be encouraged to sign-on to the UN Convention against Corruption and establish strong transparency requirements regarding government rulemaking.
10. Cross-Border Data Transfers: The TPP should provide a framework for the cross-border transfer of data in all manufacturing and service sectors. To be effective, the framework needs to eliminate and prevent the creation of regulatory barriers to cross-border data transfers.
11. State-Owned and State-Supported Enterprises. State-owned and state-supported enterprises represent a major challenge to U.S. competitiveness internationally. The TPP provides an important instrument to develop more adequate and effective rules governing the operation of SOEs and SSEs so that companies can compete on an equal footing.

PEC members are committed to working closely with the Administration. In addition to these TPP specific initiatives, the PEC has identified a number of areas for focus in the creation of a 21st century trade roadmap. We would recommend ongoing consultation to focus improving our expertise and ability to address areas and recommendations identified in the attached list that presents the most serious 21st century challenges to the competitiveness of American companies and workers.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

ATTACHMENT: 21st Century Trade Roadmap

Building on the experience of the TPP negotiations, the PEC members are committed to working closely with the Administration. We would recommend ongoing consultation to focus improving our expertise and ability to address areas which present the most serious 21st century challenges to the competitiveness of American companies and workers including:

To help address non-tariff barriers, the federal government must strengthen the interagency process to create a consistent and up-to-date agenda on regulatory issues. The U.S. government should:

- Use USTR's new report on Technical Barriers to Trade to conduct a stock-taking exercise (including public comment and leveraging of expertise of existing advisory committees such as PEC and ITACs) to identify existing non-tariff barriers by country and to identify anticipated trends;
- Develop an action plan to address non-tariff barrier issues in future U.S. bilateral and regional agreements, in agreements negotiated with other countries and in all multilateral negotiations (e.g., WTO or UN process);
- Prioritize, with public comment, key non-tariff barriers and ensure that these are standing principles of negotiations (prioritized against trade-offs for other, dissimilar issues);
- Incorporate an industry consultation process in the inter-agency process so that industry can consistently provide better, technical data on regulatory issues -- across the U.S. agency structure;
- Develop and promote incorporation of regulatory coherence principles which should guarantee the independence and impartiality of regulators, and ensure all market participants are subject to the same regulatory scrutiny and control; and
- Tap expertise of multiple agencies for capacity training sessions for trading partners with a focus on regulatory and policy approaches to innovation and exports by sectors such as information and communications technology.

To address supply chain and trade facilitation, the U.S. government should:

- Create cooperative, capacity-building initiatives with other key trading partners. One excellent model is the joint EU-US cooperation on intellectual property. In this effort, the United States works with the EU to leverage joint customs expertise and officials for training sessions with developing country customs officials.
- Develop additional outreach to key developing economies. Such outreach (including the joint approach outlined above) could include training forums on Good Laboratory Practices (GLP) and the promotion of the Global Harmonized System (GHS) classifications.
- Promote and support initiatives like "National Single Window" both in the U.S. and among our trading partners. This initiative works to ensure that all ports of entry within a country treat imports exactly the same, from classification definitions, to tariff allotment, to

registration requirements, rather than the current practice that can produce variable assessments of the same product.

- Develop and implement – through APEC, the OECD or other similar organizations – commitments by countries to assess customs duties based on the value of the carrier medium rather than the intellectual property of the product.

To promote strong intellectual property protection globally, for all products, the U.S. government should:

- Preserve and promote strong data exclusivity requirements for all patent and regulatory submissions in foreign countries, while keeping in place incentives for innovative and affordable drugs to be available in foreign markets;
- Develop appropriate mechanisms to prevent the distribution of illicit content online;
- Promote enforcement mechanisms to combat counterfeiting that incorporate not only judiciary and police enforcers but regulators who have a vested interest to ensure that counterfeit products do not undermine the regulatory approval and standards/safety process;
- Establish the elimination of agricultural-chemical and auto safety components counterfeiting as a priority; and
- Harness the expertise of the U.S. legal field to assist in capacity-building with developing country judges, law enforcement, customs, and legal services.

To create a competitive investment environment that will promote U.S. exports, higher-paying jobs and improved economic growth, the U.S. government should:

- Finalize the model Bilateral Investment Treaty (BIT) review by adopting high standards of protection and dispute settlement no lower than found in the current model;
- Resume BIT negotiations with India, China and Vietnam and explore negotiations with Brazil and Russia;
- Develop and provide safeguards against forced localization issues (i.e., hire requirements, localization of data storage/restriction of flow; local establishment requirements) that restrict open market and competition; and
- Continue to seek the elimination of restrictions on foreign investment in international trade agreements.

To create a non-discriminatory government procurement system, the U.S. government should:

- Accelerate its work to bring other countries, particularly major countries such as China, India and Brazil, into the WTO Government Procurement Agreement to eliminate discrimination against U.S. goods and services;
- Limit expansion of Buy America so that other countries do not use the expansion as a template to expand protectionism against U.S. goods and services; and

- Promote strong and non-discriminatory procurement disciplines by all international organizations, such as the World Bank, and avoid the use of inadequate country-systems that will undermine such standards.

To combat bribery and corruption, the U.S. government should:

- Encourage all the G-20 countries and other key non-OECD parties to join the OECD Convention on Bribery of Public Officials in International Business Transactions;
- Work with trading partner countries to develop enforcement standards to defeat the 'demand' side of bribery; and
- Encourage enforcement of fair, transparent bidding processes, so that individual instances of bribery do not unduly influence government procurement processes.

To facilitate the cross-border transfer of data, the U.S. government should:

- Undertake international initiatives to develop support among trading partners for frameworks to remove and prevent regulatory barriers to cross-border data transfers.

To ensure a strong multilateral system, the U.S. government should:

- Continue to be the trade liberalization leader in the WTO – especially in the Doha Round, insisting on meaningful and balanced gains in market access for agriculture, manufacturing and services; and
- Work with WTO members to reform and refocus the WTO so it can begin to address 21st century issues.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

March 11, 2011

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

The President's Export Council believes that increasing the capacity of Small- and Medium-sized Enterprises (SMEs) will be vital to achieving the National Export Initiative's goal of doubling U.S. exports by 2015. U.S. SMEs are typically credited with creating 3 of every 4 of our Nation's jobs and SME exporters (which currently account for an estimated 4 million U.S. jobs) typically grow significantly larger and faster than non-exporting businesses.

While companies both large and small face many similar barriers in exporting, SMEs face particularly unique difficulties that require targeted action. The PEC SME Business Engagement Subcommittee conducted five Roundtables across the country over the past five months to gather and assess first-hand feedback from SME exporters. These roundtables inform and drive the three sets of recommendations the PEC is presenting in this letter:

I. Education:

Unique to SMEs – the vast majority of which have fewer than 20 employees – are significantly elevated time and resource constraints that are impeding access to necessary exporting information, education and resources.

1. **Challenge: Disparate Education and Resources.** Hundreds of local, state and federal organizations and agencies are engaged in export outreach, marketing and education efforts. Although these resources are closely coordinated through interagency working groups such as the Trade Promotion Coordinating Committee (TPCC), they are unable to reach all of the ~28 million small businesses that exist. As a result, findings by the SME Subcommittee at each of the regional Roundtables indicate prominent and persistent education gaps and confusion among SMEs on a broad range of export-related issues. As the Export Promotion Cabinet already has noted, coordinating, leveraging, and targeting resources across all levels of government will be crucial to achieving your National Export Initiative (NEI) goals.

