

SBA'S OFFICE OF INTERNATIONAL TRADE: GOOD FOR BUSINESS?

HEARING BEFORE THE SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE OF THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

HEARING HELD
JANUARY 11, 2016



Small Business Committee Document Number 114-036
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

98-246

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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MONDAY, JANUARY 11, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 4:02 p.m., in Room 2360, Rayburn House Office Building, Hon. Carlos Curbelo [chairman of the Subcommittee] presiding.

Present: Representatives Curbelo, Luetkemeyer, Brat, and Meng. Chairman CURBELO. Good afternoon. I call this hearing to order.

Thank you all for joining us today for this hearing on the Small Business Administration's Office of International Trade, OIT. I hope through this hearing this Committee can identify some potential methods to strengthen our work with the SBA to better support small businesses seeking export opportunities.

This Subcommittee has stressed time and time again the small business benefits of foreign markets. Ninety-five percent of all consumers live outside the borders of the United States, and yet, only 1 percent of the United States small businesses actually export.

Despite that low percentage, trade is still a vital way for small businesses to find new markets. In my home State of Florida, 96 percent of our exports were from small firms. Those same small firms generated roughly two-thirds of our State's export value. However, while this is a tremendous start, many small businesses still find exporting a costly, complicated, and confusing process.

In 2010, this administration put forth the national export initiative, a strategy that prioritized small business exports. That same year, Congress directed the SBA to expand its role in export promotion. Specifically, the SBA was tasked with increasing coordination efforts between Federal agencies engaged in export promotion offering greater counseling and training to small businesses interested in expanding into foreign markets and broadening its export financing efforts. I understand the SBA has worked to strengthen these efforts through the colocation of staff at a network of U.S. export assistance centers, USEACs. And I am also aware that SBA operates through nonFederal partners like the Small Business Development Centers, SBDCs, resources that devote substantial time to the promotion of exports.

Frankly, it sounds like these resources could be invaluable to small businesses engaging in international trade. However, the OIT has only dedicated 19 trade specialists to the various USEACs

around the country, 11 short of the 30 required by the Small Business Jobs Act of 2010 and although the SBA has appointed district international trade officers to assist businesses seeking advice on exporting, the Government Accountability Office recently reported that those staff only spend about 15 percent of their time on export promotion.

So here we are, 6 years after the Small Business Jobs Act, goals and objectives that have been pushed by the administration and statutorily mandated by the United States Congress are still incomplete. And I am concerned that the OIT may actually be serving a redundant purpose. If there are massive deficiencies in SBA's efforts to better coordinate Federal trade promotion resources, if the OIT is offering trade counseling and training that is also being provided by SBDCs, the Department of Commerce, and other State, Federal, and private entities, if OIT is failing to follow through on the very legislative mandates established to hire more staff for the purpose of heightening the presence and functioning of OIT, then maybe it is time we in Congress give serious reconsideration to the long-term validity of the office of international trade altogether.

Today, we will hear from OIT's associate administrator, Eileen Sanchez, on how SBA plans to implement GAO's recommendations as well as how they plan to assist more small businesses yearning to join the global marketplace.

Thank you, again, for joining us, and I now yield to my distinguished colleague from New York, the ranking member, for her opening remarks.

Ms. MENG. Thank you, Mr. Chairman.

Expanding trade opportunities is a big deal for companies of all sizes, but especially for small business. More than 300,000 U.S. companies are exporters. Of this total, 97 percent are small and mid-sized companies. These smaller businesses exported more than \$470 billion in 2013, over one-third of all U.S. exports. Those exports help support more than 11 million jobs across the country.

In 2012, my home State of New York, ranked third in the value of exports by small businesses, with more than \$79 billion, or 5 percent, of all exports.

With foreign trade on the rise and small business expansion into the global market increasing, the opportunities for small firms to grow and succeed are also increasing. Small firms that engage in global trade are 20 percent more productive, and produce 20 percent greater job growth when compared to nonexporting counterparts. They are also more resilient. Yet, for many of these companies, their success depends in part on their ability to access these international markets.

