

**A WORLD OF OPPORTUNITY:
PROMOTING EXPORT SUCCESS FOR
SMALL AND MEDIUM-SIZED BUSINESSES**

HEARING

BEFORE THE

SUBCOMMITTEE ON COMPETITIVENESS,
INNOVATION, AND EXPORT PROMOTION

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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OCTOBER 6, 2009
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Printed for the use of the Committee on Commerce, Science, and Transportation



U.S. GOVERNMENT PRINTING OFFICE

54-916 PDF

WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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TUESDAY, OCTOBER 6, 2009

U.S. SENATE,
SUBCOMMITTEE ON COMPETITIVENESS, INNOVATION, AND
EXPORT PROMOTION,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:30 p.m. in room SR-253, Russell Senate Office Building, Hon. Amy Klobuchar, Chairman of the Subcommittee, presiding.

**OPENING STATEMENT OF HON. AMY KLOBUCHAR,
U.S. SENATOR FROM MINNESOTA**

Senator KLOBUCHAR. I'd like to call the Subcommittee to order. I want to thank everyone for attending this important Subcommittee meeting today.

And before we get started, I wanted to welcome my new Ranking Member on this Subcommittee, George LeMieux from Florida. And I look forward to working with him on a wide range of issues, including the important topic of export promotion, as well as tourism, which we cover in this Subcommittee, which I somehow think is really important to Florida. Is that right?

Senator LEMIEUX. Yes, it is.

[Laughter.]

Senator KLOBUCHAR. So, I'm going to introduce each panelist after the opening remarks. I would like to thank the staff of the Subcommittee and the Commerce Committee that worked on this. If you notice, they have these little buttons on, that they got from Minnesota when they visited a tourism hearing in Duluth, that say, "You betcha." So, there we are.

And I would also note that I scheduled this hearing to be sandwiched between the Vikings' victory over Green Bay, that I—right, Mr. Wollin?—I was there last night.

Mr. WOLLIN. Yes.

Senator KLOBUCHAR. Yes. And then the Twins-Tiger game this afternoon, which is a huge tiebreaker, which starts at 4 o'clock. So, it's very good timing.

Now, I'm going to introduce each panel member, after Senator LeMieux and I speak, and I wanted to, though, first extend my warmest welcome to Mr. Wollin—Tom Wollin—from Mattracks, Inc. I actually learned about his company because I made a pledge

that I would visit every county in my State every year. That would be 87. I wouldn't suggest doing that, necessarily. But, because of that I was able to visit his great company in Karlstad, Minnesota, population 900, and it's called "The Moose Capital of the North." It produces—Matracks produces removable rubber track systems for four-wheel-drive vehicles, and these track conversion systems help turn a regular four-wheel-drive vehicle into something like a tank, allowing the truck or car to go anywhere and do anything. And I had an amazing tour, which—they took me up a hill and down, and I thought I was never going to return from that county on that day.

And Tom will tell his story, but I think it's worth pointing out that, when Tom got to Matracks in 2000, only 15 percent of Matracks sales were outside the U.S. and Canada. Today, under his leadership and with assistance from the Commerce Department, international business comprises more than 50 percent of Matracks' sales, and now Matracks sells its track-conversion systems to Russia, Chile, Kazakhstan, and Turkey, and around 50 other countries on seven continents. As I like to say, Tom helped Matracks go from Karlstad to Kazakhstan. There you are. It was kind of good. That didn't quite work with the words.

And so, I look forward to hearing Tom's testimony, as well.

Now, we have an important national interest in promoting exports by our small businesses. Access to new markets can make the difference between expansion and stagnation of a new and developing business. And at a time when our economy is experiencing problems, it's more important than ever to make sure that businesses know about all potential opportunities available to them.

Today we'll examine the success that a number of small businesses have had entering export markets throughout the world. We'll also highlight how small businesses benefit from efforts by U.S. Government agencies to promote American products and business abroad. And finally, we'll look at what works and what doesn't work in export promotion, and how we can make the Federal Government's efforts more effective for small business.

Currently, the U.S. derives the smallest percentage of our GDP from exports, compared to other major countries. America has always been the world's customer, buying our way to huge trade deficits. But, it's clear that exports will increasingly be important to our economy as people in China, India, and other developing countries gain purchasing power and they become our potential customers.

In fact, more than 95 percent of the world's customers are located outside the United States, so it only makes sense to reach out. More exports will mean more business, more jobs, and more growth for the American economy.

Exports are also important for small business for several reasons. First and most obviously, exports allow a company to increase its sale and growth business. Second, a diversified base of customers helps a business weather the economic ups and downs. Also, businesses that export grow 1.3 percent faster, and they're nearly 8.5 percent more likely to stay in business than companies that don't export. In addition, the annual job growth rate of exporting companies has traditionally been 2 to 4 percentage points higher than

their nonexporting counterparts. And these jobs pay 13 to 18 percent more, on average, than nonexport-related employment.

So, there is a world of opportunity out there, and it's worth it for our businesses to go out and seize these opportunities. But, fewer than 1 percent of all American businesses export overseas. Fewer than 1 percent. And of those that do, nearly 60 percent sell their products only to one foreign country, typically Canada or Mexico.

Of those firms that don't export overseas, 30 percent have indicated that they would consider exporting if they had more information about how to do it. So, that's 30 percent of our businesses that would like to export, but need more information, and need a guide of how to do this.

For these American businesses, the world looks like one of those ancient maps that contains only the outlines of the continents and a few coastline features, but the rest of it is blank space and a few vast unknown, unexplored territories. They know something's there, but they don't really now how they can find it.

Fortunately, as we hope to hear today, there is help available. There are a number of Federal agencies, such as the Commerce Department and the Export-Import Bank, that assist U.S. companies in promoting their products abroad. They have expertise and experience to help small businesses navigate their way into these export markets, sometimes even matching up companies and markets like a trade-related *Match.com*.

In effect, their job is to—that was pretty good.

[Laughter.]

Senator KLOBUCHAR. Maybe you guys could use that as a marketing thing, "*trade-match.com*."

In effect, their job is to fill in the blank spaces on the map, to help American businesses recognize the export markets, to help them understand the lay of the land, and to guide them as they search out the best opportunities. But, the overwhelming majority of small businesses, even those that want to export, don't know about the export-promotion services offered by our Federal agencies, and they don't know where to begin in order to make best use of those services. These agencies need to do a better job of informing small businesses about export opportunities and letting them know about the valuable assistance that's available to them.

Many other countries take export promotion more seriously than we do. Countries like Spain, the United Kingdom, Italy, France, Korea, Canada, and Japan all spend more on export promotion than we do in the United States. But, this isn't just about money. We need to find out what really works, and what doesn't, in export promotion. We need to find out whether all of these Federal agencies are working together effectively, or whether they're unnecessarily duplicating services, maybe even working at cross purposes. And we need to see how well they're coordinating their activities with the export promotion efforts of our 50 states.

Given the importance of exports to our national economy, both today and in the future, we need to make sure we're doing all we can to promote American businesses in foreign markets, especially small businesses. There are literally tens of thousands of American businesses that have the potential to export, and would like to export, but they don't know how to do it. Today I hope we can begin

the process of giving them those tools. A world of opportunity is waiting for them.

So, I thank our witnesses. Mr. LeMieux and Mr. Johanns—Senator Johanns has also joined us—they will speak, and then we'll introduce the witnesses.

**STATEMENT OF HON. GEORGE S. LEMIEUX,
U.S. SENATOR FROM FLORIDA**

Senator LEMIEUX. Thank you, Madam Chair. I look forward to serving on this Committee under your leadership. I know that we're going to talk about important issues, but also enjoy ourselves while doing it. And I appreciate the folks that are here today to talk to us on the panel.

As Americans, we can take pride in knowing that we are the world's largest exporter and that we have the most productive work force, but certainly we can do more. Our role as a global leader is not guaranteed, which is why finding ways to maintain our status as one of the most productive economies in the world should be one of our primary focuses.

The Federal Government can play a pivotal role in supporting the private sector's efforts to reach customers in markets abroad. And this is not a partisan issue. It's an issue that both Democrats and Republicans can agree upon. This means supporting Americans through coherent, cost-effective, and performance-based initiatives.

Today we're going to hear from a number of witnesses with an interest in global trade. One includes the President of a Florida restaurant equipment supplier who has expressed his desire for support to broaden his business overseas market share. And I believe his situation will be one that you find typical. He's having good success doing what he's doing, but he needs more information from its—his government, and more ways to help in his endeavors overseas.

Americans are looking for ways to grow their businesses and to find new customers, especially given the state of today's economy. This program exists but many Americans simply do not know where to go to find the information they need. We should take every opportunity to support America's exporters, because they sustain such a large portion of our economy; not just large multinational corporations, but also the local businesses which serve as pillars of our communities.

Florida has the fourth largest gross domestic product in America, and the highest trade surplus of the 50 states. To put it bluntly, trade matters in Florida. We are the gateway to Latin America, and we are a recognizable trade destination around the world. Florida's share of small and medium businesses is nearly three times the national percentage, and more than 95 percent of our exporters are small or medium-sized businesses with 500 or fewer employees, which make up a part of the 1.9 million small businesses in the Sunshine State. More than 43,000 Florida companies export their goods and services, and they employ nearly 600,000 Floridians. And in 2008, exports in Florida reached a record \$54.3 billion, and—export market is really one of the true pillars of our Florida economy, and therefore Floridians have a tremendous stake in the

global market. So, we're going to talk today about providing better information and better communication with our businesses so that they can export more.

But, another way that we can immediately increase our number of exports would be to swiftly adopt the pending trade agreements with Colombia, Panama, and the Republic of Korea. According to the Latin American Trade Coalition, in 2008 more than 6,000 small and medium-sized American businesses exported to Colombia. As the gateway to Latin America, that is a wonderful potential trading opportunity for Floridians and Americans alike. If Congress were to pass the Colombia Trade Agreement, more than 80 percent of U.S. consumers' and manufacturing products, and most U.S. farm goods, would enter Colombia duty-free. More exports, more jobs for Americans. The Colombia agreement, along with the Panama and the Republic of Korea agreements have been pending for too long. And I would urge the President and the Congress to take up their prompt consideration.

I look forward to discussing these issues today, and other trade-related issues, with our witnesses, and I thank you for joining us. I look forward to your testimony and look forward to, and welcome—my friend from Florida—Mr. Pierce, look forward to hearing from him.

Thank you, Madam Chair.

Senator KLOBUCHAR. Well, thank you very much.

Senator Johanns?

**STATEMENT OF HON. MIKE JOHANNNS,
U.S. SENATOR FROM NEBRASKA**

Senator JOHANNNS. Thank you very much. I will speak very briefly, because, actually, Senator LeMieux just talked about what I wanted to talk about in my opening statement.

As a former Governor who did trade missions—and oftentimes we would fill those trade missions with small companies who were looking for the opportunity to expand international sales—and as a former Secretary of Agriculture who was responsible for agricultural trade in the last Administration, I can tell you there are some things that work; they're tried and true. One is face-to-face opportunities. If you can get the Governor to go into a area and you can open up doors and you can have business roundtables and all of those opportunities, it almost always results in expanded trade opportunities.

But, the second piece of this is, you have to have the trade agreements in place to allow the trade to occur. I must admit, I am absolutely mystified as to why these three pending trade agreements have not come to the Senate and the House for debate and for a vote.

Second, I am absolutely mystified as to why the President of the United States wasn't here, the first day, to ask for trade promotion authority. And here's the significance of that issue. I participated in the Doha Round while I was the Secretary of Agriculture. There is a point in time through negotiation when all the cards are laid on the table, when the other side has said, "Look, here's what we can do, Mr. Secretary," and we have said, "Here's what we can do,"

and then you shake hands and you have a trade agreement that eventually is embodied in writing.

Now, no country is going to get to that point—having played all of their cards, laid out everything—if they know that they are now headed toward a confirmation process for that trade agreement that would involve every member of the House of Representatives who wants to amend it or change it or tweak it or whatever, and every member of the U.S. Senate. So, consequently, because of the fact that this President hasn't asked for trade promotion authority, quite honestly, there isn't any possibility whatsoever that there'll be another bilateral trade agreement.

Now, the difficulty for me, or for any of the Senators on this panel, is this. Somebody else is going to sell their ag products to these other countries. It is just simply going to happen. If we don't want to do business with Colombia under the trade agreement, some other country will. There are trade opportunities out there that we aren't even negotiating today, because they aren't going to go anywhere if the President doesn't have trade promotion authority.

So, I'm anxious to hear about all the programs. I've used those programs. I have found, in my personal experience, the Federal Government to be a great partner when I was a Governor. We would always rely on our embassies, and our ag attaches, and all of the resources that were available, and we would help small companies. But, I hope we don't forget the bigger picture here. We can't vote on a trade agreement until it's submitted. And I don't get why these aren't being submitted. They're either going to get a "yes" vote or they're going to get a "no" vote, but we should have the right to cast that vote.

The second thing is, I must admit, I don't get it. I don't understand why this Administration isn't asking for trade promotion authority. And if they're looking for a Republican to get behind that, to get it done, I volunteer. I will do everything I can to give the President that authority, because I think it's enormously important.