To address this issue, as noted in the Report to the President for the NEI, the Small Business Administration (SBA) in cooperation with the TPCC is launching "export outreach teams" around the country to encourage greater regional collaboration for export service providers at the federal, state and local level. Additionally, the Department of Commerce is working actively with the State International Development Organization to conduct a complete survey of current export promotion programs provided by states. This survey, which should be updated on an annual basis, will help ensure that efforts to help companies are complementary and not duplicative. Efforts to further leverage education, training and counseling include the Small Business Working Group (SBWG) of the TPCC, which is fully engaged with using SBA's

resource partners including SCORE, Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs) as the focus for referring SMEs in need of technical assistance for exporting. The revised Export.gov portal also contains an assessment tool to determine the direction for referring SMEs, relative to their experience or lack thereof in exporting; the NEI "Road Shows" incorporate outreach with public and private-sector resources on SME exporting education; and the new State Trade and Export Promotion (STEP) grant program manifests public-private-sector participation in educating SMEs on trade.

Recommendations for "Local NEIs" Public-Private Partnerships.

- a. The PEC recommends that the referenced coordination efforts be targeted particularly at minority-owned SMEs in the Nation's Top 25 Exporting Cities and Top 10 Exporting States. This first-strike target holds significant potential: Department of Labor reports approximately 4.1 million minority-owned firms in the U.S. account for more than \$668 billion in gross annual receipts; between 1997 and 2002, the growth of minority-owned firms outpaced the national rate 3-to-1. Using this inventory, Minority Business Development Agencies should be utilized to coalesce all stakeholder groups and convene quarterly meetings designed to develop a clearly streamlined structure and stronger public-private educational outreach partnerships to help SMEs navigate available resources. Pilot programs for the streamlined models can be tested in key exporting regions such as California, Florida, Iowa, New York, Texas and Washington.
 - b. Federal government should provide catalyst grants to foster regional export development strategic planning among identified chambers, Economic Development Centers, academia, state and local governments, non-profits and the private sector to establish organizational coordination and create formal lines of communication between regions and federal resources. This "Regional Export Initiative" will ensure ongoing cooperation and coordination between key regional export leaders and the federal government; improve communication to regional partners; and ensure federal resources are being utilized in the most cost-effective and impactful way (moving away from competition between regional partners). Allow the SBA's recently announced State Trade and Export Promotion grants - which enable states to apply for a grant to help increase the volume of small businesses that export and to help them increase the amount that they export - to apply to this effort. We believe that additional resources should be committed throughout the federal sector to engage this critical topic of increased education and training on the opportunities and rewards for exporting.
2. **Challenge: Access to Information.** SMEs are uniquely time-constrained and resource-limited; they have little ability to sort through dozens of agencies, rules, processes and procedures - and even less time to wait for agency clarifications and information. It is clear your Administration recognizes the importance of facilitating access to information and has made significant advances to cultivate "virtual" interaction with Export.gov, the U.S. Department of Agriculture Foreign Agricultural Service's FAS.USDA.gov, and the U.S. Trade Representative's USTR.gov. The TPCC agencies have agreed that the Export.gov portal be the primary resource for referrals on trade promotion and finance information. Yet SMEs across the country express difficulty

finding the trade and export information they need. It is therefore apparent that the problem is not a quantifiable lack of information but, rather, a lack of expansive tools that ease SME access to that information when, where and how they need it. This must also be balanced with the need by many SMEs for sustained, in-depth management and technical assistance.

Recommendation: Enhance and Expand On-Demand Information. Development of new – and maximization of existing – public-private partnerships should be accelerated to continue expansion of on-demand informational/educational resources on export and trade Web channels including Tradegov, Youtube videos, FAS.USDA.gov, Export.gov and USTR.gov. Model series of Webinars in key topic areas can be developed in partnership with those programs and tested in key markets. In a 24/7 global economy, flexible access to information is key for SMEs, which often only have limited “after-hours” time available. Development is recommended of a live pilot “hotline” or on-demand chat with central export counseling experts, potentially using DOL’s “Ask JAN” as a model that has seen some success in its targeted market. The SBA is pushing forward in this direction with its new portal on SBA.gov for online training and exporting tools. SBA also is increasing its podcasts on globalization topics. Export.gov also is pushing forward in this direction with its re-engineering as the primary portal for all of the TPCC agencies, providing an exporter assessment (state of export readiness) and all resources of the TPCC agencies in a single location.

3. **Challenge: Continuing Misperceptions about FTAs.** There is a significant disconnect between exporting SMEs and non-exporting SMEs – which comprise much of the economic landscape – on the economic benefits of Free Trade Agreements. This is evidenced by continuing general public resistance and misunderstanding regarding FTAs. FTAs are critically important to SMEs; the costs incurred to ship goods to foreign ports where the U.S. does not have trade agreements are prohibitive in many cases. However, U.S. sales to foreign ports have steadily increased over the past 3 years; exports were up 17% in 2010. The most believable voice to win the hearts and minds of SMEs on the quantifiable and tangible benefits of FTAs are SMEs themselves.

Recommendation: FTA Education/Outreach Program for SMEs. Acknowledging budgetary concerns, we recommend working with existing educational outreach, concerned organizations like National Institutes of Standards and Technology (through their Manufacturing Extension Partnership) and National Association of Manufacturers, as well as some of the Nation’s top global exporting corporations, to expand their current education efforts. In addition, each of the TPCC agencies is a member of the TPCC Small Business Working Group, where a collaborative, interagency marketing and outreach initiative will maximize SME exposure to U.S. government resources in stimulating SME participation in global trade and increase market penetration for existing SME exporters. Again, public-private partnerships should be aggressively engaged and leveraged to identify local-level SMEs who can validate and share compelling stories – via a broad spectrum of social networking, traditional marketing and other educational outreach platforms – and illustrate the real-world benefits of FTAs to the general SME market. We stand ready to assist with the “New Markets, New Jobs” outreach initiative to expand its local and regional impact. Execution of messaging should seek to engage more SMEs in general, but also target specific, underrepresented and FTA-resistant sectors and industries according to region.

II. Access to Capital:

Difficulty in accessing credit has been consistently cited by SMEs as one of the biggest barriers limiting their growth and increased presence in the global markets. This issue has also resulted in a dampening of job creation by small businesses.

1. **Challenge: Current loan initiation process lacks transparency and takes too long.** Banks are, by their very nature, risk-averse and geared to generate profits in the most efficient manner. Therefore, credit decisions are often made not based on the merits of the underlying export transaction but rather on the potential profit to be derived from the loan; loans that are too small or not profitable enough to the lender are not made even though the export transaction itself bears negligible risk to the lender. SMEs have limited visibility to non-bank lenders who are willing to work with SBA and Ex-Im Bank loan guarantees and small community banks lack the necessary knowledge to properly deal with trade finance. Last, Ex-Im Bank processing time for issuance of export credit insurance policies and loan guarantees is often too long, with exporters continually losing international sales deals as a result.