Despite such impressive numbers, less than 4 percent of all American small businesses export. Small businesses face many challenges. It takes time to identify foreign markets, target new customers, and learn the nuances of the exporting process. In fact, nearly half of small exporters spend a few months a year and close to 10 percent of their annual operating budget preparing to export.

Due to a lack of resources to develop a trade strategy, the majority of small exporters only enter one foreign market while more than half of large companies export to at least five foreign markets.

In order to help bridge this divide, there are several tools and resources available to small exporters. The primary tool for small firms is the Small Business Administration's U.S. export assistance centers, which fill a void by providing access to technical trade specialists all over the country. By delivering foreign industry and market expertise as well as compliance assistance, small businesses are better able to navigate the complex terrain of the international marketplace.

To address financing challenges for small exporters, the SBA and Export-Import Bank provide small business specific export financing products. In 2014, this program enlisted 513 lenders to provide \$1.3 billion in export financing to almost 1,400 small exporters. However, there is still not enough financing, which is why I introduced the bill last year to increase Ex-Im Bank's small business financing goals, and I hope to hear how else financing can be improved.

International trade is inherently complex due to economic trends, country-specific policies, and customs and intellectual property laws. But with the resources available through SBA initiatives, small firms wishing to reach more global customers and those already exporting can better prepare themselves for navigating the international market.

It is critical that small businesses are able to participate in this marketplace. Doing so gives them access to more customers, which in turn fuels their growth and employment and that of the U.S. economy overall.

I would like to thank our witness for making herself available to testify today.

Thank you, Mr. Chairman, and I yield back.

Chairman CURBELO. I thank the ranking member for her opening statement. If Committee members have an opening statement prepared, I ask if they be submitted for the record.

I would like to take a quick moment to explain the timing lights. You will have 5 minutes to deliver your testimony. The light will start out as green. When you have one minute remaining, the light turn yellow. Finally, at the end of your 5 minutes, it will turn red. I ask that you try to adhere to that time limit, but to the extent you need a little extra time, we will be happy to indulge you here.

Our witness today is Ms. Eileen Sanchez, associate administrator for international trade at the Small Business Administration. I look forward to your testimony.

You may begin.

STATEMENT OF EILEEN SANCHEZ, ASSOCIATE ADMINISTRATOR, OFFICE OF INTERNATIONAL TRADE, UNITED STATES SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Ms. SANCHEZ. Thank you, Chairman Curbelo, Ranking Member Meng, and distinguished members of the Subcommittee.

Thank you for the opportunity to testify about the U.S. Small Business Administration's international trade programs and initiatives.

Sounds like we are saying a lot of the same things. Small businesses are increasing, looking abroad for their next customer.

International sales contribute to a strong middle class by fueling economic opportunity and creating jobs in communities across the United States. At the same time, foreign consumers that buy made-in-America products, gain access to some of the world's highest quality products and services. Today, 96 percent of all consumers and over two-thirds of the world's purchasing power resides outside of the United States. Small businesses that can tap into this market have the potential for vast expansion and growth.

In SBA's Office of International Trade, we remain focused on our core mission of increasing the ability of small businesses to compete in international markets through our finance programs and through export development opportunities. I would like to share with you some of the important achievements we have made thus far.

On my personal visits to small business exporters, they routinely express to me their need for access to finance. I am proud to say that in fiscal year 2015, in spite of an overall dip in total U.S. exports, we remain focused and participated with 514 lenders to guarantee a record \$1.45 billion in SBA loans to 1,513 small business exporters.

We have also ramped up our approach to targeting new export lenders so that they can more efficiently and effectively support small business exporters in their communities, and so that more liquidity can flow to the market.

In fiscal year 2015, we also trained more than 4,300 bankers. We hosted several lender roundtables throughout the country; we provided webinars, and we carried out other outreach and training events. For example, we provided a webinar for members of the National Credit Union Administration. In fiscal year 2016, we intend to amplify these types of outreach. On the export development side, SBA collaborated with partners across the country to improve access and delivery of programs to small business exporters, and we will continue to ramp this up in 2016.