So, with that, I feel very, very strongly about this. Every weekend that I go back home and talk to our pork producers or our cattle ranchers who are desperate to sell their products into the international marketplace, and are really, really having a hard time of it, I have to tell you I am at a loss to explain to them why we haven't leveled the playing field, lowered the trade barriers, and opened up these markets to, not only our small businesses, but to our ag economy.

Thank you.

Senator KLOBUCHAR. Thank you very much, Senator Johanns. Senator Begich, from Alaska?

**STATEMENT OF HON. MARK BEGICH,
U.S. SENATOR FROM ALASKA**

Senator BEGICH. Thank you very much, Madam Chair.

I'm looking forward to your testimony. I thank you all for being here. I'm interested in trying to see, from a very optimistic viewpoint, what we can do to help our small businesses and medium-sized businesses to increase their capacity to do business overseas.

I know, from Alaska's perspective, we do about \$3.6 billion of exports: minerals, forestry, energy. Fish is our biggest component, \$1.8 billion. Of our business, about 11 percent is small business or medium-sized business, so we have seen great success in just pushing and forging ahead. I'd like to remind folks that Alaska has half the coal of the country. We produce and ship to South Korea, and soon to be Chile, about a million tons a year, up to maybe 2 million in the next several years. So, we are finding ways to do the business overseas, because we, in our view, are an international State. Our business is international. That's how our economy grows, and that's how we expand it.

But, I am interested in seeing, as a small-business person for over 25 years, and my wife's a small-business person, what we can do to increase that capacity. Lots of times what I find is, it's just knowing the simple process of doing it, and I'll give you one simple example. For business export, and as I recall importing those dollars, people do duty-free business. It's very difficult to find the rules and regulations to do the business, so I'm anxious to hear what things and what outreach you're going to be doing to small business and medium-sized business—not through the Federal Registry, but I mean actually real outreach. And I know you have done some stuff. As a former mayor, I worked with a lot of folks on small business and medium-sized business development. But, from our perspective, my perspective, from our State, it is important, export as well as import business. But export business is important because that is our driving force in some of our economies. Again, the fishing industry is a great example of that.

So, I'm anxious—I'm not going to get into the larger trade issues, that—we'll have plenty of time, I think, in the Senate to debate those. But, right now there are tools that I know you have that we can be educated on to help our constituencies really plow through the fields of foreign trade, as some of our businesses have done very, very successfully.

I will say that the State of Alaska, right after World War II, established a trade office in Japan, because we saw the opportunity to do business. And we do it, and we do a lot with Japan, just as we do with South Korea and many other Asian countries. We do a lot of business now with Russia. In Alaska, we have the highest amount of Russian students that come to any university in this country, come to learn how to do business, and exchange. So, I'm anxious to hear some of those tools, that you have that may be underutilized, that we could help maybe promote to our small business and medium-sized business.

So again, thank you for being here.

Madam Chair, thank you for holding this hearing to educate us, and hopefully our constituency, in what we can utilize, and then we might have some tougher questions in the later process.

Thank you very much.

Senator KLOBUCHAR. Well, thank you very much, Senator Begich.

Now we're going to hear from our witnesses. I'll introduce you all together, and then you can each speak for 5 minutes, and then we'll do questions.

First, Rochelle Lipsitz is the Acting Assistant Secretary for Trade Promotion, and Director General of the U.S. Commercial Service.

In this role as head of the trade promotion unit in the Commerce Department, Ms. Lipsitz oversees the commercial services trade specialists in 107 U.S. cities and more than 80 countries around the world.

Second, Alice Albright. She is the executive vice president and chief operating officer of the Export-Import Bank of the United States. Ms. Albright joined the Export-Import Bank this year, after working for 24 years in international finance positions in both the private and nonprofit sectors.

Liz Reilly is the Director of TradeRoots, the U.S. Chamber of Commerce's program that helps raise grassroots support and public awareness about the importance of exports to local communities and small business.

Tom Wollin, who I already introduced, heads up the international and governmental sales at Mattracks, the company based in Karlstad, Minnesota.

And then finally, we have Brad Pierce, who Senator LeMieux mentioned is the President of a small family-owned business in Orlando, Florida, called Restaurant Equipment World, a company that has sold commercial restaurant supplies to all 50 states and 100 countries. Mr. Pierce is also testifying today on behalf of the National Federation of Independent Businesses.

Thank you all for being here today, and welcome.

And we'll begin with Ms. Lipsitz.

STATEMENT OF ROCHELLE A. LIPSITZ, ACTING ASSISTANT SECRETARY FOR TRADE PROMOTION AND DIRECTOR GENERAL, U.S. AND FOREIGN COMMERCIAL SERVICE, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

Ms. LIPSITZ. Thank you, Chairman Klobuchar, Ranking Member LeMieux, and members of the Subcommittee. Thank you for the opportunity to speak with you today about the role of export promotion in our efforts to strengthen and support America's economy. I welcome the Subcommittee's interest in this topic, and look forward to outlining the Department of Commerce's efforts to promote U.S. exports.

Madam Chair, I know you have worked with the Commercial Service in Minnesota and have seen firsthand how the department works to reach out to U.S. small and medium-sized firms. As part of the International Trade Administration, the U.S. and Foreign Commercial Service helps American firms and workers navigate the often complicated and unpredictable waters of foreign trade so that U.S. firms' sales abroad help to support jobs here in the United States.

The Commercial Service operates a global network of trade professionals in 109 U.S. locations and in 77 countries. Our staff works with U.S. companies to provide numerous services, ranging from counseling, advocacy support, and market research, to industry expertise and identification of international buyers or partners. We guide companies through every step of the export process, from learning how to export, to logistics and shipping issues. The Commercial Service' vision is that every U.S. business sees the world as its marketplace.

The Commercial Service focuses its programs on three priorities: increasing the number of U.S. firms that export; helping companies expand into new markets; and helping exporters overcome hurdles in foreign markets.

In Fiscal Year 2008, U.S. firms, assisted by the Commercial Service, reported over 12,000 export successes. Eighty-two percent of these successes were reported by small and medium-sized businesses. U.S. companies' access to Commercial Service' global network in a variety of ways: through our local U.S. Export Assistance Centers, or USEACs, through our international offices based in U.S. embassies and consulates abroad, and via our trade information hotline, which is 1-800-USA-TRADE.

We are able to reach even more companies interested in exporting through strategic partnerships which leverage private-sector organizations, State and local governments, 20 Federal agencies, and trade associations, to make sure their clients are aware of the range of Federal export assistance programs.

Trade events organized by the Commercial Service, including trade missions, international buyer shows, and trade fairs, are an excellent way for companies to get international exposure and make valuable contacts.

The Commercial Service also engages in advocacy and commercial diplomacy on behalf of U.S. companies to help level the playing field when they are bidding for procurements, and to resolve problems ranging from regulatory trade barriers to unfair trade practices.

For example, the Commercial Service wrote a letter to the Chinese government on behalf of Corgan Associates, Inc., a small firm located in Dallas, Texas. The advocacy letter highlighted Corgan's ability to deliver an eco-friendly design for a green-build office complex for the China Construction Bank. Corgan's consortium won the bid, and Corgan values their promotion of this project to 1.6 million U.S. dollars.

The Commercial Service also regularly works with its partners, such as the Export-Import Bank, and the Small Business Administration to provide trade finance assistance and expertise to small and medium-sized firms. In addition, this morning Commerce Secretary Locke announced the launch of the first phase of CommerceConnect, a pilot program in Detroit. CommerceConnect will provide a single point of contact where businesses can access the full array of commerce and Federal Government assistance programs available to them.

In 2 weeks, Secretary Locke will convene the Trade Promotion Coordinating Committee. The TPCC provides a framework for the Secretary of Commerce to work with the heads of 20 Federal agencies to develop a governmentwide national export promotion strategy.

In these uncertain economic times, the Department of Commerce stands ready to help U.S. companies at home and abroad. Our work is more important than ever for U.S. economic prosperity and for job creation. The Commercial Service is there to assist small and medium-sized companies by helping them grow and the maintain long-term competitiveness of the United States. Members of the Committee, we look forward to working with you, and invite

you to be a partner in supporting our efforts here in Washington, in your home states, and abroad.

Many thanks for your interest.

[The prepared statement of Ms. Lipsitz follows:]

PREPARED STATEMENT OF ROCHELLE A. LIPSITZ, ACTING ASSISTANT SECRETARY FOR TRADE PROMOTION AND DIRECTOR GENERAL, U.S. AND FOREIGN COMMERCIAL SERVICE, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

Introduction

Chairwoman Klobuchar, Ranking Member LeMieux, and members of the Subcommittee, thank you for the opportunity to speak before you today about the role of export promotion in our efforts to strengthen and support America's economy.

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

Within the Department of Commerce, it is the International Trade Administration's (ITA) mission to create prosperity by strengthening the international competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements that enhance the ability of U.S. firms and workers to compete and win in the global marketplace. This mission is critical to enhancing America's global competitiveness and expanding commercial opportunities for American manufacturers, farmers, and service workers throughout the world.

As part of ITA, the Commercial Service helps American firms and workers navigate the often complicated and unpredictable waters of foreign trade so that U.S. firms' sales abroad help to support jobs here in the United States.

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

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

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

In Fiscal Year 2008, U.S. firms reported 12,659 export successes that were assisted by the Commercial Service; 426 of these successes were from companies that had never exported before, and 3,627 were from firms that had exported to a new market. Eighty-two percent of these successes were reported by SMEs.

Role of Exports in the U.S. Economy

The U.S. economy is dependent on the global economy. In 2008, exports accounted for 13 percent of Gross Domestic Product (GDP). To put this in historical context, exports were 9.5 percent of U.S. GDP 5 years earlier (2003), and 5.3 percent 40 years ago (1968). Last year, the United States exported an astounding \$1.84 trillion worth of goods and services.

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

Moreover, a significant number of major U.S. manufacturing industries are heavily dependent on foreign sales. For example, in 2006, seven major manufacturing

sectors, led by computers and electronic products and primary metals, counted more than one in four jobs as export-supported.

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

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

Service exports—including education, business services, information services, entertainment, international tourism to the United States, and construction and engineering—have also contributed to job creation. For example, recent estimates indicate that international travelers to the United States support roughly 1.1 million domestic jobs. Moreover, current figures show that the United States posted a healthy trade surplus of \$12.6 billion in the education sector. U.S. receipts from international students studying in the United States reached \$17.8 billion in 2008, the highest amount yet recorded. Those U.S. exports come primarily from travel by international students, who then pay tuition, fees, and living expenses to U.S. institutions.

Assisting Small and Medium-sized Companies Export

U.S. companies access the Commercial Service's global network in a variety of ways. Our 300 trade specialists located in USEACs throughout the country reach out to local companies to help them realize their export potential by providing in-depth, value-added counseling. Companies contact our experts overseas for country-specific information and assistance in resolving commercial issues. Companies also call our Trade Information Center (TIC; 1-800-USA-TRADE), which is staffed by a team of trade experts that serve as a single point of contact to all potential exporters. The TIC provides basic export counseling and information on all U.S. Government export assistance programs. In Fiscal Year 2009, the TIC gave personal assistance to more than 36,000 inquiries, 75 percent of which were from SMEs. In addition, ITA manages *Export.gov*, the Federal website dedicated to providing comprehensive information to U.S. firms as they enter or expand into global markets. It brings together all the export promotion products and services of the Federal Government in one needs-based, customer-friendly website. With *Export.gov*, small companies can walk through each step of the export process in just a few clicks of a mouse.

The Commercial Service makes a concerted effort to reach out to minority and women-owned businesses, as well as businesses located in rural areas, to assist them with exporting. For example, in 2008, Commercial Service-Santa Fe recruited and coordinated the participation of Antelope Slot Canyon Tours by Chief Tsosie of Page, Arizona, a Navajo-owned and operated business, in the 2008 ITB Travel and Tourism Show in Berlin. Partly as a result of contacts made at trade shows, Chief Tsosie has seen an increase from 3,000 to 25,000 visitors on his tours in the last 5 years. Commercial Service-Santa Fe also organized the first ever American Indian Alaska Native Tourism Association-sponsored trade show booth at the ITB 2009 show.

Expanding our Reach with Strategic Partnerships

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

In 2004, the Commercial Service established the Corporate Partnership Program, leveraging a Public-Private Sector Partnership model to expand the U.S. exporter base. Combining the export assistance services of the Commercial Service together with export services companies, the Corporate Partnership Program enables increased export opportunities through joint outreach and education to small- and medium-sized U.S. businesses. The Commercial Service's corporate partners have

worked with us on a variety of initiatives. Our partners have hosted export seminars, helped produce and distribute the Export Finance Guide, and have sponsored international trade missions and trade events.

Partnerships with state and local trade organizations are a key component of the Commercial Service's partnership strategy. We work with state and local partners across the country to educate SMEs on the benefits of exporting and to provide them with specific industry and market information. Forty of our USEACs across the country are collocated with state or local partners to further strengthen our joint efforts. This collaboration brings the best possible combination of resources to the client, increasing successful exporting and resulting in local economic and job growth.