Recommendations:

- a. The SBA is already taking some positive steps to increase visibility by posting a comprehensive directory of lending partners that conduct export financing and processing. The Small Business Jobs Act of 2010 further improved terms and conditions of small business export financing by raising lending limits to \$5 million and increasing guarantees on SBA's 3 finance programs for exporters to 90%. However, these and other efforts are largely lost on SMEs who lack the resources to navigate through bureaucratic networks. More prominence must be given to the initiatives undertaken by the Small Business Working Group of the TPCC: Expedite the increase in delegated lending authority to existing trade finance lenders (as noted in the Small Business Jobs Act of 2010); conduct finance trade training to community banks to include receptivity to working with smaller exporters; and working more closely with small businesses in training them to prepare documents for international transactions before going to their financial institutions. We encourage the SBA to accelerate its collaboration with the Office of the Comptroller of the Currency regarding the trade finance outreach and training proposals for community banks.
- b. We also encourage collaboration – and expedited implementation of - innovative new programs such as (1) the Goldman Sachs 10000 Small Business Initiative where SMEs are provided with education, business support services that focus on a business' financials and help increase sophistication of SMEs in being ready to access capital, as well as alternative financing models in partnership with Community Development Financial Institutions (capital component of the 10000 Small Business Initiative), which allows for more flexibility in funding decisions made at the local level; and (2) The SBA new loan program called Community Advantage, which is aimed at increasing the number of lower-dollar SBA 7(a) loans going to small businesses and entrepreneurs in underserved communities through CDFIs.

- c. More underwriters are needed at Ex-Im Bank and these underwriters need increased authority to speed up the process. In addition, Ex-Im Bank needs to increase its marketing efforts; it should send a strong message to U.S. exporters that export credit insurance is a very effective marketing tool. Exporters can offer longer payment terms without increasing their risk of non-payment. The expected result would be increased U.S. competitiveness and increased exports.

2. **Challenge: Lack of support for Young Small Businesses.** Companies in business for less than 3 years are statistically best at job-creation but they also have the highest rate of failure. It is during this start-up stage that SMEs could benefit most from programs designed to support their development and growth, however the opposite is often true – young SMEs lack the internal resources (staffing and time) to determine what if any programs are available to them and typically face more difficulty in accessing credit. A specific disadvantage of young firms is that they cannot point to credit histories which help facilitate access to debt financing; young companies would also lack to a greater extent the profitability and collateral typically expected by banks before establishing credit for a company.

Recommendations:

- a. Establish formal “incubator” programs at the Federal government level that specialize in working with young SMEs to fund the working capital and export finance needs during the start-up process. The programs could be designed along the lines of existing programs at State level that assist SMEs for up to a five-year period or until they become “bankable” on their own. These programs match SMEs to lenders, assist with SBA or Ex-Im Bank applications, and largely deliver credit decisions based on the merits of the underlying export transactions, not the perceived risk of default on the part of the borrower. These programs also offer funding for deals that are considered too small or not profitable enough for traditional bank lenders.
- b. It is equally important to develop the leadership of these young businesses and we therefore encourage a partnership of the SBA with Community Colleges and their trade associations to provide the infrastructure for broader utilization of the Young Entrepreneurship Programs (YEPs). YEPs provide a support structure for young new business owners—in accessing business support services, coaching, and partnering with private organizations whose mission it is to provide start-up capital and funding to young entrepreneurs. To strengthen results YEP should add a priority focus on business owners who have particular focus on international markets. Incubators are a perfect example of a private-sector resource that helps develop sustainable small businesses. The SBA provides a comprehensive program and website portal under the domain of Entrepreneurial Development to enhance the skills and knowledge of the younger entrepreneur and small business operator and needs to engage higher education institutions, business associations and other local partners in promoting these excellent web tools and online training modules.
- c. We must work to create stable and predictable programs, with higher priority given to companies that have exports and international markets as part of their business plans. While we commend the Administration’s efforts towards supporting innovation and

entrepreneurship with the launching of the “Startup America” program in January 2011, we believe that more could be done and that more immediate help is needed. The \$50 million in funding for grants to Small Business Development Centers (SBDCs) included in the Small Business Jobs Act of 2010 is also a welcome initiative, however, this represents one-time-only funding while most (almost 70 percent) OECD programs geared to support SMEs last for more than five years as it is recognized that stable and predictable programs are essential to long-term success.

III. Regulatory and Cost Burden

1. **Challenge: Cumbersome export compliance policies/procedures.** Analysis suggests that, due to its “fixed-cost” nature, the cost burden of regulations can be disproportionately greater on SMEs vis-à-vis the financial impact on larger firms, as smaller firms tend to have less capacity to navigate through the complexities of regulatory and bureaucratic networks. The regulatory burden and the asymmetric impact of fixed costs were recurring concerns at every Roundtable conducted thus far; they place SMEs at a competitive disadvantage in relation to larger firms and increase the risk of non-compliance. Significant steps have already been taken by the Administration to define a process and formulate a vision for a reformed U.S. export control system with a Single Control List, Single Primary Enforcement Coordination Agency, Single Information Technology (IT) System, and Single Licensing Agency. We commend your leadership in launching this effort and recognize that reform of this nature cannot be rushed. However, if SMEs are to achieve their expected contribution towards meeting the NEI goal of doubling exports they will need assistance in dealing with the regulatory burden, even if this assistance is provided as incremental steps.

Recommendations:

- a. Expedite Export Control and Regulatory Reform Initiatives. To the extent that it is possible, a formalized timeline and milestones should be developed for completion of the Reform process, so that progress can be measured against this timeline and additional resources allocated towards this effort if the milestones are not met when expected.
- b. All efforts should be made to create a centralized resource where small businesses would be able to find guidance on all matters related to exporting including international trade regulations. We recognize that steps have been taken under the TPCC to make Export.gov the single portal to service U.S. companies in all matters of exporting, as well as better utilization of the U.S. Export Assistance Center. We commend you on incremental successes such as consolidating lists of all proscribed parties regardless of the agency that regulates them under this portal. However, if these efforts are not known, they are useless. What’s called for is an expansive advertising, outreach and communications campaign to advertise to small businesses that Export.gov is the place to go for guidance and support. Agreements should be reached with the most-utilized Search Engine services so that any query initiated in the U.S. with the keyword “export” returns Export.gov as the top-ranked site for assistance in this area.

- c. SMEs also need to be better educated about the export control process. We suggest that the Small Business Development Centers (SBDCs) together with the SBA and the Bureau of Industry and Security (BIS) become more actively engaged in this educational endeavor. The SBDCs are already in touch with the base of smaller newer exporters who are the ones in most need of this assistance. If the U.S. successfully reforms its export control program, an estimated 340,000 new jobs could be created and exports could increase by \$60 billion when considering only market share losses where goods and technologies are widely available from other countries (in other words, without compromising any National Security concerns).

2. **Challenge: Cost of IP registration, maintenance and enforcement is prohibitive for SMEs.**

The initial costs to register trademarks, patents and other forms of Intellectual Property are inordinately high for SMEs. SMEs typically limit their registration and maintenance of IP to countries of their highest sales or where they feel most vulnerable, thereby either bypassing or exposing themselves in other markets. Some SMEs take the risk and sell in “unprotected” markets while others forego many markets due to this cost and risk. In addition to registering and maintaining marks and patents, SMEs also are often in a weak position to enforce or challenge infringements to their IP.

Recommendation: Work within the World Trade Organization and within trade agreements to improve the simplicity, speed and cost of registering and maintaining all IP. We recommend a program be started to reduce the cost to SMEs and/or provide financing for registration of all IP. We recommend increased SME targeted marketing and outreach of the Patent Prosecution Highway, a program led by the U.S. Patent and Trademark Office and international partners that provides companies with an avenue to rapidly build their IPR portfolios in multiple jurisdictions at significantly lower prosecution costs. We encourage the USTR, the Overseas Private Investment Corp. (OPIC), or other appropriate trade agencies of the U.S. Government to introduce an insurance-type policy that SMEs could purchase and tap for potential legal and related costs in cases of IP infringement.