One of the programs that we continue to be very excited about is the State Trade and Export Promotion program, also known as the STEP program. As you know, STEP awards Federal dollars to our States and territories to fund their eligible small business market development activities. These activities can include trade missions, foreign market sales trips, international marketing, and training.

In our fiscal year 2015, we upgraded processes and implemented efficiencies as part of our STEP program improvement initiative. So far, the program has supported small business export development in 85 foreign markets as well as export activities attended by 32,000 small businesses channeling over 1.1 billion in export sales for a return on taxpayer investment of over 19 to 1. In fiscal year 2015, SBA awarded \$17.4 million in STEP grants to 40 States.

Today, based on funding provided for STEP in the recent 2016 Consolidated Appropriations Act, SBA will announce a competitive process for additional STEP awards totaling \$18 million this year.

On the trade negotiations front, another key barrier that we hear, as you said, Ms. Meng, is market access. And many untapped opportunities exist outside the United States but small businesses just don't have the resources and the personnel to leverage them.

This is why, likely unknowingly, small businesses must rely heavily on negotiated free trade agreements to truly access new markets and grow. And that is why trade agreements have the potential to significantly benefit small businesses.

So in addition to the office's core functions, for the first time ever, our office is engaged in creating market access opportunities for small businesses in key markets through trade negotiations. Last year, the SBA, along with USGR and other members of the Federal agencies, represented small business interests in ongoing U.S.-EU transatlantic trade investment partnership negotiation and in intercessional meetings, and we will continue to do this in 2016.

With regards to the recently concluded Trans-Pacific Partnership agreement, the TPP, the SBA is excited that the agreement includes the first ever small-medium enterprise chapter, as we believe many other provisions in the agreement will help small business exporters. We also believe TPP and its commitments will help to improve the environment for doing business overseas and help more small business exports make their made-in-America goods and services to Asia Pacific Rim customers.

From the internal management perspective, we have prioritized program changes into more practical frameworks. We have also hired new enthusiastic, high-caliber, and innovative expertise in the field and at headquarters. We are now at 21.

In conclusion, it is clear that in the 21st century, SBA's Office of International Trade must be as global, innovative, and entrepreneurial as the small businesses we serve. We are more engaged on the international front than ever before by supporting expert development efforts through the STEP program, through guaranteed expert lending, as well as our active involvement in trade negotiations. Together, these efforts increase the ability of small business exporters to compete in international markets and help create expert supported jobs in the United States.

Again, I want to thank all of you for your bipartisan commitment to small businesses.

Mr. Chairman, happy to take your questions.

Chairman CURBELO. Thank you very much for your testimony, Ms. Sanchez. I now would like to recognize myself for 5 minutes.

And here is my first question: The Small Business Jobs Act of 2010 directed SBA to increase its OIT export finance staff from 18 to 30 by the end of September 2012; however, the GAO reported in January 2013 that SBA only filled two positions pointing to funding and recruiting challenges as an explanation. GAO recommended that SBA update its plan to hire additional OIT staff and include funding sources and timeframes. So it is now January 2016, and I am curious what is the current number of OIT field staff today?

Ms. SANCHEZ. Thank you very much, and thank you for the question. We are eager to raise our staff numbers as well. We are currently at 21. We have added staff, additional staff, in Florida, in Texas, in St. Louis, and in Seattle. And we are reshifting and realigning our staff to meet the gaps. We have conducted a gap analysis, and we have also added a new position, also part of the

Small Business Jobs Act, a regional export development officer to fill a gap in markets on the West Coast.

Chairman CURBELO. So is there an updated plan for meeting the requirements of the SBA? You have mentioned the number 21. That seems to me it is only an increase of three from a few years ago. Do you have an updated plan? And if you don't, why don't you have an updated plan?

Ms. SANCHEZ. We do have an updated plan, and it includes a gap analysis so that we understand where the gaps lie within our talent. If there is some of them that—if the market requires extra, for example, outreach help versus finance help, then we want to make sure that we make a judicious and good use of taxpayer dollars and ensure that we are putting people in the right places. And that is where we are right now.