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

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

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

Matchmaking and Counseling

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

As part of our matchmaking service, we contact a number of pre-screened overseas business partners and then identify the contacts that appear most capable of becoming a viable representative for the U.S. company in that market. All of this work is done before the company travels overseas to meet face-to-face with these potential partners, saving the company time and resources.

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

Trade Events

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

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

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

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

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

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

Commercial Diplomacy and Advocacy

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

In the fall of 2008, a Missouri-based manufacturer, Liquid Soap Products, contacted the Trade Information Center asking for assistance in obtaining the release of a shipment of soaps and cleaning products from Portuguese Customs in Lisbon. Customs refused to clear the shipment until the Portuguese health regulatory agency certified the products' safety. The trade specialist put the company in touch with our commercial officer in Lisbon, who then contacted the regulatory agency. In January 2009, Portuguese Customs released the cargo and the sale was executed.

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

For example, Corgan Associates, Inc. of Dallas, Texas, a small architectural design firm, led a consortium of architectural and engineering consultants that was recently awarded a contract for a new LEED-certified "green build" office complex for the China Construction Bank in Wuhan, China. On a short timeline, the Commercial Service provided an advocacy letter to Chinese government officials associated with the contract award which highlighted Corgan's ability to deliver a first-

class eco-friendly facility to their client. Corgan values their portion of this project at \$1.6 million, which represents significant revenue for a small firm and economic security to their fifteen person team of specialists dedicated to this effort. They are also optimistic that this win will aid them in the future, noting in a letter to the Commercial Service that, "this project has catapulted our name into the market."

Export Financing

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

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

Upcoming Department of Commerce Initiatives

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

Later this year, Secretary Locke will also convene the Trade Promotion Coordinating Committee (TPCC), which directs the Administration's trade promotion efforts. The TPCC is chaired by the Secretary of Commerce and its Secretariat is housed in the Commercial Service. The TPCC members are the heads of 20 Federal Government agencies, including SBA, Ex-Im, the Overseas Private Investment Corporation, the U.S. Trade and Development Agency, the U.S. Department of Agriculture, the U.S. Department of State, the U.S. Department of the Treasury, the U.S. Department of Labor and the Office of Management and Budget. The TPCC provides a framework for the Secretary of Commerce to work with the heads of the other agencies to develop priorities for a government-wide agenda on trade promotion.

The TPCC also sponsors interagency training for trade professionals to promote a better understanding of export promotion and trade finance programs across the Federal Government. Small businesses often view the Federal Government as one entity rather than a collection of programs or agencies, and staff learns about all the resources that the Federal Government has to offer. During the training, American companies present real world problems and challenge the participants to work together to come up with solutions. To date, over 750 participants from 12 agencies and eight states have completed the program.

Conclusion

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

with you and invite you to be a partner in supporting our efforts here in Washington, in your states, and abroad.

Senator KLOBUCHAR. Thank you very much.
Ms. Albright?

**STATEMENT OF ALICE P. ALBRIGHT, EXECUTIVE VICE
PRESIDENT AND CHIEF OPERATING OFFICER, EXPORT-
IMPORT BANK OF THE UNITED STATES**

Ms. ALBRIGHT. Thank you very much. Madam Chairwoman, Senator LeMieux, Members of the Subcommittee, I wanted to thank you very much for including me in this hearing. I don't do this very often, so it's a pleasure for me to be here.

Before I begin my testimony, I would like to say that Chairman Hochberg, the head of Ex-Im Bank, wishes that he could be here, but he's actually in Boston today, attending one of Ex-Im's export promotion seminars for small and medium-sized businesses. We had a similar event in New York yesterday, which I understand from my colleagues was a tremendous success, so I think it's something that we ought to continue to try to do.

Thank you for holding this hearing to focus on the importance of exports on U.S. economic growth, especially during these very difficult times. A sense of urgency and purpose pervades our work at the Export-Import Bank of the United States as we fulfill our mandate of supporting U.S. jobs by helping to finance exports that would otherwise not go forward.

Ex-Im provides loans, loan guarantees, and insurance to help U.S. companies export their goods and services. From financing for Boeing Aircraft to Ireland, to turbines for powerplants in India to equipment that manufactures saline bags in Nigeria, Ex-Im helps American business reach the 95 percent of the global marketplace that is outside of our borders.

And in the current economic crisis, Ex-Im Bank stepped in where private banks couldn't.

Though we're just closing our books on fiscal 2009, and the exact numbers are being finalized, I can report that fiscal 2009 was a record year for Ex-Im Bank activity. Our authorization level for transactions was \$21 billion, compared to an annual average of \$13.3 billion for the previous 5 fiscal years. Our small business transactions were over \$4 billion, which was up 29 percent, versus Fiscal Year 2008. The number of small business transactions itself was 2,269, or 88 percent of all transactions that were supported by the Bank over the course of the year.

What's more, we have done all of this at no expected cost to the U.S. taxpayer. Ex-Im Bank is financially self-sufficient.

Ex-Im Bank was able to fill the financing gap during the economic crisis in a number of ways.

First, Ex-Im Bank has been flexible enough to respond to the international economic downturn. One example of our work is with the Korean banking sector. In fiscal 2009, Ex-Im Bank provided over \$1 billion in guarantees due to U.S. lenders' reluctance to take Korean bank risk. As risk appetite increases, however, Ex-Im will be able to gradually withdraw this support.

In our working capital program, the Bank revamped its credit standards to help stimulate small businesses to sustain and create

jobs. These actions have led to a record year for the working capital product, surpassing the former record for authorizations by \$150 million, or an 11-percent increase.

Also to assist small businesses, the Bank implemented new products and services, such as a premium rate reduction of 15 percent on our short-term, small-business, multi-buyer insurance policies. The rate reduction affects approximately half of all Ex-Im insurance policyholders and was implemented in order to help struggling small businesses meet payroll and health insurance obligations while remaining in our program. I'm happy to report that we saw a 100 percent increase in applications under this part of our program.

Looking to the future, we are seeking ways to do more. Inter-agency coordination and cooperation, represented in our case by the Trade Promotion Coordinating Committee, or TPCC, can be strengthened. Every effort should also be made to reach out directly to small businesses that are either currently exporting or could potentially export. Ex-Im Bank is doing this through the Export Live Series, which will provide exporters, small businesses new to exporting, and banks in eight key cities with direct access to agency representatives from Ex-Im, SBA, Commerce, USTR, OPIC, and TDA. Moreover, all of the regional offices of Ex-Im are fully devoted to small business outreach. We host or attend over 400 conventions, seminars, and trade shows annually, and have thousands of one-on-one meetings with businesses, and work aggressively to ensure banks and economic development agencies are aware of Ex-Im's products and services.

Similar outreach efforts are necessary to get commercial banks involved, or in many cases reinvolved, as the banks work closely with American business and can advise them on the resources that Ex-Im Bank and other Federal agencies have to offer, particularly to increase sales and jobs.

Because of our limited resources, we need to use more third-party, what we call, "multipliers" to increase our outreach efforts. For instance, we are redoubling our efforts to partner with Senators, Members of Congress, Governors, mayors, State legislators, and others, to host in-State trade seminars with local businesses. In addition to these partnerships with elected officials, Ex-Im is working to partner broadly with banks, credit unions, and other financial institutions to increase education and access to our products for our clients. We stand ready to work with you to help finance exports from businesses in your states. And while there is still obviously much more to do, we know how to do it, we know what the goal is, and that's obviously very important to all of us, which is to increase U.S. exports and increase jobs.

I'll be very happy to answer all of your questions. I've also taken notes on a number of the companies that you all have mentioned—I'm diverting from the script a little bit—but I'd be happy to work with anybody in your states to show them how Ex-Im works, and give them the knowledge that we have internally about how to reach out to the countries on your map that only has the borders shown.

Thank you.

[The prepared statement of Ms. Albright follows:]

PREPARED STATEMENT OF ALICE P. ALBRIGHT, EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER, EXPORT-IMPORT BANK OF THE UNITED STATES

Madam Chairwoman, Senator LeMieux, members of the Subcommittee:

Before I begin my testimony, I would like to say that Chairman Hochberg wishes he could be here but he is in Boston attending one of Ex-Im's export promotion seminars with small and medium-sized businesses.

Thank you for holding this hearing to further focus on the importance of exports on U.S. economic growth. We all hope that the difficult economic times are ending and that the recovery has begun. While I will not make a prediction on these matters, history does indicate that during periods of economic recovery, job growth lags behind recovery in the rest of the economy. Due to the severity of the economic downturn, and while many Americans remain jobless, the Export-Import Bank of the United States (Ex-Im Bank) has been called upon to step up in these difficult times, just as we did during the Great Depression, the Marshall Plan, as well as the Brazil, the Mexican and the Asian economic crises.

It is a sense of urgency and purpose which pervades our work at the Ex-Im Bank as we go about fulfilling our mandate of supporting U.S. jobs by helping to finance exports that would not otherwise go forward. This is the mandate that Congress has given us and the one we have been following for 75 years.

Ex-Im provides loans, loan guarantees and insurance to help U.S. companies export their goods and services. We have a variety of products to facilitate commerce at all levels. From financing for Boeing aircraft to Ireland, to engineering services for a power plant in India, to the equipment that manufactures saline bags in Nigeria. Ex-Im helps American business reach the 95 percent of the global marketplace that is outside of our borders.

And in the current economic crisis Ex-Im stepped in where private banks could not.

A brief review of our FY 2009 figures will give you an idea of what I'm talking about. Though we are just closing our books and the exact numbers are still being finalized, I can report that FY 2009 was a record year for Ex-Im Bank activity. Our authorization level for transactions was \$21 billion, compared to an average of \$13.3 billion for the previous five Fiscal Years. Our small business transactions were over \$4 billion, 29 percent higher than FY 2008. The number of small business transactions was 2,269, or 88 percent of all transactions supported by the Bank.

What's more, we have done all this at no expected cost to the U.S. taxpayers. Ex-Im Bank is financially self-sufficient. This means that we are able to finance our program budget, the amount we must set aside to cover risks, as well as our administrative budget, through the fees and other payments we receive from those using our programs.

Ex-Im Bank was able to fill the financing gap in a number of ways.

First, is institutional flexibility. Institutions such as Ex-Im Bank have to be prepared to respond to abrupt changes in the environment in which they operate. For instance, in the years prior to FY 2009, most of the Bank's larger transactions, and some smaller and medium-sized, were financed through loan guarantees, where Ex-Im would guarantee up to 85 percent of a commercial bank loan to a foreign buyer. But Ex-Im also had the option of lending directly to a foreign buyer. In FY 2009, commercial banks lacked the liquidity to offer loans. So, where appropriate increasingly, Ex-Im stepped in and provided direct loans.

Another example is our work with the Korean banking sector. In FY 2009, Ex-Im provided over \$1 billion in guarantees due to U.S. lenders reluctance to take Korean bank risk related to export letters of credit. As the risk appetite of U.S. lenders increases, Ex-Im will be able to gradually withdraw its support.

In our working capital program, the Bank revamped its credit standards to help small businesses so that exports could be stimulated and U.S. jobs sustained and created. These actions have led to a banner year for the working capital product, eclipsing the former record for authorizations by over \$70 million. We, of course, are carefully monitoring this portfolio to minimize default risks.

Also to assist small businesses, the Bank implemented new products and services such as a premium rate reduction of 15 percent on our short-term multi-buyer insurance policies and short-term small business environmental multi-buyer insurance policies. The premium rate reduction affects approximately half of all Ex-Im insurance policyholders.

During this economic downturn, Ex-Im has introduced what we call a "take-out" option, which allows commercial banks to sell their Ex-Im Bank guaranteed medium and long-term loans back to Ex-Im. This enables commercial banks to reduce their liquidity risks, lower borrowing rates, increase their own ability to lend and make U.S. exports more competitive.

Looking to the future, we are seeking ways to do even more. Inter-agency coordination and cooperation can be strengthened through the Trade Promotion Coordinating Committee, or TPCC, which is made up of 20 U.S. Government agencies involved in trade, under the direction of the Department of Commerce. The Secretary of Commerce, who serves as the committee's chairman, has made a vital TPCC a strategic priority. I am looking forward to working with Secretary Locke and the TPCC to ensure that every effort is made to reach out directly to small businesses that either currently export or could potentially export.

Ex-Im, in close cooperation with other government agencies, is doing this through an eight-city Exports Live series, which will provide exporters, small businesses new to exporting, and banks in New York, Boston, Miami, Houston, Detroit, Chicago, Los Angeles, and Seattle areas with direct access to agency representatives from Ex-Im, SBA, Commerce, USTR, OPIC, and TDA, along with one-on-one counseling for exporters. Moreover, all of the regional offices of Ex-Im, including New York, Miami, Houston, Chicago, Los Angeles, and San Francisco, are fully devoted to small business outreach. We host or attend over 400 conventions, seminars, or trade shows annually, have thousands of one-on-one meetings with businesses, and work aggressively to ensure banks, and economic development agencies are aware of Ex-Im and the products and services we offer.

We estimate that there are 259,000 actual small business exporters in the U.S. With a business development staff of less than forty, Ex-Im is working incredibly hard to reach these companies, however speaking candidly, we have work to do in terms of raising our profile.