3. **Challenge: Rules of Origin are complex and inconsistent, making it difficult for SMEs to be export compliant and/or take advantage of FTAs.**

SMEs do not have the staff to manage or the leverage with suppliers to gain proper origin information from their respective supply chains. Many SMEs are in the difficult position of being knowingly or unknowingly non-compliant in terms of certifying origin of parts contained in their export shipments. Furthermore, rules of origin can differ from country to country and from FTA to FTA in terms of content, methodology, and which party is responsible for certifying. With penalties including fines, revoking of export rights, and potential criminal charges, many small business owners believe exporting, for this reason alone, is not worth the risk.

Recommendation: We recommend that the Administration review rules of origin and related procedures in U.S. FTAs with a view to simplifying and harmonizing these rules. Addressing these differences would also go a long way in being able to simplify the message to the exporting community of how rules of origin apply. We also recommend that penalties be more commensurate to the size of exporter.

Mr. President, by definition, Small and Medium-sized Enterprises often lack the resources available to large businesses, therefore while the issues affecting SMEs could be said to impact businesses large and small, they do so in an unequal manner, as the burdens of exporting can and do have a disproportionate effect on SMEs. It is therefore critical that as specific programs are rolled out under the NEI, special consideration needs to be given to easing the burden on SMEs so they can unlock their full export potential.¹

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McFeney". The signature is fluid and cursive, with the first name "Jim" and last name "McFeney" clearly distinguishable.

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230
December 9, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

Many countries around the globe have shown great success in growing exports over the past decade. Apart from some World Bank initiatives, little research has been done to analyze the changing nature, size and effectiveness of government export policies including export promotion and advocacy programs by foreign countries.

The President's Export Council (PEC) believes that the Administration and Congress would benefit from a fresh perspective on key factors driving export success in jurisdictions outside the U.S. The PEC recommends the Administration undertake a comprehensive benchmarking study to determine those factors that differentiate U.S. export performance versus other major exporting nations. Out of the review could emerge best-in-class export policy enablers that could be implemented in the U.S. to help achieve the National Export Initiative's goal of doubling exports in five years. Such a study should focus on a group of countries that have demonstrated recent success in exporting such as Germany, South Korea, and Singapore.

The proposed study could include the following topics:

- Analysis of exporting landscape and trends;
- Evaluation of industrial and economic policies utilized by the most successful exporters, including relative levels of R&D spending;
- Comparison of successful exporter nation policies to those employed by the United States, including government resources dedicated to export promotion;
- Assessment of risks and constraints associated with potential changes to U.S. export promotion policies (e.g., political considerations, current trade agreements);
- Overview of regulatory transparency in exporter nations;
- Recommendations on potential changes to U.S. export policy and associated benefits/risks; and
- Outline and discussion of potential approaches to enact recommended changes to policy across the areas of government.

Such a study could rely on a broad range of information sources, including:

- Analysis of reported economic data;
- Review of stated government policies and established export-supporting organizations of successful exporting countries;

- Input from U.S. export officials and trade representatives; and
- Discussions with officials of exporting countries and both U.S. and non- U.S. corporations.

Having greater insight into how other nations are assisting their businesses reach global markets, would enable the Administration, Congress and the general public to better understand the competitive pressures U.S. companies and workers are facing. Aggressive advocacy programs abroad, for example, may run afoul of existing international agreements. U.S. companies may be competing not with other private companies, but with state-owned enterprises or government entities that have greater access to government financing and subsidies. Such a study should explore how other jurisdictions coordinate export promotion and advocacy, whether through one strong agency rather than being spread out over several agencies as is the case with the U.S. Trade Promotion Coordinating Committee.

By better understanding what other countries are doing to promote exports, Congress and Government agencies tasked with export promotion and advocacy can better develop appropriate policies and programs that support growth objectives and defend against unfair practices abroad.

Furthermore, if additional commitment by the U.S. is necessary to upgrade our pro-export institutions, investments and policies to match rapidly changing developments in the global marketplace, public support will be necessary. Yet, without an understanding by the public of the need for such upgrades or modernizations – informed by knowledge of what others are doing – it may be difficult to obtain the necessary political support for legislative or regulatory change determined to be warranted based on the analysis.

The Council believes a benchmarking study such as that described is fundamental and overdue given the rapid and continuing changes in a global marketplace with many new and major players. The study should be made publicly available and include cost analysis of all recommendations. We advocate such a study be conducted within the next six months and seek to work with you and your Administration to further refine its design and objectives.¹

Sincerely,



Jim McNerney

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

December 9, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the President's Export Council, we write to urge your Administration to give top priority to addressing the inadequate protection and enforcement of intellectual property rights (IPR) of U.S. manufacturers and service providers in foreign markets. We commend current efforts underway within the Administration to develop effective means of attacking the current high levels of IPR infringement in the markets of our major trading partners and to promote the development of strong global legal norms for the protection and enforcement of IPR. We strongly believe that beyond achieving new market access for U.S. exports, few initiatives hold greater promise for boosting exports and foreign sales, and promoting the sustained growth of well compensated U.S. jobs.

As you have often emphasized, American innovation and ingenuity are key factors in our global competitiveness. Goods and services protected by intellectual property laws are the cornerstone of our exports today. As Secretary of Commerce Locke stated in his remarks on the National Export Initiative, more than fifty percent of our exports depend upon some form of IPR. These exports have enormous upside potential, but that growth cannot be realized without effective means to combat IPR infringement worldwide.

A November 2009 study by the OECD concluded that in 2007 the international trade in counterfeit and pirated goods could amount to \$250 billion, more than double the estimate in 2000 and approaching 2% of world trade. The actual value of such illicit goods is far higher as the OECD survey excluded pirated digital products and goods that were produced and consumed in a single country. Despite this evidence, little progress has been made to turn the tide of increasing infringement of IPR.

For instance, the weak protection of utility patents undermines the ability of U.S. companies in the critical pharmaceutical, biotechnology, environmental and advanced material technology industries. Similarly, weak protection of design patents undermines the ability and motivation of U.S. companies to innovate and sustain the distinctiveness of their designs from computers to cars. Strong IPR protection leads to export growth and job creation in these fast-growing sectors, in which we are currently world leaders.

In addition, foreign sales and exports of the companies in the most copyright-intensive sectors of our economy amounted to some \$126 billion in 2007. The biggest obstacle to further growth of these exports is this: too many foreign markets are flooded with illicit copies of their movies, music, publications, videogames and software, and too many of our trading partners are responding inadequately to abate this deluge.

Legitimate companies invest huge sums in the creation and dissemination of copyrighted materials. They simply cannot compete effectively with organized pirate operations that incur no development costs, pay no royalties, evade all regulatory requirements, and pay no taxes on their ill-gotten gains. This is the biggest foreign market access barrier that the copyright industries face.

U.S. manufacturers and providers of patented or trademarked goods and services face a similar obstacle in reaching overseas markets that are saturated with copies and counterfeits of their products. Not only do counterfeiters free ride on the huge product development and marketing investments of patent, trademark, and service-mark owners; they also expose foreign consumers to shoddy and even dangerous knock-offs. This further poisons the well for legitimate U.S. exporters by diluting the value of their brand and undermining their reputation.