Chairman CURBELO. You do understand that since you haven't reached the 30 that you are required to reach, that raises many questions. And some people may say, well, perhaps there is not enough work for this agency to do. Perhaps this agency may not be necessary; it is redundant. Maybe this work is being done by other agencies.

So it is my view, Ms. Sanchez, that we need a more convincing and a more definitive answer as to why it has taken so long, I mean, this is years, to increase the positions from 18 to 30. It has been years, and it has been very difficult to achieve that. So I don't know if there is anything else you would like to add or if there is anything you can commit to sharing with us with regards to your plans so that we can better understand why it is that this has been so challenging to the agency?

Ms. SANCHEZ. Yes. Well, first, I have been with the agency for 14 months, and I can tell you that Administrator Contreras-Sweet is committed to ensuring that we right size as soon as possible, and she continuously repeats that. And she wants to make sure that we are staffing up and supporting the market the way it needs to be supported.

Chairman CURBELO. So do you think that the plan is something you would be able to share with this Committee—

Ms. SANCHEZ. Sure, definitely.

Chairman CURBELO.—so we can better understand what it is you are experiencing, and perhaps if you need additional resources or if there is anything we can do to be helpful?

Ms. SANCHEZ. That would be great. Thank you.

Chairman CURBELO. Okay. Another question. I have about a minute and a half left. How does the U.S. global business services effort enhance SBA coordination with commerce and Ex-Im, if you can give me some concrete examples?

Ms. SANCHEZ. Yes. Thank you very much. It is really important to take a business—and this is what SBA does very well, is take a business from its entire lifecycle and how it looks as it approaches finance and ensuring that we are structuring and looking at a business. And we counsel small businesses and want to make sure that they are getting the right services from other entities and agencies within the government as well, and that is what the U.S. global solution program does very well, and we market it everywhere we go.

Chairman CURBELO. Okay. Thank you. I have some additional questions, but now I would like to recognize the ranking member for her questions.

Ms. MENG. Ms. Sanchez, collaboration between government agencies, as you know, is the best way to assist small businesses nationwide. In 2013, the GAO found collaboration between the SBA and other agencies to be lacking particularly in efforts to expand exporting. What steps has your office taken to enhance cooperation with other agencies in meeting client demands for trade assistance?

Ms. SANCHEZ. Thank you very much.

Well, we are continuously meeting with other agencies ensuring that we are working with the Trade Promotion Coordinating Committee, seeing what exists out there. Again, one of the biggest barriers that small businesses tell us they face is information, trying to understand who does what and where, who can they call? How can they get started? And so we are ensuring that we proactively addressing that, whether it is from providing lead behinds, cheat sheets, or whatever, however we need to tackle the market in addition to our field that is constantly out there aligning all of this.

Ms. MENG. Another question on minority-owned businesses who are more likely to export compared to nonminority-owned firms of all sizes. They are also five times more likely to conduct business in a language other than English. Foreign language capability, diaspora, and family ties are big advantages, for example, for Asian and minority-owned U.S. firms seeking to sell their products and services overseas. How is the SBA assisting these minority-owned businesses, and can Congress be more helpful?

Ms. SANCHEZ. Thank you very much. Yes, we are currently targeting various people on the field as well that have a background. For example, we have colleagues in Los Angeles that work tremendously with the Asian-American market and through financial institutions, ensuring that various community lenders that focus to certain minorities have the resources that they need to provide the right financial instruction and development for small businesses.

Ms. MENG. Thank you. I yield back.

Chairman CURBELO. Thank you, Ms. Meng.

I now would like to recognize the distinguished vice chairman of the Small Business Committee, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Ms. Sanchez, how are you this afternoon?

Ms. SANCHEZ. Thank you very much. How are you?

Mr. LUETKEMEYER. Well. I didn't get a bio of you in my paperwork here. Can you just roughly tell me what your background is?

Ms. SANCHEZ. Sure, no problem.