Similar outreach efforts are necessary to get commercial banks involved, or in many cases, re-involved as the banks are closer to American business, and can advise business on the resources Ex-Im and other Federal agencies can offer to increase their sales and increase employment.

Because of our limited resources, we need to use more third party "multipliers" in our outreach efforts. For instance, we are redoubling our efforts to partner with senators, Members of Congress, Governors, mayors, state legislators and others to host in-state trade seminars with local businesses.

We stand ready to work with you to help finance exports from businesses in your states and across the country. And while there is still much more to be done, we know how to do it and what the goal is—to increase U.S. exports—thus increasing U.S. jobs.

I will be happy to answer your questions.

Senator KLOBUCHAR. Very good. Thank you very much.
Ms. Reilly?

**STATEMENT OF LIZ J. REILLY, DIRECTOR, TRADEROOTS,
U.S. CHAMBER OF COMMERCE**

Ms. REILLY. Thank you, Chairwoman Klobuchar, Members of the Committee. My name is Liz Reilly, and I'm the Director of the TradeRoots program of the U.S. Chamber of Commerce. I greatly appreciate the invitation to speak to the Subcommittee on the very important topic of export promotion.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than 3 million businesses and organizations. TradeRoots is the only sustained national trade education program dedicated to raising public awareness about the importance of international trade to local communities. Our partners include local chambers of commerce, trade associations, economic development groups, and Federal agencies. Last year we hosted events and visited more than 40 states—Minnesota and Florida included—where we educated businesses about the potential of exporting and the resources that are available to do it. Ninety-five percent of the world's population live outside of the U.S., and, in these challenging economic times, America must find a way to sell our products to these potential customers.

Fifty-seven million Americans are employed by firms that engage in international trade. That's one out of five factory jobs, and one-third of American farmland that is dependent on trade. As the world's largest manufacturer, the U.S. set a new record in 2008, exporting nearly \$2 trillion in goods. In order to maintain this momentum, however, congressional strategy must include export promotion. Most Americans regard international trade as the domain of large, multinationals, when, in fact, 97 percent of all exporters—some 250,000 companies—are small businesses. We commend Representative Kirk, who just yesterday requested the ITC investigate expanding export opportunities for small business.

America's small-business owners are among the most innovative and hard-working entrepreneurs in the world. We've told many of their success stories as part of our Faces of Trade series, which celebrates small companies that are exporting "Made in the U.S.A." products around the world. If more U.S. small businesses were able to seize export opportunities, the gains could be immense. A World Bank study found that each \$1 spent on export promotion brought a 40-fold increase in exports. Forty-to-one is not a bad return on investment. On a State level, the Massachusetts Export Center has estimated higher rates, at 88-to-1, even better.

To promote exports effectively on a Federal level, the U.S. Chamber proposes a doubling in Federal expenditures on export promotion to small business. In 2008, exports accounted for 13 percent of our GDP. Compared to countries like Germany, who export 49 percent of their GDP—U.K., at 34; and Japan, at 19—we are falling behind and must do better. From Bakersfield to Buffalo, many U.S. companies are just not aware of the government services that are available to help them break into new markets. I've talked to many who have never heard of the Department of Commerce Export Assistance Centers or the Small Business Administration or the Ex-Im Bank. And it's for this reason that TradeRoots facilitates trade education events to introduce businesses to these invaluable resources. This lack of awareness reflects an inadequate dedication of resources by the Federal Government to promote these services.

Exciting things are happening however in many states that we believe could be replicated on a Federal level. One of our small-business members, York Wire and Cable, highlighted the positive impact of market access grants in Pennsylvania, where export-ready companies in good standing are eligible for up to \$5,000 to explore new markets through trade shows, trade missions, and internationalizing their websites. Because of these grants, York's exports now represent 17 percent of their total sales.

Enterprise Florida highlighted a partner trade event grant that can be up to \$10,000, and awarded to counties, partnerships, and organizations for export sales missions and inbound buying missions and technical support. Market Development Cooperator Program, or MDCP grants, are another efficient tool for export promotion. TradeRoots was actually founded on an MDCP grant, and as a result we reached more than 3,800 companies and helping to generate more than \$9 million in U.S. exports. A Commerce Department analysis has shown that for every dollar invested in these grants, \$100 of exports were generated. We support continuing and expanding MDCP grant funding.

Additionally, Congress should ensure adequate funding for a sustainable infrastructure and capacity-building system that allows American goods to exit the country in an efficient and profitable way.

In closing, investing in the export potential of America's small and medium-sized businesses is critical to stimulating our economy. In 2008, the National Export Strategy Report noted that 30 percent of companies that do not export indicated that they would consider it if they had more information on the markets, opportunities, and process. We need to make this happen.

I greatly appreciate the opportunity to testify today. The U.S. Chamber of Commerce stands ready to work with you on these and other challenges in the year ahead.

Thank you.

[The prepared statement of Ms. Reilly follows:]

PREPARED STATEMENT OF LIZ J. REILLY, DIRECTOR, TRADERoots,
U.S. CHAMBER OF COMMERCE

Thank you Chairwoman/Ranking Member Klobuchar, and members of the Committee on Commerce, Science, and Transportation Subcommittee on Competitiveness, Innovation and Export Promotion. My name is Liz Reilly, and I am Director of the U.S. Chamber of Commerce's TradeRoots Program. The U.S. Chamber of Commerce is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region.

TradeRoots is the only sustained, national trade education program dedicated to raising grassroots support and public awareness about the importance of international trade to local communities. We work in partnerships with local chambers of commerce, state and local economic development groups, Federal agencies, trade associations, and the business community. TradeRoots takes the Chamber's message of promoting free enterprise through exports to local communities across the country.

Last year the TradeRoots team hosted more than 100 trade education events and visited more than 300 Congressional districts in 41 States. Many of those states are represented by the members of this subcommittee. I greatly appreciate the invitation to speak to this committee on "A World of Opportunity: Promoting Export Success for Small and Medium-Sized Businesses."

Trade Can Bring Growth and Prosperity

America cannot have a growing economy or lift the wages and incomes of our citizens unless we continue to reach beyond our borders and sell products, agricultural goods, and services to the 95 percent of the world's population that lives outside the United States.

Trade sustains millions of American jobs. Approximately 57 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury. This sum represents about 40 percent of the private sector work force. One in five factory jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

Despite a sharp decline in international trade during the final 4 months of the year, the United States set a new record for exports in 2008. U.S. exports of goods and services reached \$1.84 trillion, comprising a record 13 percent of U.S. GDP in 2008, up from 9.5 percent of GDP 5 years earlier (2003) and 5.3 percent forty years ago (1968). For the first two-thirds of 2008, trade provided a significant economic stimulus, partly countering the contraction seen in other sectors of the U.S. economy. The benefits reach every state in our Nation.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, and 70 percent of our members have 10 or fewer employees. While most Americans tend to regard international trade as the domain of large multinationals, more than 250,000 small and medium-sized companies export, and their overseas sales represent nearly a third of U.S. merchandise exports. In other words, while large companies still account for a majority of American exports, smaller companies nonetheless play a critical supporting role in trade.

There are many seasoned exporters among America's small businesses, but there are many others that have never even considered exporting. However, I know first-

hand that America's small business people are among the most creative, innovative, and hard working entrepreneurs in the world. We have told many of their success stories as part of our "Faces of Trade" series. These stories celebrate companies with fewer than 500 employees that are exporting "made-in-USA" products to destinations all over the world, and depend on new markets for profit and growth.

The Federal Government Should Do More to Promote Exports

If more U.S. small businesses were able to seize export opportunities, the gains could be immense. In a sign that they may just need a little help, a World Bank study (*Exports Promotion Agencies: What Works and What Doesn't*) found that each one dollar increase in export promotion expenditures brought a 40-fold increase in exports. The gains were especially large for countries that spend less than the average. As it happens, the United States spends just one-sixth of the international average helping its small businesses to export.

Given the limited resources dedicated by the Federal Government to support small and medium-sized exporters, some states and even private companies have created innovative and effective programs. We believe that many of these state programs should be replicated in other states and ideally on a Federal level.

In Massachusetts, the Massachusetts Export Center has created a program entitled "Compliance Alliance" in an effort to encourage additional international business. This program helps companies learn to export through seminars and networking events, and ensures they are complying with regulations. Last year, their clients reported nearly \$190 million in export sales as a direct result of assistance provided by the Massachusetts Export Center and programs such as this. They estimate that the return on investment is 88-1, as the companies that were assisted generated over \$1.5 billion in export sales in 2008. By one estimate, these exports sustain over 3,000 jobs in the state.

The Nevada Commission on Economic Development has created a no-cost program for the state called the International Representatives Program. Under this program, independent voluntary representatives are selected to run international offices on behalf of the state. They receive payments from clients who are interested in these markets and work as salesmen on commission. To date, this program is now functioning in seven countries, and this has been the first time that any U.S. state has created an international representative at no cost to the state. Seven other states that have had their funding cut or eliminated are emulating this concept with some success.

One successful manufacturing exporter, York Wire and Cable in York, Pennsylvania, recently shared with us the positive impact of Market Access Grants (MAGs) in Pennsylvania. These grants are designed to help small and mid-sized Pennsylvania companies increase export sales. Export-ready companies in good standing are eligible for up to \$5,000 to explore new markets through trade shows, trade missions, and by internationalizing websites. York Wire and Cable has taken advantage of three MAGs, and as a result its exports have increased over 5 percent, boosting the contribution of exports to total sales to 17 percent. We believe a similar MAG grant system should be created at the Federal level for companies around the country.

Similarly, Enterprise Florida, a division of the Florida Governor's office, is promoting state exports through funding, programming, and partnerships. Some successful grants that it administers are Partner Trade Event Grants and Target Sector Trade Grants. The Partner Trade Event Grants are awarded to counties, partnerships or organizations across the state. They range from \$7,500-10,000 and cover export sales missions, in-bound buying missions and technical support. Target Sector Trade Grants are reimbursement grants of up to \$4,000 given to companies to participate in trade shows and exhibitions in target sectors.

Florida has also created a "Train the Trainer" series that teaches business executives how to navigate the international marketplace in order to feel comfortable exporting. They also offer export counseling to Florida manufacturers, export intermediaries, and services companies. Under this program, international marketing professionals evaluate the market readiness of current and potential exporters and help select target markets for a company's particular products and services, as well as identify baseline legal, tax, and logistics requirements. Last, the state has partnered with the Export Yellow Pages (a private company endorsed by the U.S. Department of Commerce) to create a Florida Export Directory which increases businesses international exposure and allows them to be contacted directly by overseas buyers and distributors.

Private companies are engaging in export promotion as well. One California company is partnering with chambers of commerce and associations across the country to host trade delegations to China. In an effort to promote trade, the firm brings

thousands of American businessmen and women, along with select local public officials, to visit China every year. Because the program has grant funding, the firm is able to provide this service at an extremely low cost to participants.

Another private enterprise example is an international airline that is offering business grants for companies that are interested in international business but cannot afford travel costs. They are committed to keeping entrepreneurship alive and to helping stimulate global business through their "Business Opportunity Grants." The program offers small and medium-sized companies the opportunity to travel overseas and conduct face-to-face business meetings that can result in new and deeper partnerships, new projects, increased exports, and revenue for U.S. cities.

Government Programs Are Inadequately Funded

According to the Council of State Governments, U.S. states have spent over \$200 million in state funds for export promotion, educational exchanges, and other international programs. This money helps to fund a network of more than 200 state trade offices worldwide. This however is an insufficient amount of funding to promote exports effectively on a Federal level. To address this need, the U.S. Chamber has proposed a doubling in Federal expenditures on export promotion, with a focus on small companies' exports. The Federal Government allocates about \$335 million annually to promote the exports of manufactured goods. (The Federal Government expends more than twice that sum promoting agricultural exports.)

The assistance offered by the Federal Government needs to be promoted more effectively. The services, expertise, and dedication of representatives of the U.S. Commercial Service, Export-Import Bank, and Small Business Administration are world class, but I have seen first-hand from Bakersfield to Buffalo that many U.S. companies are not aware of the government services that are available to help them break into new markets. This isn't the fault of America's small business owners, rather it reflects the inadequate resources dedicated by the Federal Government to export assistance and a failure to promote these services adequately. It is for this reason that TradeRoots puts on programs across the United States highlighting the resources that are available to companies such as Export Assistance Centers (USEAC), Small Business Loans, and World Trade Centers.

However, the more experienced small business exporters are a different story. These are the companies that have taken advantage of their USEACs and perhaps taken advantage of Export-Import Bank or Small Business Administration Loans. Some companies, such as Askinosie Chocolate in Springfield, Missouri, have worked with their USEACs to access information about opportunities in countries to which they are interested in exporting, even when they cannot afford the fee for the U.S. Commercial Service's Gold Key Service. With over 15 percent of Askinosie's gross revenue coming from overseas markets, finding new ones is imperative to growth.