In this as in so many other areas, market access barriers translate directly into lost U.S. jobs. A recent economic study estimated that piracy of music, movies, business software and videogames costs our economy over 370,000 jobs, both within the copyright industries themselves, as well as "ripple effects" upstream and downstream in the supply and distribution chain.¹ Overseas piracy is clearly a major contributor to these job losses and must be curtailed by strong and sustained action. Counterfeiting is too profitable to be deterred by half measures.

It is therefore critical that efforts to improve IPR enforcement and to strengthen the legal standards of IPR protection in foreign markets be fully integrated with the National Export Initiative. Success in reducing the level of piracy and counterfeiting in the markets of our trading partners will translate into increased exports and foreign sales, and thereby contribute directly to a stronger U.S. economy and more robust domestic job growth.

A focus on addressing weak IPR protection and enforcement fits well with several of the objectives that you have set for the NEI:

- It reinforces efforts to remove barriers to trade. Reducing levels of IPR infringement has enormous potential to open markets that are, for all practical purposes, still largely closed because of the ready availability of pirated and counterfeit goods at a price far below that of goods from a legitimate source that must bear the full cost of innovation and development. U.S. exporters of a huge range of products and services, from movies and videogames to consumer goods and health care products, will benefit when more effective enforcement lifts these de facto trade barriers.
- It buttresses enforcement of trade rules. Nearly all of our major trading partners are obligated, under the WTO TRIPS Agreement, to effectively enforce design, patent, copyright and trademark laws, especially against those who engage in piracy and counterfeiting on a commercial scale. Bringing enforcement realities into line with these commitments will pay substantial dividends for U.S. exporters. Several of our trading partners have taken on significant additional enforcement obligations, in their Free Trade

¹ "The True Cost of Copyright Industry Piracy to the U.S. Economy," Stephen E. Siwek, 10/03/2007.

Agreements with the U.S. In this regard, the world-class intellectual property chapter of the Korea-U.S. FTA should establish a strong foundation on which corresponding provisions of the upcoming Trans Pacific Partnership FTA or other future trade agreements could be built.

- Respect for IPR is a policy leading to strong, sustainable and balanced economic growth. When a trading partner cracks down on piracy and counterfeiting in its market, it fosters local innovation and creativity, builds respect for the rule of law, and lays a sound foundation for the healthy growth of its own high-tech sectors in areas such as e-commerce, biotechnology, advanced materials and environmental technology. This is a win-win outcome, leaving only the law-breakers as the losers.

While fully addressing the myriad challenges that U.S. IPR holders face in overseas markets will require a long-term, sustained effort, we believe there are several priority areas your Administration should focus on in the short-term, which can make an appreciable impact on this problem:

1. Continue to empower the Intellectual Property Enforcement Coordinator (IPEC) and work with Congress to ensure that she has adequate resources and authority to effectively coordinate our government's IP enforcement efforts. We know that your Administration has recognized the threat posed by widespread infringement of IPR of U.S. producers. In particular, we applaud the efforts undertaken by the U.S. Intellectual Property Enforcement Coordinator and other senior officials. Their work demonstrates an encouraging commitment by the U.S. to lead these efforts by example. Greater effectiveness and coordination in the U.S. IPR enforcement effort producing public successes in abating infringement will provide a robust model for our trading partners to emulate. The IPEC worked with other senior officials in your administration to release an ambitious IP enforcement plan in June 2010. This work demonstrates an encouraging commitment by the U.S. to lead efforts to improve global protection and enforcement of IPR by example. Greater effectiveness and coordination in the U.S. IPR enforcement effort producing public successes in abating infringement will provide a robust model for our trading partners to emulate. The IPEC must have the capacity to facilitate the proper implementation of the plan's initiatives targeted at improving protection and enforcement both domestically and in markets overseas.
2. Ensure the U.S. government continues to negotiate and implement bilateral and multilateral trade agreements with strong IP provisions that build upon and do not diminish existing U.S. trade agreements, protect America's creations and innovations and will benefit all American industry sectors. Such provisions are essential ingredients to incentivizing the development of original works, new technologies, promoting America's continued competitiveness, and driving U.S. export growth. We also encourage the Administration to press for a higher priority for intellectual property protection and enforcement issues in all relevant multilateral organizations in which the U.S. participates. Finally, it is vital that your Administration remain vigilant in international fora to ensure that strong IP protections are not undermined and emphasize the importance of patents to incentivizing innovation in these fora.

3. **Work to shutdown overseas websites that sell counterfeit goods and facilitate digital theft.** The explosive growth of broadband networks in many countries offers huge potential markets to U.S. copyright owners – in the long run. But in the short run, it has too often given the pirates a faster and cheaper means to steal U.S. intellectual property and to deliver it to consumers with little risk of detection or fear of punishment. The Internet also opens up new distribution channels for product counterfeiters. In many countries, the online marketplace is awash with pirated or counterfeit products, crowding out legitimate sources. Many of the most egregious infringement websites are hosted overseas, which presents a significant challenge to right holders' ability to take action. The U.S. Government must make it a priority to work with foreign governments to ensure reasonable methods and effective tools are used to prevent the distribution of illicit content not only in traditional marketplaces but over the Internet as well.
4. **Ensure that IP attaché programs within executive agencies – including U.S. Patent and Trademark Office, Department of Justice, and the Department of Homeland Security directorates –are robust and coordinated, and work with Congress to expand these programs into additional countries abroad.** IP attaches—stationed at American embassies in selected countries play a valuable role by working with U.S. businesses, as well as local officials and law enforcement to address IP protection and enforcement issues in various countries.

We look forward to working with you to make efforts to combat weak and ineffective intellectual property regimes abroad an integral and essential part of the National Export Initiative.²

Sincerely,



Jim McNerney

² Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230
December 9, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

Expanding exports of services is very important to meeting your goal of doubling overall U.S. exports over the next five years. In 2009, our exports of private services totaled \$483 billion, and over the past decade, private services exports have nearly doubled. As the world's economy becomes more knowledge-based, services will become an even more important component of the U.S. export portfolio.

Services jobs account for over 80 percent of U.S. private sector employment; and therefore is a sector we cannot afford to ignore or underestimate in the goal of doubling exports. When you consider the span of this sector – financial services, insurance, express delivery, telecommunication services, logistics, advertising, computer and information services, management consulting and public information services, legal, accounting, medical and other professional services, travel and transportation and others –it emphasizes the important role of services in job creation.

In addition, the services economy is an enabler and multiplier in the agriculture and manufacturing sectors – banking, insurance, accounting, express delivery, logistics, and telecommunications play essential roles in getting any product to consumers.

One barrier faced in efforts to promote and increase service exports is the quality of our export data. Obtaining accurate measures of services poses several unique challenges to our statistical system, and funding of surveys to better capture service exports has fluctuated over time. Information on the U.S. service sector and trade in services lags far behind that for the manufacturing sector. Insufficient data may be causing understatements about the size and extent of services exports.

Good decisions are facilitated by good data. To assist our government in being able to produce better information and results around service exports, below we have two specific recommendations.