Well, I began my career doing foreign exchange trading, actually, photocopying FX deals, and then I was promoted to stapling, eventually. I then now worked my way up into a trading room where I did FX for intellectual property law firms filing patents and trademarks throughout the United States.

Mr. LUETKEMEYER. You are an attorney, then?

Ms. SANCHEZ. I am not an attorney.

Mr. LUETKEMEYER. Not an attorney. Okay.

Ms. SANCHEZ. And then I moved to another area of a bank where I helped build their front office operations, realigned their

entire structures, opened foreign deposit books for clients. Eventually I built an export finance area for areas of the bank, and the bank asked me to do similar things for about nine other areas of the finance—of the banking institution.

Mr. LUETKEMEYER. Very good. Question for you. The chairman alluded to this a minute ago. We have this Trade Promotion Coordinating Committee. I never heard of this group before. Can you tell me a little about that?

Ms. SANCHEZ. Yes. The Trade Promotion Coordinating Committee is several agencies within the Federal Government that are in charge of trade promotion.

Mr. LUETKEMEYER. You try and coordinate all the activities?

Ms. SANCHEZ. They do, and there is—

Mr. LUETKEMEYER. Is Ex-Im Bank part of that trade promotion?

Ms. SANCHEZ. Yes, sir.

Mr. LUETKEMEYER. Is it? I know that Ex-Im last year did 3,400 direct loans to small businesses. Do you coordinate with them at all? Do you guys work together on financing part; they finance part? What goes on?

Ms. SANCHEZ. Yes, sir. We are colocated with Ex-Im Bank and commercial service and several of our U.S. export assistance centers. So on a daily basis our team on the field works together to ensure that the small business is getting the structure that they need.

Mr. LUETKEMEYER. When you say “structure,” you are saying the—

Ms. SANCHEZ. Financial structure that they need.

Mr. LUETKEMEYER. Right. I am a banker. I know what you are talking about. What you are saying is that SBA will take, perhaps, the less risky part and Ex-Im takes the more risky part? Is that what you are doing?

Ms. SANCHEZ. Yes, in essence. So a credit deal—a credit guarantee underwrites the risk of a small business not paying the bank. There is also credit insurance which underwrites the risk of a foreign buyer not paying the small business. And so we work hand in hand with Ex-Im’s credit insurance on that to ensure that small businesses are being paid.

Mr. LUETKEMEYER. Roughly, how many deals did you do last year with Ex-Im?

Ms. SANCHEZ. I will get back to you on that. Thank you.

Mr. LUETKEMEYER. Okay. Just out of curiosity, you said your portfolio was, what, \$1.2, \$1.3 billion?

Ms. SANCHEZ. \$1.45 billion.

Mr. LUETKEMEYER. That you did last year?

Ms. SANCHEZ. Yes, sir.

Mr. LUETKEMEYER. Okay. What is your past due on the balance? What is your total portfolio size?

Ms. SANCHEZ. \$1.45 billion, past due is at—

Mr. LUETKEMEYER. And that is your total portfolio, or is that the number of loans you made last year?

Ms. SANCHEZ. Total volume of loans.

Mr. LUETKEMEYER. Okay. So that is not the number of loans you made last year?

Ms. SANCHEZ. Not number of loans, no.

Mr. LUETKEMEYER. All right. So your total portfolio is \$1.45?

Ms. SANCHEZ. Yes, sir.

Mr. LUETKEMEYER. What is your past due?

Ms. SANCHEZ. There are no past due in—the bank is the one that monitors the past due, so we don't have any deficiencies. The program is run at a zero subsidy.

Mr. LUETKEMEYER. You don't go to the bank and get reports from them to tell you what the past due ratio is of the loans that you are sitting there guaranteeing?

Ms. SANCHEZ. I would have to get that information back to you, sir.

Mr. LUETKEMEYER. Okay. One of the concerns that we have is the GAO report. You know, the Chairman talked a while ago about the number of people who were supposed to be doing this work of helping small businesses. You are authorized for 30, you had 19, now you are up to 21. And the GAO report said that sometimes it is as little as 15 percent of their time was actually dedicated to working with small businesses on trade.