Other companies, however, like Quality Float Works in Schaumburg, Illinois, have had experiences with U.S. Commercial Service offices overseas that are illustrative. Quality Float Works President Sandy Westlund-Deenihan reports she normally has great experiences with overseas offices of the U.S. Commercial Service, but she recently found the offices in Dubai so severely understaffed that they were unable to assist her in setting up business meetings. Additional funding for the Department of Commerce should eliminate or lower service costs for programs like Gold Key and ensure that DOC staff are available to assist small businesses who are interested in exporting.

Some additional successful small business exporters are members of the Department of Commerce's District Export Councils (DECs). The DECs are organizations of leaders from the local business community, appointed by the Secretary of Commerce, whose knowledge of international business provides a source of professional advice for local firms. For more than 30 years, DECs have served the United States by helping companies in their local communities export, thus promoting our country's economic growth and creating new and higher-paying jobs for their communities.

Closely affiliated with the U.S. Commercial Service's U.S. Export Assistance Centers, the 56 DECs combine the energies of more than 1,500 exporters and private and public export service providers throughout the United States. DEC members volunteer their time to sponsor and participate in numerous trade promotion activities and to supply specialized expertise to small and medium-sized businesses that are interested in exporting. We would recommend selecting an ex-officio DEC member to participate on the President's Export Council in order to represent small businesses in devising export assistance programs.

As a tool for export promotion, Market Development Cooperator Program (MDCP) Grants are efficient and effective, but in recent years they have all but dried up. TradeRoots was actually founded based on an MDCP Grant to help small businesses

learn about exporting in select states around the country. As a result of this grant, TradeRoots reached more than 3,800 small and medium-sized businesses and helped generate more than \$9.2 million in U.S. exports. We support continuing and expanding MDCP Grant Funding.

Pending Free Trade Agreements Would Boost Exports

Another efficient way to promote U.S. exports would be for Congress to pass the pending trade agreements with Colombia, Panama, and South Korea. A recent analysis by the U.S. Chamber determined that these accords would provide an immediate boost for American workers, farmers, and companies worth an estimated \$42 billion over 5 years.

Most importantly, these are “fair trade” agreements that promise a level playing field for American workers and farmers. Many Americans don’t know that the U.S. market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits, limiting our competitiveness overseas.

Importantly, according to the most recent U.S. Census data, more than 25,000 small and medium-sized companies are already exporting to Colombia, Panama and South Korea. We believe this number could rise sharply with implementation of these trade agreements. Passing these FTA’s would reduce tariffs and allow U.S. companies to compete on an even footing of those countries domestic suppliers, just like they already experience here in the U.S.

These agreements will open the door to new opportunities for smaller U.S. firms in ways that go far beyond just cutting tariffs:

- *Non-Tariff Barriers:* NTBs are especially harmful to smaller companies because they add to the fixed costs of doing business. A \$10,000 permit is a nuisance for a big firm; it can be a show-stopper for a smaller one.
- *Intellectual Property:* Trade agreements protect the innovation and creative content captured in so many U.S. exports; in fact, these agreements will oblige Colombia, Panama, and South Korea to give protections for intellectual property similar to those in U.S. law.
- *Services:* These agreements will also open up service sector sales by American companies, expanding the opportunities for a part of our economy that’s humming with efficient and innovative smaller companies.
- *Government Procurement:* These agreements will give American small business expanded access to international government procurement contracts. Those contracts for roads, schools, clinics, and the like are often too small for major American companies to perform profitably. But they are just the kinds of contracts that our smaller construction companies, distance learning companies, and medical equipment companies (to mention just a few) can fulfill beautifully.

A recent study by the U.S. Chamber entitled *Trade Action—Or Inaction: The Cost for American Workers and Companies* found the United States could suffer a net loss of more than 380,000 jobs and \$40 billion in lost export sales if it fails to implement its pending trade agreements with Colombia and Korea while the European Union and Canada move ahead with their own agreements with the two countries. If the U.S. agreements are not implemented, American workers and farmers will be put at a competitive disadvantage in Colombia and Korea. For example, Canadian wheat farmers will be able to sell their crop to Colombians at a steep discount, and European manufacturers will easily undercut their American competitors in the Korean market. (See www.uschamber.com/trade)

Delaying approval of these agreements only means American workers and farmers will continue to face steep tariffs in these important markets—taxes, in fact, paid into those countries’ treasuries. These agreements are a potentially critical tool for boosting exports by America’s small businesses.

Infrastructure Investment Is a Priority

In addition, without a solid and sustainable infrastructure and capacity building system, goods produced across the United States will not be able to their points of exit in an efficient and profitable way. Reauthorization of SAFETEA-LU must be a high priority in order to advance a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st Century infrastructure. Despite the recent economic downturn, the growth in international trade is still expected to overwhelm U.S. intermodal freight capacity over the next 20 years.

Manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. According to the National Surface Transportation Policy and Revenue Study Commission, on a typical

day, about 43 million tons of goods valued at \$29 billion moved nearly 12 billion ton-miles on the Nation's interconnected transportation network. The supply chain is viewed from initial point of origin to the final destination, with frequent junctures in between. To remain competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains. However, as congestion increases throughout the U.S. transportation system, these supply chains and cargo shipments are frequently disrupted and the cost of doing business increases.

In Memphis, at a hearing of the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC), on November 15, 2006, Doug Duncan, CEO of FedEx Freight and a Chamber member, summed up the freight community's acute interest in infrastructure: "I'm afraid if things don't turn around soon, we'll begin turning the clock back on many of the improvements that these supply chains have made and begin to restrain commerce instead of support commerce."

In order to provide a transportation system that encourages exporting in the United States, Congress should develop Federal policy and programs that support congestion mitigation and improved mobility in urban areas by providing incentives for the adoption of strategies and use of technology that maximize the use of existing facilities, supporting public transportation capacity, availability and ridership strategies and highway capacity where appropriate. By providing Federal investment in small communities and rural areas to support connectivity to major economic and population centers, it will make it easier for more small and medium-sized businesses to access the international marketplace and grow their exports.

Conclusion

Investing in the export potential of America's small and medium-sized businesses could bring dramatic gains and stimulate the economy. Showing how smaller companies can gain from trade would also help build political support for international trade. By adding to the ranks of small businesses that see direct benefit in exporting, Americans will be able to see more clearly the possibilities offered by worldwide trade.

Once again, I greatly appreciate the opportunity to testify today. The U.S. Chamber of Commerce stands ready to work with you on these and other challenges in the year ahead.

Thank you very much.

Senator KLOBUCHAR. Thank you very much, Ms. Reilly.
Mr. Wollin?

STATEMENT OF TOM J. WOLLIN, DIRECTOR, INTERNATIONAL AND GOVERNMENT SALES, MATTRACKS, INC.

Mr. WOLLIN. Chairperson Klobuchar, fellow Senators, thank you for the opportunity to join in this discussion regarding the opportunities available for promoting export success for small and medium businesses. I am Tom Wollin. I have been involved in international and governmental sales at Mattracks since June of 2000.

Mattracks was started by entrepreneur Glen Brazier, but the idea for the Mattracks product came from the drawing of his 11-year-old son. The Mattracks product, as you can see on the board there, is a track conversion system. You replace the tires of a vehicle with a track corner. What this does is provide additional floatation, mobility, and a—areas where you can travel in hard-to-reach—where, currently, wheeled vehicles cannot go. It can be used for carrying goods, products, or services into these areas.

Senator KLOBUCHAR. Mr. Wollin, Senator Begich would like to amend your testimony to add, it could also carry moose.

[Laughter.]

Senator KLOBUCHAR. If you could just add that in there. Thank you.

Mr. WOLLIN. It is used by sportsmen, as well.

Mattracks, itself, it is located in the community of Karlstad in northwest Minnesota. Mattracks was incorporated in 1995. At that time, the company employed six people, manufacturing and marketing the original model of Mattracks, and currently now employs over 40 people and offers over 40 models of track conversion systems for vehicles as small as all-terrain vehicles to vehicles exceeding 20,000 pounds.

Mattracks' innovative track conversion system caught the attention of media in the early 1990s and the 2000s, featured in magazine stories and in news and television programs such as the History Channel, the Discovery Channel, CNN, and we've even been in the movies.

Mattracks' use of the Internet in its marketing has proven to reach North American markets as well as exposing Mattracks to an international marketplace. The Mattracks Website has had visitors from over 155 countries. Our Lightfoot ATV product has reached countries—has reached visitors in 134 countries. Global exposure through the media and through the Internet has produced significant international market growth for us over the years.

In 2000, when I started with Mattracks, approximately 15 percent of our sales were outside of the United States and Canada. Currently, Mattracks' international business in those same areas comprises over 50 percent of our sales—let's see—experiencing growth in over 55 international markets and track systems on use in—on all seven continents.

So, how does a small manufacturing company with a very unique product get to that point? Can our success be replicated by other companies looking for growth internationally? We think it can. And here is the path that we took.

We were introduced to the U.S. Commercial Service' Minneapolis office in late 1990, as international interest and requests for the Mattracks product were becoming more frequent. But, Mattracks didn't take advantage of all the services that were available at that time. But, later we became even more aware of the international exposure of the U.S. Commercial Service as we and our dealers became more involved in international shows and exhibits.

Here are some examples. Turkey, in 2005: Ihsan Muderrisoglu, from the Commercial Service office in Ankara, Turkey, worked with our Turkish dealer at a military defense exhibit and then worked with us during our visit to the U.S. embassy with our dealer that same year.

Chile, 2006: While attending a defense exhibit in Santiago with our representatives there, we visited the U.S. Commercial Service personnel at the show. The experience helped us to begin to realize the international presence of the Commercial Service.

Kazakhstan, 2007: Oil and gas exhibit in Almaty, Kazakhstan, Mattracks was again involved in visiting the U.S. Commercial Service personnel, reinforcing the presence of the Commercial Service internationally.

In 2007, the U.S. Commercial Service Fargo office began working with northwest Minnesota territories. Commercial Service representative Heather Ranck and Sharon May, visited Mattracks. They made a sales call and explained the services available to Mattracks. One of the services that we have employed is the Gold

Key Service. This service allows a small company such as Mattracks to use the resources of the U.S. Commerce Department to review potential markets, potential buyers, agents, dealers, and distribution channels for a nominal fee.

Here are some of the examples of how Mattracks used the Gold Key Service. In Ankara, Turkey in 2008, Commercial Service helped find new customers for our current dealer in Turkey. This has led to an expanded interest by, and demonstrations to, oil and gas companies, one of our biggest sectors, as well as the military in Turkey.

Russia, 2009: Commercial Service helped find—locate distributors for Mattracks product. This has led to three new additional dealers for us in an area that we did not have before.

South Africa, 2009: Commercial Service personnel helped us review the potential for new markets in South Africa. This led to Mattracks' work in developing new products to better match this area and other potential markets internationally.

China, 2009: Network with Commercial Service personnel. Mattracks met with Commercial Service officer from China who was in our region for the Big Iron Agricultural Show in Fargo, North Dakota. The strategy session that we had with them proved to be beneficial, and Mattracks and the Commercial Service office in Shenyang are working on the establishment of a significant distribution channel for Mattracks in China.

Another service Mattracks has used is the International Company Profile. The ICP provides basic due diligence on potential customers, dealers, and partners. The information gathered by the Commercial Service is relevant and fresh. A site visit can be made with the country to verify the information provided via other media.

Mattracks has representatives on the North Dakota Export Council, as well. The DEC provides a fantastic forum for the exchange of ideas and the mentoring of companies new to exporting or companies looking to enhance their export growth. The DEC chapters around the country need to be supportive, because you need to be supported to provide this valuable resource to as many companies as possible.

Even with the success listed above, there are roadblocks for U.S. companies, big and small, when they export their products internationally. Tariffs, duties, value-added taxes can make the cost of products in the U.S.—U.S. products extremely prohibitive overseas. For example, our own product, an American product that has a dealer cost of \$35,000 when it leaves our shores, can have a final cost reaching \$60- to \$70,000 when it reaches its destination. But again, the Commercial Service has helped us in finding the correct and the most beneficial product code listing so that the tariffs are reduced as much as possible for our dealers and our product overseas.

International Sales Growth helps Mattracks sustain the growth and the expansion of the company, allowing Mattracks to continue to provide stable, quality employment opportunities in northwest Minnesota. Providing stable employment in the region is important to the future of Mattracks, their employees, and the Minnesota communities where our employees live.

Matracks is located in a region in Minnesota that experiences business closing and out-migration of the labor force, creating a very fragile economy. The economic viability of Matracks, companies like Matracks, and the region we call home are directly linked to the ability to retain quality employees and attract new employees. International Sales Growth is integral to the Matracks plan for success.

These services and resources, offered by the Commercial Service locally and around the world, have been extremely valuable to the growth of Matracks' international business. We know other companies, like us, using these resources have the opportunity to duplicate our success. Members of this subcommittee, as a small business we need all the tools possible to build strong business, businesses that will support our employees, their families, our communities. Do not put a lock on that toolbox. Do not take away these tools out of our hands. Allow us to build our dreams, and then our employees, their families, their communities will live their dreams.

Thank you.

[The prepared statement of Mr. Wollin follows:]

PREPARED STATEMENT OF TOM J. WOLLIN, DIRECTOR,
INTERNATIONAL AND GOVERNMENT SALES, MATRACKS, INC.