Recommendation #1:

Increase or allocate funding to the Bureau of Economic Analysis (BEA) to support an expansion in the size and scope of surveys on services exports. Earlier initiatives resulted in the conversion of annual surveys to quarterly frequency (2004), the expansion of services detail for affiliated parties to match detail already collected for unaffiliated parties (2006), and new surveys related to travel expenditures (2009). With additional resources, BEA would be able to improve the coverage of its surveys by linking with data collected by the Census Bureau on the exports of U.S. establishments in selected services industries. In addition, BEA would be able to expand coverage in its quarterly surveys

by reducing reporting thresholds and would be able to explore collecting additional detail on selected services, such as environmental services, computer and telecommunications services, and manufacturing services

Recommendation #2:

Improve data sharing among key statistical agencies, as the Administration has proposed, by amending 26 USC 6103(j). Current tax law limits access to Federal tax return information (FTI) for governmental statistical use. The Bureau of the Census (Census) receives FTI for all businesses, and the Bureau of Economic Analysis (BEA), receives FTI for corporate businesses. The Bureau of Labor Statistics (BLS) is currently not authorized to receive any FTI. Significantly, it is not the tax information per se from the FTI that is sought, but rather access to the business identifiers about the relevant organizations that is critical to produce accurate measurements.

The BEA's current restriction to corporate FTI impedes the measurement of income and international transactions in the National Accounts because of the growth of non-corporate businesses especially in the service sector. The accuracy and consistency of income data are important to the formulation of fiscal policies. Allowing BEA, Census, and BLS to synchronize their business lists would significantly improve the consistency and quality of sensitive economic statistics, including productivity, payroll employment, and average hourly earnings. It is roughly estimated that \$20-40 billion of service exports could be overlooked due to the inability to identify gaps in the business lists.

The service sector generates four-fifths of our country's economic output, and employs over 80% of the American private sector workforce. In the years ahead, our services trade will grow substantially, and sufficient resources must be made available to accurately measure this crucial part of our economy.¹

Sincerely,



Jim McNerney

¹ Please note that this letter was prepared by the private-sector members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
 WASHINGTON, D.C. 20230
 December 9, 2010

President of the United States of America
 The White House
 Washington, DC 20500

Dear Mr. President,

As we seek to fulfill the objective you have outlined for the National Export Initiative to double U.S. exports over the next five years, we urge you and your Administration to conclude a strong, effective agreement for the United States on Russia's World Trade Organization (WTO) accession that, among other things, addresses longstanding issues of concern for a range of U.S. exporters. Once a commercially meaningful agreement is reached, we would encourage your Administration to move quickly to seek successful Congressional repeal of Jackson-Vanik and passage of Permanent Normal Trade Relations (PNTR) for Russia. Passage of PNTR is an imperative condition precedent for U.S. businesses and agricultural interests to take full advantage of Russia's WTO entry. As always, we stand ready to fully support this ultimate goal, including helping to inform Congress on the importance of having Russia in the WTO and being subject to binding international trade rules.

As you know, Russia is the world's 10th largest economy and it has been one of the fastest-growing economies over much of the past decade. Russia's economy is expected to enjoy 4% growth in 2010 and 2011. With its highly-educated population and growing middle class, Russia continues to be a promising market for many U.S. companies.

In recent years, U.S. exports to Russia experienced a rapid, upward trajectory (up 27% in 2008, after increasing 56% and 20% respectively in 2007 and 2006). In the aftermath of the global economic crisis, U.S. exports to Russia are growing once again, and, by some estimates, could double or triple from current levels once Russia becomes a WTO member. The potential of the Russian market for high value-added U.S. goods and services is strong.

Thus, the liberalization of Russia's economy that will occur with Russia's accession and the certainty that having Russia operating within the stricture of the global rules-making body of the WTO represent important opportunities for U.S. exports in a variety of sectors, including:

- **High Technology.** Many Information Technology (IT) products and telecommunications equipment will enter Russia duty-free as a result of Russia's commitment to join the WTO's Information Technology Agreement. Russia's IT market is expected to be valued at \$17 billion in 2011, and its personal computer market is projected to grow nearly 11% annually for the next 5 years. Today nearly 40% of Russians regularly use the internet. U.S. officials continue to work with Russia and our global trading partners to secure commitments

regarding acceptable rules in Russia for imports of goods with encrypted technology, which is important to the IT sector and will make Russia's Information Technology Agreement commitments meaningful.

- Intellectual property rights (IPR). Russia has made progress in implementing the terms of the bilateral intellectual property rights agreement with the United States. Most notably the Russian Duma recently passed legislation to provide regulatory data protection for confidential test data produced by pharmaceutical companies for the purpose of obtaining marketing approvals and has now granted its customs officials *ex officio* authority to interdict suspected counterfeit and pirated goods. Russia's enforcement of its intellectual property commitments, however, as well as high rates of on-line piracy remains a significant concern. The United States' ability to hold Russia to its bilateral commitments to enforce intellectual property rights, particularly in the online marketplace where Russia suffers from serious infringement, is essential in making Russia's accession agreement meaningful; and during this intervening period before Russia joins the WTO, the Administration should urge Russia to take clear and credible actions to improve their protection and enforcement of intellectual property rights.
- Industrial Exports. A broad range of U.S. manufactured and other industrial exports (chemicals, aircraft, and medical, power generation and construction equipment) will enjoy lower tariffs averaging 8.2 percent as a result of Russia's WTO commitments.
- Agriculture. The Russian agricultural market will offer opportunities for U.S. farmers and ranchers looking to export their products and for U.S. firms selling farm machinery or value-added food products. In acceding to the WTO, Russia will be obligated to bind its agricultural tariffs, adding predictability to our trade relationship and opening export opportunities for the U.S. agricultural industry. The terms of WTO membership should bring about improved transparency and put much-needed limits on Russia's continued ability to impose arbitrary restrictions on imports of U.S. poultry, beef and pork, for which Russia has been a major market. Moreover, the terms of WTO membership should require Russia to abide by science-based sanitary and phytosanitary (SPS) standards that will help facilitate U.S. farm exports to the Russian market. Full and dedicated implementation will help t build confidence that Russia will abide by its obligations.
- Aerospace. Russia is expected to need more than 1,000 new commercial aircraft over the next two decades, creating long-term opportunities for U.S. exporters to supply Russia with top-quality passenger jets. Not later than one year following accession, Russia's tariffs on wide-body commercial aircraft will decline from the current 20% to 7.5% over a four-year period and decline from 20% to 12.5% on narrow-body commercial aircraft over seven years,

creating additional export opportunities for U.S. aerospace entities. U.S. manufacturers of parts for civil aircraft will also benefit from Russia's WTO commitments – tariffs on aircraft parts, including engines will be reduced to an average of 5% when Russia enters the WTO.

- **Autos and trucks.** Under the terms of Russia's WTO accession, tariffs on foreign autos will fall to 15% from the current 20%-35%, representing major market access gains on the horizon for U.S. auto exporters, particularly in trucks and specialized vehicles as well as parts, suppliers, and components. Russia is forecast to become the largest single motor vehicle market in Europe by 2014. Foreign trucks are in demand for many industrial uses, and Russia's growing passenger-car industry still depends heavily on imported components, parts and assembly kits.
- **Environmental and Energy Technologies and Services.** In order to achieve its energy-efficiency goals, Russia will need to invest an estimated \$320 billion by 2020 (according to the IFC) in residential and public buildings, industrial facilities, transportation, electricity, and heating systems. These investments, along with policies such as new building codes that emphasize greater energy efficiency, present opportunities for U.S. firms to provide specialized environmental technologies and services, and Russia's membership in the WTO will be an important tool to ensure that these markets remain open.
- **Services.** Russia's WTO accession commitments on services will improve or bind current trade practices in 116 services sub-sectors, ensure full national treatment in 30 sub-sectors and provide U.S. service companies with greater market access in Russia.