So it begs the question, number one, are these people necessary? And if they are, are they doing their job? And who came up with the number of 30 to begin with? Was that you? Was that Congress?

Ms. SANCHEZ. It was Congress.

Mr. LUETKEMEYER. So Congress pulled a number out of the air, then, right?

Ms. SANCHEZ. I defer to you on that, sir.

Mr. LUETKEMEYER. I have no idea. I am asking you. You are the administrator. You should know the history of your agency, the history of this program. You don't know the history of your program?

Ms. SANCHEZ. Sir, I believe that Congress was the one that came up with the number.

Mr. LUETKEMEYER. Okay. You didn't work in conjunction with Congress to come up with the number, and say, we think 30 people would be able to help us be able to do our job of helping small businesses access trade agreements—

Ms. SANCHEZ. Well, sir, to answer your first question, you said district international trade officers only do—that—our districts only have—they have a representative that is called district international trade officers. They are the ones that do—15 percent of their time is allocated to trade efforts. We have U.S. expert assistance center people that actually dedicate their time 100 percent to trade.

Mr. LUETKEMEYER. Which one is the 19?

Ms. SANCHEZ. The 19 is the U.S. export assistance center people.

Mr. LUETKEMEYER. Okay. Because GAO was concerned that there was a disproportionate amount of time spent by these people on other activities other than what they were supposed to.

So I see my time is up. I will yield back to the Chairman. Thank you.

Chairman CURBELO. I thank the gentleman for yielding back. And now I would like to recognize the gentleman from Virginia, Mr. Brat.

Mr. BRAT. Thank you, Mr. Chairman.

I just kind of have some general questions. I am kind of following the logic of what has just proceeded.

I taught economics for the last 20 years at a small school down in Virginia. In general, I am a free trader. Small business, how can you not be, you know, empathetic toward helping the small guy. But since I have been up here, seeing how the politics works, I get skeptical about the size of the small business and the typical small business that we are helping.

So the big folks up here, all that special interests and lobbyists, and they do well for themselves, Export-Import Bank is kind of our example. It depends on which side you are on. I am opposed. But when it comes to just trade in general, what is the best case you can make for me? So in economics, the price system is—the free market system or the price system, prices make the decisions for us, right? So we all want to buy cheap products, and the price system works. And any country that does not follow the price system with long run is no longer a nation. Right? So every nation in the history of nations is gone.

We have followed the price system, and have done fairly well, but lately the government's growing and growing and growing. So give me the best case you can as to why we need the Small Business Administration to make loans and help these small guys make loans, give them credit, and to facilitate trade? Because I do want to level the playing field toward the small guy. But on the other hand, I am getting equally skeptical that the government is just picking winners at all levels. So give me the best case you can for why the Small Business Administration should be helping out the small guy so I can go back home and tell them what we are doing for them.

Ms. SANCHEZ. Thank you very much. That is interesting.

You know, the core mission of the U.S. Small Business Administration is to help small businesses succeed and especially the Office of International Trade in the international marketplace and be able to compete effectively. And, you know, we have identified—we know that the three biggest issues that they have is information, access to capital, and market access.

Without somebody representing them and being the voice for them on trade negotiations and all trade matters, and knowing that 96 percent of all of their potential future sales and current sales, you know, need somebody to support them. That is a pretty hefty case there of the tremendous need that they have for somebody to voice for them and represent them in anything related to—

Mr. BRAT. That is good. That is what I wanted to hear. Now, if I unpack it and dig down into the details, will I find out that the small businesses that are being helped are actually not the smallest ones, but they are the biggest ones in the small business category?

Ms. SANCHEZ. You know, I would love to dig deeper with you, because we also do know that exports—that the opportunities are with new entrants in exports.

Mr. BRAT. Yep.

Ms. SANCHEZ. And I firmly believe that is where the opportunity exists as well.

Mr. BRAT. That is good. And, then, I am just playing devil's advocate. But I am just interested, in free markets, the nice thing about a free market, it is neutral. Right? Everyone is absolutely equal when the price system is in charge and you don't have access, special access, to some trillions of dollars up here.