Thank you for the opportunity to join in this discussion regarding the opportunities available for "Promoting Export Success for Small and Medium-Sized Businesses." I am Tom Wollin. I have been involved in International and Governmental Sales at Matracks since June of 2000.

Matracks was started by entrepreneur Glen Brazier, but the idea for the Matracks product came from a drawing by his 11-year-old son, Matt. The first rubber track conversion system was manufactured in 1992. The "Matracks Rubber Track Conversion Systems" are rubber tracked "corners" that can replace the tire and wheel combination on four wheel drive vehicles and other machines. Matracks provides extra traction, floatation, and year-round mobility in all types of off road conditions and terrain. Matracks, Inc. is located in the community of Karlstad, in northwest Minnesota.



Matracks in Snow



Matracks in Sand



Matracks in Water

Matracks, Inc. was incorporated in 1995. At that time, the company employed six people, manufacturing and marketing the original model of the Matracks rubber track conversion system. Currently, Matracks employs over 40 people and offers over 40 models of track conversion systems for vehicles as small as All Terrain Vehicles (ATV's) to vehicles exceeding 20,000 pounds.

Matracks innovative track conversion system caught the attention of media in the early 1990s and the 2000s, featured in magazine stories, on the news and on television programs such as "The History Channel!", "The Discovery Channel", CNN, and even movies.

Matracks use of the Internet in marketing has proven to reach North American markets, as well as exposing Matracks to an international market. The Matracks website has had visitors from 155 countries; the LiteFoot ATV Product website has had visitors from 134 countries. Global exposure through media and the Internet has produced significant international market growth over the years.

In 2000 when I started with Matracks approximately 15 percent of sales were outside of the United States and Canada. Currently, Matracks' international business comprises over 50 percent of sales, experiencing sales growth into over 55 international markets, with track systems in use on all 7 continents.

So, how does a small manufacturing company with a very “unique” product get to this point? Can our success be replicated by other companies looking for growth internationally? We think it can. Here is the path we took.

We were introduced to the U.S. Commercial Service’s Minneapolis Office in late 1990s as international interest and requests for the Mattracks Product were becoming more frequent. But Mattracks didn’t take advantage of all the services that were available.

But later, we became even more aware of the *international* exposure of the U.S. Commercial Service as we and our Dealers became involved in international shows and exhibitions. Some examples:

- Turkey 2005. Ihsan Muderrisoglu, from the Commercial Service Office in Ankara, Turkey worked with our Turkish Dealer at a military defense exhibit, and then with Mattracks during our visit to the U.S. Embassy with our dealer that same year.
- Chile 2006. While attending a defense exhibit in Santiago, Chile with our representative, we visited with the Commercial Service personnel at the show. This experience helped us begin to realize the international presence of the Commercial Service.
- Kazakhstan 2007. Oil and Gas Exhibit in Almaty, Kazakhstan. Mattracks was again involved in visiting with Commercial Service personnel, reinforcing the presence of Commercial Service internationally.

In 2007, the U.S. Commercial Service’s Fargo Office begins working with the Northwest Minnesota territory. Commercial Service Representatives Heather Ranck and Sharon May, visited Mattracks and explain the services available to Mattracks.

One of the services Mattracks has employed is the Gold Key Service. This service allows a small company, such as Mattracks to use the resources of the U.S. Commerce Department to review potential markets, and potential partners, agents, dealers, or distributors for a nominal fee. Here are some examples of how Mattracks has used the Gold Key Service:

- Ankara Turkey, 2008: Commercial Service helped find new customers for our current dealer in Turkey.
 - This has led to expanded interest by and demonstrations to oil and gas companies and the military.
- Russia, 2009: Commercial Service helped find local distributors for Mattracks Product.
 - This led to the addition of three new Mattracks Product Dealers.
- South Africa, 2009: Commercial Service Personnel helped us review the potential for a new market in South Africa.
 - This led to Mattracks work developing new products to better match this and other potential markets.
- China, 2009: Network with Commercial Service Personnel.
 - Mattracks met with a Commercial Service Officer from China who was in the region for the Big Iron Agriculture Show in Fargo, ND. The strategy session proved to be beneficial and Mattracks and the Commercial Service office in Shanyang are working on the establishment of a significant distribution channel in China.

Another service Mattracks has used is the International Company Profile (ICP). The ICP provides basic due diligence on potential customers, dealers and partners. The information gathered by the Commercial Service is relevant and fresh. A site visit can be made in country to verify information provided via other media.

Mattracks has a representative on the North Dakota Export Council (DEC). The DEC provides a fantastic forum for the exchange of ideas and the mentoring of companies new to exporting or companies looking to enhance their export growth. The DEC chapters around the country need to be supported to provide this valuable resource to as many companies as possible.

Even with the successes listed above, there are roadblocks for U.S. Companies big and small when they export products internationally. Tariffs, duties, and value added taxes can make the costs of U.S. Products extremely prohibitive. For example, an American product that has a dealer cost of \$35,000.00 when it leaves our shores can have a final cost reaching \$60,000 to \$70,000.00 when it reached its destination! U.S. innovation and product quality can overcome many obstacles, but a doubling

in price can be crippling. The removal of these types of trade barriers are also needed to insure new and continued sales growth internationally.

International sales growth helps Mattracks sustain the growth and expansion of the company, allowing Mattracks to continue to provide stable, quality employment opportunities in Northwest Minnesota. Providing stable employment in the region is important to the future of Mattracks, their employees and the Minnesota communities where their employees live. Mattracks is located in a region of Minnesota that experiences business closings and out-migration of the labor force, creating a fragile economy. The economic viability of Mattracks, companies like Mattracks, and the region we call our home are directly linked to the ability to retain quality employees and attract new employees. International sales growth is integral to Mattracks "plan for success".

These services and resources offered by the Commercial Service locally and around the world have been extremely valuable to the growth of Mattracks' international business. We know other companies like us, using these resources have the opportunity to duplicate our success. Members of this Subcommittee, as a small business we need all the tools possible to build strong business; businesses that will support our employees, their families, and our communities. Do not put a lock on this toolbox; do not take these tools out of our hands. Allow us to *build* our dreams, and then our employees, their families, and their communities will *live* their dreams.

Thank you.

Senator KLOBUCHAR. Thank you very much.
Mr. Pierce?

**STATEMENT OF BRADLEY E. PIERCE, PRESIDENT,
RESTAURANT EQUIPMENT WORLD™
(A PIERCE SALES CO., INC.)**

Mr. PIERCE. Yes, good afternoon. I would like to thank both you, Chairwoman Klobuchar, as well as the other Members of the Subcommittee. I would also like to personally thank Senator LeMieux for inviting me here today.

I'm speaking to you today on behalf of the National Federation of Independent Businesses. I—my name is Brad Pierce, and I'm President of a small business, called Restaurant Equipment World, which sells commercial restaurant equipment and supplies. We're a family-owned company, based in Orlando, Florida, with approximately 45 employees. Over the past 33 years our company has sold goods to more than 75,000 customers in all 50 states and 100 countries internationally.

Our primary method of going to market is through the Internet, using the e-commerce business model, although we also utilize a small, privately owned aircraft, which allows us to travel safely and efficiently for frequent face-to-face meetings with our customers and with our suppliers. This is a method that I refer to as a high-tech, high-touch approach.

Exporting has been a vital part to our business. And just this past week, actually, I returned from a business meeting in Dubai, where I had meetings with a number of clients to actually sell more U.S. goods. In the case of our company, we haven't actually used any of the government export programs, and have instead—we've forged this road on our own. This is really the area that I wanted to talk with you today.

It seems that there's a lack of communication with small businesses that these programs are even available to us. I think that the majority of small businesses in this country view these types of government assistance programs as really only being catered toward the large businesses and these multinational corporations.

It's certainly a shame, considering there are 24 million small businesses in this country, and approximately 80 percent of the new jobs in this country are created by small business.

The really good news in this story is that we've found that the ability for a company such as ours to export goods to another country is a process which isn't broken. We've never run into a single issue exporting to any country where our customers have asked us to. With the help of knowledgeable freight forwarders and customs agents it's actually quite a palatable process, which has paid huge dividends to our company.

The only real caveats we've run into in regards to exporting is the lack of protection for intellectual property and fraud that has been experienced in these dealings. That problem, however, runs deeper and really even exists domestically, with law enforcement agencies being ill-equipped to handle the needs of small business in that regard. Aside from these issues, though, however, overall, the ability for U.S. companies to actually move products and goods globally works extremely well.

While we've been exporting through the trials and tribulations of doing it ourselves, I think that many other small businesses, as we've seen with this meeting here today, haven't been quite so fortunate; and in many cases, I don't think the small businesses really even know where to begin. To change this tide, I would certainly like to see the U.S. Government take a much more proactive role. In this troubled company—I see how much our business has been aided by exports, not only to survive but actually to grow as a company, and would like to certainly see other companies benefit in the same manner.

I believe the best way to accomplish this is by developing outreach programs through groups such as the NFIB and local business licensing organizations, the Chamber of Commerce associations. It's important for us to publicize that these programs are readily accessible to small businesses, that they are very effective, and that they're going to be very easy for us to engage.

I feel that many small business operators in this country generally view government assistance programs as being laden with red tape and additional burdens, including countless forms and procedures, thereby causing companies to just simply shy away from them and spend their time doing more efficient activities instead. This perception really needs to be changed. Small-business operators need to be informed that these government programs are here to help you, and to partner with you, to make your business stronger, and, in turn, our entire nation stronger. That message will help people, such as myself and other small businesses, to actually embrace what you're promoting, rather than just writing off the idea of participating. Providing meaningful testimonials and metrics with success stories and any promotional materials that are developed will certainly aid, as well, in developing a feeling that these programs are worthwhile for us to engage.

I truly believe that the government as partners with us, working hand in hand together, we can certainly increase our export trade. This will save U.S. jobs, it will provide an increase in revenue, it will help us to recover faster from the current economic downturn, and it will make us stronger as a nation together.

Thank you for allowing me to address you today.
 [The prepared statement of Mr. Pierce follows:]

PREPARED STATEMENT OF BRADLEY E. PIERCE, PRESIDENT,
 RESTAURANT EQUIPMENT WORLD™ (A PIERCE SALES CO., INC.)

Good afternoon and thank you for the honor of allowing me to testify before you today. My name is Brad Pierce and I'm speaking to you on behalf of the National Federation of Independent Businesses. I am President of a small business called Restaurant Equipment World which sells commercial restaurant equipment and supplies. We are a family owned company based in Orlando, Florida and have approximately 45 employees. Over the past 33 years, our company has sold goods to more than 75,000 customers in all 50 states and more than 100 countries internationally. Exporting has become a vital part of our business and just last week I returned from Dubai where I had meetings with clients to sell more U.S. made goods. In the case of our company, we haven't used any of the government export programs and have instead forged this road on our own. This was the area which I wanted to talk with you today. It seems that there is a lack of communication with small businesses that these programs are even available. I think that the view of a majority of small business operators is that government assistance programs of this type are only focused toward large businesses. That is certainly a shame considering there are 24 million small businesses which create approximately 80 percent of the new jobs in this country.

The good news is the ability to export goods from our county is a process which isn't broken, since we've yet to have any issues exporting to wherever our customers have asked us to. With the help of knowledgeable freight forwarders and customs agents, it's quite a palatable process which has paid huge dividends to our company. The only real caveat we've run into is in regards to the lack of protection against fraud and intellectual property when dealing internationally. That problem however runs deeper and even exists domestically as well with law enforcement agencies being ill-equipped to assist small businesses. Aside from these issues, overall, the ability for U.S. companies to actually move goods and export products globally works very well.

While we've been successful in exporting through the trials and tribulations of doing it ourselves, many other small businesses haven't been so fortunate and in many cases don't even know where to begin. To change this tide, I would like to see the U.S. government take a more proactive role in regards of exporting. In this troubled economy I see how much our business has been aided by exports, to not only survive, but to grow as a business. I would certainly like to see other companies benefit in this same manner.

I believe the best way to accomplish this is by developing outreach programs through groups such as the NFIB and local business licensing organizations. It's important to publicize that assistance programs are readily accessible to small businesses, effective, and are easy process to engage. I feel many small business operators in this country generally view government assistance program as being laden with red tape and additional burdens including countless forms and procedures, thereby causing companies to shy away from them to spend time on more efficient activities. This perception needs to be changed. Small business operators need to be informed that these government programs are truly here to help you and partner with you to make your businesses stronger and in turn our entire nation stronger. That message will make people such as myself and other small business operators actually embrace what you're promoting rather than writing off the idea of participating. Providing meaningful testimonials and metrics with success stories in any promotional materials will certainly aid in developing a feeling that these programs are worthwhile to engage. I truly believe that as partners with the U.S. Government working hand in hand together, we can certainly increase our export trade. This will save U.S. jobs, provide an increase in revenue, help for us to recover faster from the current economic downturn, and make us strong as a nation. Thank you for allowing me to address you today.

Senator KLOBUCHAR. Thank you very much.

Do you want to start with questions, Senator LeMieux?

Senator LEMIEUX. I'd be happy to. Thank you very much,
 Madam Chair.