Russia's adherence to WTO rules will bring more certainty to an often uncertain environment, enabling U.S. companies that export to Russia to plan with significantly greater confidence. As a WTO member, Russia would be required to comply with transparency and notification requirements, thus allowing us better tools with which to assert our commercial rights. Further, Russia would be required to bind its tariff levels, preventing unilateral increases for purely protectionist reasons. Had Russia been in the WTO by 2008, its negotiated tariff commitments likely would have reduced risks to U.S. exporters from several protectionist steps taken by Russia in reaction to the 2008-2009 financial crisis. Finally, having Russia in the WTO will allow the United States to seek redress with Russia through the WTO's dispute settlement procedures with Russia if there are challenges in implementation.

Given the breadth of opportunity presented by Russia's WTO accession, we in the business community would like to ensure that this key emerging market continues to receive the proper attention and focus on your Administration's trade agenda in 2011. We all need to clarify and to correct misimpressions that the WTO's admission of Russia as a member would constitute a benefit conferred upon Russia by and at the expense of the United States.

Mr. President, reaching agreement on a commercially meaningful accession agreement for Russia to the WTO will provide the American worker the opportunity to compete more effectively in this fast-growing global economy and support the NEI goal of doubling exports in the next five years. We stand ready to work with you on a PNTR campaign at the appropriate time, given the vast potential we see in the Russian market and the importance of Russia to our global competitiveness.¹

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McNerney", written in a cursive style.

Jim McNerney

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

September 16, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

A vital component of maintaining the competitiveness of U.S. companies abroad is an effective and efficient export control system – one that safeguards our most critical technologies and strengthens the U.S. industrial base. We applaud your leadership in launching the Export Control Reform Initiative and believe it is critical for the Administration to remain focused on transforming the current system.

As you noted last month when outlining the Administration's reform efforts, "by enhancing the competitiveness of our manufacturing and technology sectors, they'll help us not just increase exports and create jobs, but strengthen our national security as well." Modernizing U.S. export controls will encourage domestic investments in research, development, and manufacturing activities of cutting edge technologies that support our fighting men and women and facilitate potentially tens of billions of dollars of secure exports. In particular, we believe it is vital that the Administration work diligently to complete the Phase I and Phase II efforts it has announced, particularly the revisions to the control lists and the corresponding licensing policies, as soon as possible.

As the "blueprint" for reform was being created, the Administration solicited ideas from industry and trade groups as to the most vital areas for reform. We believe that process could be more formalized. In particular, we recommend that the Administration consult with the President's Export Council Subcommittee on Export Administration (PECSEA), and, as appropriate, the full President's Export Council (PEC), on its vision and implementation plans, including proposed regulatory and statutory changes. We also believe it is important for industry to have an opportunity to comment on the Administration's criteria and related policies to determine which items and technologies are controlled under the new three tier system. In this manner, the full expertise of the PEC can provide a valuable resource for needed changes.

Another important component to consider as part of the overall effort to reform export controls is the Technology Release process managed by the Department of Defense (DoD). As Secretary Gates and General Jones have noted, we need to gravitate toward a system that builds "higher walls around fewer systems," ensuring that our resources are aimed at protecting truly critical technologies. The process is an important part of that equation, as it sets the "technology transfer bar" for specific regions and countries with which the United States works as part of our national security strategy. We believe this is an area the DoD should continue to assess to identify measures that could both streamline and strengthen the technology release process.

Finally, given the complexity of the export control regime, the PEC urges the Administration to provide resources that will allow for more outreach and assistance to small businesses to comply with laws and regulations. The goal should be to simplify the current system to enable more robust compliance for all businesses.

A reformed and robust export control system will enhance national security, strengthen the industrial base and foster the competitiveness of U.S. companies abroad. As your team continues to pursue export control reform, the PECSEA is prepared to provide support for this critically important effort.¹

Sincerely,

A handwritten signature in black ink, appearing to read "John H. Feunoy". The signature is fluid and cursive, with a large initial "J" and a long, sweeping tail.

¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230
September 16, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

When you announced the formation of the President's Export Council (PEC) in July, we pledged to work to develop a plan to help achieve the National Export Initiative's goal of doubling U.S. exports over the next five years. The NEI is an ambitious undertaking and by taking a collaborative, public-private approach to achieving the NEI's goals, we can make significant progress in strengthening our country's economy and creating millions of new jobs for American workers.

The negotiation and implementation of new and pending bilateral, regional and multilateral trade agreements is integral to achieving the NEI's objectives. As you know, every major trading nation is now negotiating free trade agreements (FTAs) to ensure that their exporters and workers get preferential access in markets where our exporters and workers are battling to expand their sales. If our competitors succeed in getting preferential treatment in these important world markets, while the U.S. stands still on trade, not only does the NEI run a high risk of falling short of its promise, but we run the risk of falling behind in the global economy and missing opportunities to create tens of thousands of jobs here at home.

The following are an initial set of public policy recommendations to ensure that American exporters have free and fair access to markets—a level playing field—by making trade agreements work better for the United States.

1. Prepare and submit as soon as possible the pending Free Trade Agreements for Congressional consideration and passage. We strongly support your decision to move quickly to resolve the outstanding issues in the Korea FTA, specifically, autos and beef. This will allow pending FTAs to move forward starting with Korea and subsequently with Colombia and Panama. Trade agreements have succeeded in opening foreign markets to American exporters. For example, in 2009, the U.S. had a trade surplus in merchandise (excluding oil and mineral products) of nearly \$17 billion with our 17 FTA partners. Through July 2010, the U.S. surplus in these products with our FTA partners was nearly \$9 billion. And, according to the independent, non-partisan U.S. International Trade Commission, "these agreements could increase U.S. exports by at least \$13 billion." Moreover, moving forward with the pending FTAs is necessary to reestablish a once-level playing field, including in the agriculture sector which has seen a significant loss of market share due to foreign competition from countries with FTAs with Colombia and Panama.

2. We also strongly support your initiatives to revitalize the Doha Round negotiations. Successful completion of the Doha Round is an essential part of restoring global economic growth and new job creation on a sustained basis. The PEC agrees with Ambassador Kirk that while the positions currently on the table in the WTO provide a foundation for moving forward, they do not in their current form or substance support significant new opportunities for economic growth and job creation.

Thus, we support the initiatives by Ambassador Kirk to re-energize the manufacturing, services and agriculture negotiations to expand their market opening commitments, and to ensure that these negotiations move forward in concert. The PEC also strongly endorses the view that the future success of the Doha Round depends on the willingness of large emerging countries like Brazil, India and China to assume their share of the responsibility to expand world trade commensurate with the substantial economic benefits they have been realizing as a result of multilateral market opening over the last sixty years.

3. Reinforce American Rights Against Unfair Trade Practices. The NEI already includes a strong commitment to enforcement of American rights under existing international agreements. It is equally important to ensure that domestic laws to protect American companies and workers from unfair trade practices are enforced fairly and effectively, and that internationally-accepted rules to prevent unfair trade practices are not preserved in new bilateral, regional or multilateral negotiations.
4. Pursue Modern FTAs with Our Major Trading Partners. Moving forward with the unfinished business of the Doha Round and the pending FTAs is essential, but it is equally important to begin to move forward on a new 21st century agenda of bilateral, regional and multilateral trade negotiations to make sure our foreign competitors are not able to exploit their bilateral and regional trade agreements to the disadvantage of our exporters and thus undermine the NEI's purposes.