So if I dig into the small business firms as well, would there be any particular concentration in just certain industries that are get overwhelming support and subsidies and counsel? Because everyone knows it is good, right? I mean, you are getting free services, and someone helping you to do your services and subsidizing capital and making your loans easier, that is a good thing. No one's against that.

But if I dug down to get—would it be—is it just certain industries, or is it fair in terms of across the board?

Ms. SANCHEZ. I would be actually very curious and interested to engage on a study like that as well with you.

Mr. BRAT. Good.

Mr. Chairman, I yield back. Thank you very much for—

Chairman CURBELO. I thank the gentleman.

I have a couple additional questions, Ms. Sanchez. SBDCs and the commercial service both provide export counseling to small businesses; however SBA and Commerce have yet to clearly designate the responsibilities of field staff in this regard. What effort has been made to improve collaboration and cooperation between SBC and commercial service export counselors, and what is being done to simplify the process when a small business should be referred to a different agency based on their export readiness?

Ms. SANCHEZ. Thank you. With all honesty, I think there is a lot of work left to be done there still. And there is a lot that we can be doing to require more of SBDCs, potentially, hopefully, with your help and ensure that SBDCs are incorporating into all of the curriculum and what they do, international training.

Even though some of them are certified, there is a lot of work left to be done to ensure that SBDCs are actively communicating in international trade and everything they do.

Chairman CURBELO. So you recognize there is a lot of room for improvement in this area?

Ms. SANCHEZ. Absolutely.

Chairman CURBELO. Then let me ask you, because I think this is what it all boils down for me. It appears that much of what OIT does is actually duplicative of a number of other agencies. How does the administration—I want to give you the opportunity to make your case for OIT. Why it is unique? Why it is different? Why it justifies an investment from the American people?

Because based on a lot of what we have learned here today thus far, I think it is pretty clear that there is a lot of overlap with different agencies, and there are at least questions with regards to OIT's mission and whether or not that mission is being fulfilled.

I want to give you the opportunity to make the case for why OIT is necessary, despite the fact that other agencies are also operating in this area.

Ms. SANCHEZ. Yes. Thank you.

Once again, we know that the issues that small businesses are facing are related to information, to financing, and to market access. And one entity that ensures that on all horizontal levels across the Federal agency, what every Federal agency is doing is ensuring that they are including small business in the everyday of what they do.

That is what the Office of International Trade has been actively ensuring and doing, at least since my arrival, is ensuring that every Federal agency, including this, and that is critical for small businesses. They need that voice for small business, and for somebody who is fighting for them on international markets and to ensure that they have the right market access.

Chairman CURBELO. Well, I thank you. And I would just like you to take the message back, I think, obviously, everyone on this Committee wants the SBA to work, to be functional, to help small businesses. We really believe that we can do a lot to give small business owners access to new markets. Small businesses are very important for all of our communities, because they are the ones that employ the people that don't have access to the big firms, maybe the kid that dropped out of college or the new immigrant family that just arrived. These are the jobs that these types of individuals have access to.

So we want to promote small business, but there are legitimate questions, I think many of them have been asked here today, with regards to OIT, with regards to whether or not it is absolutely necessary. And we are living at a time, of course, of limited resources for the government. You know that; we certainly know that.

I think it is very important, it is critical, for SBA to demonstrate that this agency is necessary and that it is operating to assist our small businesses export products. That is your mission. So we need proof, essentially, that your mission is being fulfilled.

Does anyone else seek recognition?

Okay. I want to thank you, Ms. Sanchez, for your time, for coming to answer our questions and to share your testimony.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

Chairman CURBELO. This hearing is now adjourned.

Ms. SANCHEZ. Thank you very much.

[Whereupon, at 4:39 p.m., the Subcommittee was adjourned.]

A P P E N D I X



U.S. Small Business Administration

TESTIMONY of

EILEEN SANCHEZ

Administrator, U.S. Small Business Administration

House Small Business Committee

Monday, January 11, 2016

Chairman Curbelo, Ranking Member Meng, and distinguished members of the Subcommittee, thank you for this opportunity to testify about SBA's international trade programs and initiatives.