I think that the contrast in the experience that Mattracks has had and Mr. Pierce's company is an interesting point for us to start our questions.

Mr. Wollin talked about this partnership that really happened between the Commercial Service and his company. And then Mr. Pierce's company is sort of out there on their own, doing good work, trading in all these countries around the world, without the benefit of the Commerce Department.

So, I guess my first question for Ms. Lipsitz is, you know, What do you do in the Commerce Department to make sure that you are uniformly getting good results across the country? You could have a crackerjack person working in Wisconsin, and maybe not the best person working in Florida. So, what metrics do you use, what performance measurements do you use, how do you, you know, track your folks in your different states and communities to make sure that you're getting the best result for the American people?

Ms. LIPSITZ. Thank you very much for that question. Let me just add a clarifying point, and that is, with regards to the National Restaurant Association, we may not be visible in helping them from this end, but we certainly are from the other end. So, for example, we have a global team that is dedicated toward franchising. And this team is comprised of franchising experts from around the world, from our USEACS to our overseas offices, and they follow the global trends and work with companies that are looking at exporting and opening franchises overseas.

And our franchising operation, as they grow, as they go overseas, they take U.S. manufacturers and service providers with them. So, for example, with Mr. Pierce's company, we did help them in 2004 in Saudi Arabia in making a sale to a pizza company. So, even though we may not be helping them on this end, we are helping them on the other end.

With regards to your question, we have performance measures as to how many new-to-export companies we assist, how many new-to-market companies we assist, how many increase-to-market we assist, and we follow those and divide those goals and those performance measures among our networks, among our offices.

Senator LEMIEUX. And then your managers follow up with your various folks in different states, and say, you know, "Joe in this State, Susie in that State, you're not doing as well as someone in another State, or we're not seeing the kind of results out of you that we're getting in Wisconsin," for example?

Ms. LIPSITZ. That's right, and we give them goals and we give them targets.

Senator LEMIEUX. OK.

Ms. LIPSITZ. So, and we have 300 trade professionals in the United States, and that's what they spend most of their time on. They go out there, and they try to knock on doors, they try to get the word out, and try to reach those companies that we have not done business with yet.

Senator LEMIEUX. It seems like such low-hanging fruit for this country to be focused on this.

Ms. LIPSITZ. I couldn't agree with you more.

Senator LEMIEUX. You know, my experience in Florida is, we have Enterprise Florida, which is sort of our State arm. And we

work—businesses really work hand-in-hand with—whether it's the Chamber, or NFIB—with Enterprise Florida, putting these trade missions together. The Governor leads them. And they're really wonderful opportunities for small, mid-, and large-size companies. So, to the extent that you work with them, or you can increase your presence in a State like Florida, I think it's tremendous.

We've heard these numbers about the return on investment that you get for every dollar that you spend, whether it's \$50 or \$75. No matter what it is it's a fantastic result. And if just—you know, if there are 24 million small businesses in America and they hired one more person each, we wouldn't have an—you know, as much of an unemployment problem in this country, so your work's very important.

And, to that, I want to go to the larger topic, which I mentioned in my opening statement, which is these trade agreements, and trying to get a trade agreement with Colombia and other countries. It makes so much sense to me for Americans, and especially Floridians, to have the opportunity to have trade with these other countries. It's going to create more jobs. It's going to get more people hired. It's going to give the opportunity for more people to have health insurance, since we have employment-based health insurance, currently, in this country. So, can you tell us what the Administration's view is on trying to get these free trade agreements—the three that I mentioned—off the blocks and before the Congress?

Ms. LIPSITZ. Yes, Senator, I am here to talk about trade promotion, so I would—I wrote down your comments on the free trade agreements. I'd leave that to the policy arm within the International Trade Administration, and to the U.S. Trade Representative Office. So, if I can take that for the record, and we will get back to you on that.

[The information referred to follows:]

QUESTION FOR THE RECORD: SENATOR LEMIEUX (R-FL)

Question. What's the latest Administration thinking on submitting the completed FTAs (Panama, Colombia and Korea) for Congressional consideration?

Answer. Panama, Colombia, and South Korea are valued economic and political partners of the United States. Approval and implementation of the pending FTAs is an important priority in the Administration's trade policy agenda. The agreements have the potential to create significant new economic opportunities for our workers, manufacturers, farmers, ranchers, and service providers. The Administration is working to address outstanding concerns relating to each of the pending FTAs.

Panama: In the case of Panama, we are seeking to address concerns with certain aspects of Panamanian laws, including its labor regime. Successfully addressing these concerns will be an important step in determining when, in close consultation with the Congress, this agreement should be considered.

Colombia: Colombia is a friend and ally, and the Administration is committed to deepening our economic relationship. The U.S. Government is working with the Colombian Government, the U.S. Congress and key stakeholders to identify the further steps that Colombia needs to take to ensure that workers' fundamental labor rights are protected in law and practice. Successfully addressing these concerns will be an important step in determining when, in close consultation with the Congress, the agreement should be considered.

Korea: The KORUS FTA is the most commercially significant free trade agreement the United States has concluded with another country in 16 years. President Obama and President Lee committed in their November summit meeting to work together to move the FTA forward. In his State of the Union and in recent remarks to House Republicans, President Obama noted the close alliance with Korea and the

need to seize market opening opportunities. The KORUS FTA could provide a much-needed boost to the economies of both South Korea and the United States during a time of economic uncertainty. While the KORUS FTA has the potential to provide significant benefits to the United States, I also recognize that concerns remain with the Agreement, particularly with respect to autos and beef. The Obama Administration will be consulting extensively with Congress and other stakeholders to understand fully the exact nature of any concerns and how they can be addressed. Addressing these concerns will determine when, in close consultation with Congress, this agreement should be considered.

Senator LEMIEUX. OK, I appreciate that. It's a very important issue for Florida.

And if I have some more time, which I think I do, I'll just quickly ask a question of Ms. Reilly.

Tell us about what successes you've had in doing your information—communication with various businesses. What works the best? Educate us on your models that have worked really well, so we can use that for other companies around the country.

Ms. REILLY. Well, the TradeRoots division, which is what I run, is actually a trade education program that—we partner specifically with all of the resources that are available. So, when we go into communities, we really localize it for wherever we're going.

So, for example, last year I was in over 300 Congressional districts, doing these trade education programs, and every district is different and has different challenges and different businesses. So, we really localize that. We like to find good companies, like Mattracks, that are finding success, and use them as sort of the role model, but, then again, be the matchmaker for all of the resources that are available.

But, we can't do that—again, we're the U.S. Chamber, we're here in D.C. So we really strongly rely on all of our partners and our chamber network. So we have over 3,000 chambers that are out there, throughout the country, that are there to—happy to be our partner and facilitate these programs, where we can then bring in the local export assistance center, bring in whoever the regional rep is for Ex-Im Bank, or bring in the regional rep for SBA.

And I have to say, all together, those programs are very successful, but we just wish we could do more.

Senator LEMIEUX. Well, thank you for doing what you do.

And in closing, Madam Chair, I want to say that there is a—there is definitely a sports-enthusiast application for Mattracks in Florida, so—I saw on there about swamps—we have a lot of hunters and others who like to go out there. They use track vehicles now, but they're not—they're old-style, half track and full track, so you may have a market in Florida.

Mr. WOLLIN. We do have a market there already, and it's been quite successful.

[Laughter.]

Senator LEMIEUX. Great. Thank you.

Thank you, Madam Chair.

Senator KLOBUCHAR. All right, very good.

Senator Begich?

Senator BEGICH. Thank you very much, Madam Chair.

Again, thank you all for your testimony. It gave me some questions and enlightened me on a few of the programs.

What I want to ask—Mr. Pierce, you—your testimony was interesting, because you’ve kind of done it on your own, in essence. And I guess, not to get you into the debate of trade agreements, but did trade agreements have any impact in your business capacity?

Mr. PIERCE. I really think, in our particular case, they didn’t, as overall we’re essentially a wholesaler, and we then will work with the export agents. They really deal with a lot of that nitty-gritty of what can be done, what can’t be done. We essentially get the products to them and they work with locals within the countries, whoever—whether you need a local citizen, like you need in some countries, to be involved in this—they really handle that aspect, which is really why I say it’s quite easy, from a small-business perspective.

Senator BEGICH. Very good.

Ms. Albright, you had mentioned—I appreciate your coming here, and as you noted, you don’t do this that often—but, I would be very interested, from our State, to inquire—maybe you can get us off the record at a different time—how we could work with your agency to set up a trade expo potential—of education. You may have done that already, in Alaska, but I think there’s a lot of opportunity that we see, especially in our raw material products, but also some of our finished final product. So, maybe we could have that discussion.

You mentioned that you assist in some states in regards to trade expos. I think that would be a—you know, part of it’s educating people on what’s available. And is that something that would be of interest, or is that something we can follow up at a later time with?

Ms. ALBRIGHT. Yes, absolutely, Senator. And thank you very much for the question. We are—a number of us have come into the organization, over the last few months as part of the Administration, to work with what is already a very capable staff at Ex-Im Bank, and one of the things that we’re looking at is how we can expand the reach of the Bank throughout the country, particularly in areas that we measure by having a high job intensity, meaning the extent to which the business creates jobs.

And one of the reasons why we’re doing, currently, our eight-city tour is to reach out to an initial set of cities. One of those set of—one of those cities is Seattle, and we’ll be there over the next few weeks. In particular, our Chairman, Fred Hochberg. It may very well make sense to extend that trip up to Alaska, and—you know, but short of that we’d be happy to send some of our staff out to visit with particular exporters in your state to see where the opportunities are, or to have conference calls, or what have you.

So—

Senator BEGICH. Fantastic.

Ms. ALBRIGHT.—we’re a small organization, but we’re immediately ready to reach out and speak to whoever in your state thinks would the—would benefit from our services.

Senator BEGICH. Great. I will do some follow up on that. That’s very good.

Ms. ALBRIGHT. Love to do that.

Senator BEGICH. Thank you very much.

And if I—is it Ms. Lipsitz?

Ms. LIPSITZ. Lipsitz.

Senator BEGICH. Lipsitz. You had mentioned CommerceConnect. Can you expand on that just a little bit? It is being announced now, or in the process of being announced?

Ms. LIPSITZ. Yes. Secretary Locke is in Detroit right now, announcing the first pilot, which is basically a one-stop shop—

Senator BEGICH. OK.

Ms. LIPSITZ.—for Federal business. So, when he came onboard, he recognized that U.S. businesses had a hard time navigating the Federal system, and he thought, by bringing them all together in one place and having one resource available to them, it would be extremely useful for U.S. businesses.

Senator BEGICH. Very good.

And the question that was asked earlier regarding, “How do you determine the results of your work, in essence, with medium and small businesses?”—do you do—you know, I get these things all the time from the Census Bureau—which I don’t think they do anything with, to be very frank with you—you know, six, seven, eight-page things I get as a landlord and an apartment owner. They ask me all kinds of questions, which—I never really see the data later, that I can ever use. But, how do you use—in the sense of growing people to utilize your services, what’s the material that you get back, and how do you send that back out into the community? Or, do you do some sort of information-gathering survey? I know there was a little discussion on it. But, how do you feed it back? Does that make sense?

In other words, if you are delivering services, to determine if what you are delivering to the small businesses and medium-sized businesses, is actually being used and getting a benefit out of—in other words—

Ms. LIPSITZ. Yes, Senator—

Senator BEGICH.—you may be delivering it, but they may not be seeing a benefit. How do you measure that component?

Ms. LIPSITZ. We do do surveys. We have a customer-relations management division within the Commercial Service, and they survey every single company with whom we have some interaction.

Senator BEGICH. Great.

Ms. LIPSITZ. We have 16 services that we offer, be it from trade missions to international buyer program to the Gold Key, you’ve heard, to helping companies at trade-show events. And we survey our customers, and we get responses back.

Senator BEGICH. Great.

Ms. LIPSITZ. And we take that into consideration in our analysis on how we determine which companies to go after, or which markets to go after.

Senator BEGICH. Can you share that, at least with me? I’d be very interested in, kind of, what the latest results of that survey or surveys that you’ve done, just some of that data collected.

Ms. LIPSITZ. I will take that on record and get you some information, yes.

Senator BEGICH. Fantastic.

Last question. What would you say, out of all that information, is the one, two, or three top hurdles that the small business or medium-sized businesses identify? Maybe you can’t answer that right

now, but I'd be very interested in, What are those three things they identify, through this data, that, "These are the struggles that we have"?"

Ms. LIPSITZ. The hurdles vary. You know, I mean, first of all, the biggest hurdle that we have right now is getting the information out. And so, you have heard that repeatedly through here, that—

Senator BEGICH. OK.

Ms. LIPSITZ.—we need to do more outreach, and we need to figure out how to do more of that.

This hearing is a wonderful way for us to get exporting on the front pages of the newspapers and for U.S. companies to recognize our services.

Do I keep going?

Senator BEGICH. No, go—yup. That's not your buzzer. That's—they're just telling us all kinds of things through little coded signals. Pay no attention.

[Laughter.]