The PEC endorses the negotiation of new trade agreements with our major trading partners. The Trans Pacific Partnership (TPP) is an important example of the type of initiative needed to promote American exports and create new jobs. We urge you to conclude the TPP negotiations before the U.S. hosts the Asia Pacific Economic Cooperation meetings in November 2011. In the months ahead, the PEC intends to consider the feasibility of other beneficial bilateral and regional initiatives.

5. Re-establish Confidence in the Adjustment Process. Helping workers, companies and communities adjust to trade, as well as rapid economic, technological and social changes inherent in the global economy is also an essential part of a successful NEI and critically important to our overall competitiveness. The new bipartisan trade adjustment assistance program enacted in 2009 is a good start. However, public-private initiatives are needed to move beyond trade-related programs and find new

ways to provide lifelong learning for workers, as well as assistance for job dislocation when livelihoods are threatened for any reason.

In the Omnibus Trade and Competitiveness Act of 1988, the Congress identified how trade agreements might constructively help the adjustment process. It authorized the President to undertake international negotiations to agree on rules to set up a system which would allow a country to impose a "small uniform fee" on imports to fund adjustment programs. Given the overall economic benefits of removing trade barriers and as tariffs are eliminated or substantially reduced, we believe the feasibility and utility of using this type of system to temporarily support the adjustment process should be re-evaluated.

As you said, Mr. President, in July, "export growth leads to job growth...So at a time when jobs are in short supply, building exports is imperative." We agree and are committed to working with you, the Congress and our colleagues in the private sector to make the NEI a success.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

As part of the National Export Initiative aimed at doubling exports over the next five years, we believe that the service sector, and in particular the travel and tourism industry, will play a vital role. In 2009, the United States had over \$120 billion in travel and tourism exports, and a positive trade surplus of \$21 billion. The travel and tourism industry is one of America's largest employers generating 8.2 million jobs in this sector last year. While the United States still has a trade surplus in tourism, in the post -9/11 years our national tourism performance has suffered dramatically, as we have lost 68 million visitors, resulting in \$500 billion in lost spending, over 400,000 lost jobs and \$32 billion in lost tax revenues¹. Your leadership is needed to reverse this trend. With continued improvement in coordination among various government and private sector entities, we can be successful in increasing the number of people traveling to the United States each year.

The U.S. government can play a more vigorous role in accelerating economic growth in this important sector. The U.S. Travel Association estimates that by doubling arrivals from the 36 Visa Waiver countries alone, over \$200 billion in spending would be generated in support of the U.S. economy while building cultural, education, family and business connections. A robust travel and tourism sector will spur growth throughout the country for small, medium and large businesses. With one out of every nine jobs in the United States tied to travel and tourism, the economic impact would be significant.

Important steps have already been taken to ensure that our embassies understand the importance of supporting U.S. business in world markets. Extending this effort to the travel and tourism sector of our economy is an important step the President's Export Council recommends the Administration embrace. In particular, we recommend that U.S. Embassies and consulates in Visa Waiver countries, and non-Visa Waiver Program countries (such as Brazil, India and China) that are major sources of inbound travel to the United States, undertake a comprehensive review of their current procedures and policies for encouraging travel and tourism to the United States. The goal of this review should be to institute concrete measures our embassies and consulates will undertake to expand, simplify and expedite the visa and travel process. The world must come to know that the United States welcomes foreign visitors while remaining vigilant in protecting our security.

¹ Source: Oxford Economics

Additionally, continued progress opening international aviation markets can further enable travel and tourism. Our nearly 100 "Open Skies" agreements have vastly expanded international flights to and from the United States, increased travel and U.S. exports, enhanced productivity, and spurred high-quality job opportunities and economic growth. However, some of the world's fastest-growing aviation markets, especially in Asia, South America and the Near East still remain highly restricted--additional "Open Skies" agreements will further bolster a key component of exports.

Thank you, Mr. President, for your leadership in promoting international travel and tourism. The PEC stands ready to assist you in any way to reinvigorate our travel and tourism industry.²

Sincerely,



² Please note that this letter has been prepared by the private-sector appointed members of the PEC.

THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

September 16, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

As members of the President's Export Council, we applaud and strongly support your National Export Initiative (NEI) as an essential component of U.S. foreign policy for international trade. Successful implementation of the National Export Initiative will require a work force that is trained and educated to meet the economic challenges that lie before us as a Nation. We believe promoting more effective training programs and a focused effort on increasing the number of Americans high-demand job areas focused in science, technology, engineering, and math (STEM) is essential and will in turn boost productivity. A particular segment of the workforce, returning soldiers from overseas operations, deserves your special attention and consideration. With the unemployment rate of veterans ages 22 to 24 reaching as high as three times that of non-veterans in the same age group, we believe the Administration should put additional emphasis on training initiatives to transition returning veterans back into the civilian workforce. By equipping veterans with highly-marketable skills, the U.S. can take a practical approach to addressing both the problem of high veteran unemployment and the challenge of industry skill shortages in key occupations.

Model programs that could serve as templates are the "Helmets to Hardhats" (H2H) Program of the National Building Trades Unions and the "Veterans in Piping" (VIP) programs of the United Association of Plumbers and Pipefitters (UA), both which have established track records of helping returning veterans make successful transitions from the military to high-skill careers in the private sector. Founded in 2003, H2H has placed tens of thousands of veterans into some of the most successful apprenticeship training programs in the country where they receive skills training offered simultaneously with immediate employment opportunities. The VIP program, launched in 2008, is an intensive eighteen week program offered directly on military bases that has provided training to numerous veterans in high skill jobs that are in strong demand in various U.S. industries. The program will soon be expanded to include new training aimed at jobs in the green technology sector.

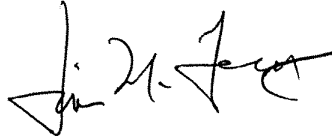
Expanding the H2H and VIP programs, and developing similar programs based on these models, is one way to address critical workforce shortages in a constructive manner. Allowing a preference in federal contracting solicitations for companies that participate in H2H, VIP, or similar programs could further expand the success of these initiatives and help provide a model for additional training programs in the future.

Working with the Departments of Veterans Affairs, Education, Labor and Agriculture, we believe there are additional opportunities to encourage veterans to enroll in the STEM disciplines. These agencies should take the lead in forging partnerships between the local colleges and businesses to create venues where returning soldiers can match their backgrounds to these high demand fields of study. Encouraging veterans to choose STEM disciplines could be accomplished through preferred job placement with participating industry partners. Tailoring programs at the local level would ensure industry is engaged with veterans before and throughout their time in the classroom. By utilizing tuition assistance programs already available to qualifying veterans, shortages in fields critical to supporting export potential could be filled at minimal additional cost.

Experience has shown the lessons of leadership, discipline, and teamwork instilled in our soldiers translates well to workplace. By training our veterans in high demand fields that will support the Administration's goal of doubling exports in five years, these men and woman will continue to ensure the security of America's future in their new civilian lives.

We stand ready to work with you to ensure that our veterans' exceptional talents are leveraged in support of our nation's economic competitiveness.¹

Sincerely,



¹ Please note that this letter has been prepared by the private-sector appointed members of the PEC.