Small businesses are increasingly looking abroad for their next customer. Export sales contribute to a strong middle class by fueling economic opportunity and creating export-supported jobs in communities across the United States, while the foreign consumers that buy Made in America products gain access to some of the world's highest quality products and services. Today, 95% of all consumers and over two-thirds of the world's purchasing power reside outside the United States. Small businesses that can tap into this global market have the potential for vast expansion and growth, with small and mid-sized businesses now comprising 34% of total export sales. In SBA's Office of International Trade, we remain focused on our core mission of increasing the ability of small businesses to compete in international markets through access to finance and export development opportunities.

I want to share the important achievements SBA's Office of International Trade has made to increase the number of small business exports.

I am proud to say that in FY 2015 we guaranteed a record \$1.45 billion in SBA loans to small business exporters—5.2% of all SBA guaranteed lending went to small business exporters. The Agency participated with 514 lenders to provide financing to 1,513 small business exporters, exceeding the goal we set of financing 1,480 small businesses. On my personal visits to small business exporters, their owners routinely express to me the importance of having access to financing.

We continue to target new lenders to support small business exporters in their communities so that more liquidity can flow to the market. Last year we trained more than 4,300 lenders, hosted the eighth Annual SBA Export Lenders Roundtable in Washington, D.C. and the second Annual West Coast SBA Export Lenders Roundtable in Los Angeles. We also provided a webinar for members of the National Credit Union Administration, as well other outreach and training events.

Recognizing that U.S. small business exporters are key to the nation's economic future, SBA's Office of International Trade will continue to collaborate with partners across the country to improve access and delivery of programs to small business exporters. One of the programs we continue to be excited about is the State Trade and Export Promotion, or STEP program. The STEP program helps small businesses tap global markets through cooperative agreement awards with state governments. STEP awards federal dollars to states and territories to fund eligible small business market development activities, including participation in trade missions and foreign market sales trips, trade shows, international marketing efforts, and training. Since the establishment of the program, we have supported international market development efforts across the states, and they have reported, great success from the first two rounds of awards.

In FY 2015, SBA awarded \$17.4 million in STEP grants to 40 states. Using the funding provided for STEP in the 2016 Consolidated Appropriations Act, SBA will announce a competitive process for additional STEP awards totaling \$18 million this year. SBA is dedicated to running a competitive grant process ensuring these funds will support those projects with the greatest returns, while not duplicating the efforts of any other federal trade promotion activities.

Many untapped opportunities exist outside the United States, but small firms often do not have the resources and personnel to leverage them, and rely heavily on negotiated free trade agreements to reduce tariff and non-tariff barriers for their products or services. That is why free trade agreements have the potential to significantly benefit small businesses. In addition to the office's core functions, we are also increasingly engaged in creating market access opportunities for small businesses in key markets through trade negotiations.

Last year the SBA, along with USTR, represented small business interests in ongoing U.S.-EU Transatlantic Trade and Investment Partnership (T-TIP) negotiations and intercessional meetings, and will continue to do so in 2016. With regards to the recently concluded Trans-Pacific Partnership (TPP) Agreement, the SBA is excited that the agreement includes the first-ever small-medium enterprise chapter, as well as many other provisions that will help small business exporters. We believe TPP and its strong commitments will help to improve the environment for doing business overseas, and help more small businesses export Made In America goods and services to Asia Pacific customers, thereby fostering greater economic opportunity for U.S. companies and entrepreneurs.

In the 21st century, SBA's Office of International Trade must be as global, innovative and entrepreneurial as the small businesses we serve. We are more engaged on the international front than ever before by supporting export development efforts through the STEP program and guaranteed export lending, as well as through our active involvement in trade negotiations. Together these efforts increase the ability of small business exporters to compete in international markets and help create export-supported jobs in the United States.

Again, I want to thank all of you for your bipartisan commitment to small businesses.

Mr. Chairman, I would be happy to take your questions.