Ms. LIPSITZ. The reason why we claim that we try to broaden our mandate is to broaden and deepen the base of U.S. exporters. We broaden it because we've tried to go after those companies that have never exported before.

Senator BEGICH. Yes.

Ms. LIPSITZ. They have different hurdles and different issues to deal with than those companies that are expanding into new markets. So, it really depends on the product and the market.

Senator BEGICH. Very good.

Thank you very much for all your testimony.

Senator KLOBUCHAR. Thank you.

I know Mr. Pierce had mentioned this idea of testimonials and metrics to get the information out there. Do you have that for people, so they can see that this as more than just a long name of a government program?

And could you talk a little bit, Ms. Lipsitz, in detail about what Secretary Locke is proposing? Because it does seem to me—with so many different agencies working on this, to try to cut through that red tape, and figure out who they call, and how they get the kind of help that Mr. Wollin got.

Ms. LIPSITZ. Well, Secretary Locke has gone on record saying that one of his top priorities is trade promotion. And to that end, he is convening, as I mentioned in my oral testimony, the Trade Promotion Coordinating Committee, which is comprised of 20 Federal agencies, though the heads of those 20 agencies are getting together later this month to talk about a strategy and coordinate the trade promotion efforts of the U.S. Government.

Senator KLOBUCHAR. And I asked about, sort of, some details—

Ms. LIPSITZ. On the Commerce—

Senator KLOBUCHAR.—the testimonials—

Ms. LIPSITZ. On the CommerceConnect?

Senator KLOBUCHAR. Yes.

Ms. LIPSITZ. It's basically a one-stop shop. There are 20 agencies, as I said, that are involved in Federal—in trade promotion. And a company comes in to CommerceConnect; they're going to look for, "How do I protect my trademark?" So, we will have access to Patent and Trademark Office. "How do I increase my competitive-

ness?" We'll have representatives or direct—or be able to guide people how to help that. We'll find ways to get them to Export-Import, and OPIC, and trade development agencies, so they have access to financing. So, it's basically a one-stop-shop for the Federal Government and for the Department of Commerce.

Senator KLOBUCHAR. OK. You know, and once—the thing that most interested me about Mr. Wollin's story, just being up there, is—you know, they are really in an isolated area.

What do you call it, Begich? "Extreme rural," that's what he calls it. It's not just "rural," it's "extreme rural."

[Laughter.]

Senator KLOBUCHAR. And so, when I heard his story, what captivated me about this was that, having been to Asia only a few weeks before—I was there with—I went with Senator McCain and Senator Graham—and just meeting with some of the Chamber of Commerce people there, and it was a lot of major corporations and people that obviously had major roles to play in these countries—but, just the thought of being a small business and trying to figure out how to find potential customers there is very daunting. So, what is your breakdown of people that you have in foreign countries and people you have in the United States, in terms of working with these? And I don't necessarily have a direction I want to go with this. I'm just trying to figure out what's the best way to help them to get new customers.

Ms. LIPSITZ. Well, I don't have the exact numbers with me right now, but we—I can guarantee you that we have many more people overseas than we do domestically. And—I'm sorry, can you repeat—

Senator KLOBUCHAR. So, I'm just wondering, does—you know, he—

Mr. Wollin, maybe you want to say how you did this. You went—did you go to the—you went to the Fargo people first? Or did you go to trade shows, and you met people from Commerce there? Or how did it work?

Mr. WOLLIN. Initially, the office that was responsible for our area was out of Minneapolis, and they visited us and discussed with us what was available to us.

Senator KLOBUCHAR. So, I would think you would need that initial help before you just landed in a foreign country. With your—

Mr. WOLLIN. It makes—

Senator KLOBUCHAR.—big trucks.

Mr. WOLLIN.—it so much smoother. We are told—

Senator KLOBUCHAR. Yes.

Mr. WOLLIN.—constantly to work smarter, not harder. And in that instance, finding that information out first is worthwhile. For us, the information that comes to us from potential marketplaces through the Internet, through mail, through phone calls, we take and we gather. And when we find an area that is experiencing an unusual amount of interest in our product, many times we have set up where we will go, now, to the U.S. Commercial Service. Going there blank—

Senator KLOBUCHAR. So, when you go to that country, then you go to the U.S. Commercial Service there?

Mr. WOLLIN. Correct. We work through our—at this point, the Fargo office, which is responsible now for Northwest Minnesota, we contact them, express to them an interest in, let us say, South Africa. And so, the country that the U.S. Commercial Service is in, that we're looking at, South Africa, the Fargo office will contact them, provide them with information on our product and the type of markets that we market to right now. Is—and ask them, Is there—look out there. Is there potential places for this product there? Is there potential interest? Do you know of dealers that would be a good match for this product?

They will get together with us on a conference call. We will visit. We will go over items that we are looking for in dealers. And then they provide us—all of a sudden, they will provide us with a list of potential clients.

Is there the interest? "Yes, there is." Who would be best matched to sell our product overseas? "Here is a portfolio of eight customers. Take a look at them." We will go through that Gold Key portfolio, sort out the ones that we want to visit with further, and then go overseas, and, with the help of Commercial Service' office, the embassies, interview those potential candidates—

Senator KLOBUCHAR. OK.

Mr. WOLLIN.—and look at the marketplace, as well.

Senator KLOBUCHAR. OK.

Ms. Lipsitz?

Ms. LIPSITZ. So, to answer your question, companies find us, or we find them—

Senator KLOBUCHAR. Yes.

Ms. LIPSITZ.—through a variety of ways, Through our trade specialists in the United States that are knocking on doors, going to Chamber events, going to townhall meetings, the seminar—the export seminar program that Ms. Albright talked about yesterday, I participated in, in New York. And we go out and we reach companies. We have partnership programs with private-sector companies.

One of our partners is in this room today. They have helped us reach out to over a million companies. And once they enter, here in the United States, we seamlessly pass them over to our offices overseas.

We also operate the Trade Information Center, which is a hotline. They receive 36,000 calls a year. Most of them are from small and medium-sized companies. They can get into our system that way.

Senator KLOBUCHAR. Very good.

Ms. Albright, I know that, under Federal law, the Export-Import Bank can have outstanding, at any one time, \$100 billion in loans to U.S. exporters. Is that right?

Ms. ALBRIGHT. Yes, that is, Senator.

Senator KLOBUCHAR. OK. And right now there's only about \$65 billion out there, and the remaining 35 billion is an untapped resource for small businesses. So, how do we try to use some of that money? As you've explained, it's not at the taxpayer expense. These are loans, and so, that means you must be getting the money back. How do we best make that money accessible to small and medium-sized businesses?

Ms. ALBRIGHT. Thank you for the question, Senator. You're absolutely right. Right now, our maximum capacity that we could live up to is \$100 billion, and we use about \$65 billion. And typically, between 15 and 20 billion of that rolls over annually, although the year that we've just concluded, the number is closer to 21, because of the financial crisis. So you're absolutely right.

You're also absolutely right, in terms of the—what I'll call the overall profitability of the organization, in the sense that it is self-sustaining. So, once we generate, you know, market-based fees for the products that we offer, we're able to cover both the cost of our credit reserves as well as our administrative expenses, and then return amounts of money to the Treasury every year. So, we are self-sustaining, as far as the taxpayer is concerned.

In terms of increase, I think it's a very simple answer. And I'm thrilled to be able to hear all the good work that all of my colleagues are doing, because I think it's really a matter of outreach. Ex-Im Bank has about 385 staff, of which about 30 or 40, only, are engaged in small-business outreach.

And so, we need to work very much with all of what we call our "multiplier friends" out there, in both the Federal level of government, as well as at the State level, to really get the story out there about Ex-Im Bank's services. One of the things that's really taken me, having principally been a banker in my life, but now joined the government, is what a tremendous product it is. It's very straightforward, it's very cost-effective, and it really addresses the needs.

So, I think it's a matter of outreach. And one of the things that the new folks at Ex-Im Bank are going to be doing is really looking at how we can expand our outreach efforts through things like the TPCC. We've always—also met with the U.S. Trade Representative, we are in close touch with the folks at the administration, also, at the State and local level, with our trade seminars, for example, to just simply get the word out there. So, I think it's really just pounding the pavement.

Senator KLOBUCHAR. Very good. Thank you.

Senator LeMieux?

Senator LEMIEUX. I think the last—the responses to the—Madam Chair's questions are really illuminating.

And, you know, I've been going to meetings in Florida, Chamber meetings, business group meetings, whether it's at the State or local level, for years. And I've never heard of the work that you do. The only time that I know of the Commerce Department is when I went on trade missions, and we went to the embassy. And there was the Commerce Department staff that was working with us, once we got there, to get the work done.

Now, it might be that I missed the meeting that the Commerce Department person showed up for. But, what I think would be really helpful is to have more of these folks on the ground in this country, so that Mr. Wollin and Mr. Pierce—Mr. Wollin has the good experience, Mr. Pierce doesn't really hear of you; we come to find you got some help overseas, but—so that they—these folks, and folks like them, hear about this experience. And, you know, whatever help that we can be to help you gain more boots on the ground in this country to spread the good message, we want to do that.

And second is, you know, I'd like to have someone from your offices down to Florida, that—where we could have a meeting, an expo with—bring the Chamber together, associate industries, NFIB, and all these folks, have you come to those meetings and tell the good work that you're doing, what—you or someone from your organizations. Because I know that there are folks in Florida who don't know this. And I'm sure it's true in other parts of the country.

So, I'd like to gain your commitment to do that, if you would, and—

Ms. LIPSITZ. That was going to be one of my asks of you.

Senator LEMIEUX. Right.

Ms. LIPSITZ. Yes, we—yes—

Senator LEMIEUX. Good. Thank you. And—well, let us know what else we can do to help you.

And thank you, Madam Chair.

Senator KLOBUCHAR. Thank you.

Senator Begich?

Senator BEGICH. I just have a couple of quick comments. One, we'd love to have someone from the Commerce Department in the area of trade to actually be located in Alaska. We don't have anybody. So, that's just a—I was listening to what your comment was, and it's a very good comment, that there's a lot of activity, and Alaska's a vast State. And that is one—just to be very frank. We have people from NOAA and so forth, from the Commerce Department, because of our fishing industry, which is great, because we promote and have, you know—we have 62 percent of the fishing market of the whole country, in Alaska, and a sizable amount is exported. So, I would just give that back as an opportunity to see with us. So, thank you for triggering my thoughts there.

The other thing, I guess, if I can expand, just one quick one on the data. And I know our time—we're getting close to some votes, potentially. But, how many folks, or volume of business—can you measure the volume of business that you've been able to expand, or—I know the Export Bank can do that very quickly—but, from the Commerce Department, are there data points that you can show, that say, "Here's what we've done; and by the way, here's the new business generation of income that's been produced in American jobs," as well as—obviously these companies will have relationships overseas. Do you have that kind of data that you could share?

Ms. LIPSITZ. This goes back to your question on the surveys.

Senator BEGICH. Yes.

Ms. LIPSITZ. And, yes, we have some data that we are working on, with regards to our 2009 statistics.

Senator BEGICH. OK.

Ms. LIPSITZ. Please recognize that not all companies report accurately—

Senator BEGICH. Right.

Ms. LIPSITZ.—what they do overseas, on our surveys, so, it is the information—

Senator BEGICH. I wouldn't venture down that path why, but I'll leave that for another—

Ms. LIPSITZ. Right.

Senator BEGICH.—discussion. But, there are some data points that you can generate for us.

Ms. LIPSITZ. Yes.

Senator BEGICH. Excellent.

Madam Chair, I don't have any additional questions, but I just, really—again, it's enlightening, and I'm glad to hear some of the efforts to see the marketing is a key component of at least your two agencies, and what you can do to get more people connected. So, I appreciate your willingness to kind of step out there and try new avenues.

Thank you.

Ms. LIPSITZ. Thank you.

Senator KLOBUCHAR. Thank you. We are living on borrowed time. They haven't called the vote yet.

So, I thought I would ask each of you just what you think would be the most helpful, in terms of promoting more export promotion for small and medium-sized businesses. One or two ideas.

I know Senator LeMieux and I are very interested in this. If there are ways Congress can help—and Senator Begich, as you can see—beyond bringing people to Alaska, what other ideas do you think would be helpful in terms of funding, in—and not just funding, but just how we get this out there, how we work with Secretary Locke? Because I think we see this as a real—in a very difficult economic time, it's an untapped resource. And all of our comments about not knowing about what everything your agency does, it's not necessarily to be seen as a negative; it's that we want to promote it more, and we also want to see how we can make it work better on a coordinated basis.

So, if each of you could think of a few things. Maybe I'll start with you, Ms. Reilly, because you haven't gotten many questions. What you would see as things that could be most helpful from the government in this regard.

Ms. REILLY. Right. I refer to, actually, quite a few State programs that are going on, in my written testimony, and I don't want to belabor what all the details are about those. But, there's a series of grants that have been very effective in states, specifically for small business. Nevada has an interesting program, called the International Representatives Program, that actually is no cost to the State, where basically people work as salesmen and kind of commission in foreign countries to recruit business, and they've found extreme success in Nevada, and there has been seven states that have replicated that—as well as, there's a wonderful program, Export Alabama, that the Governor's been very involved with down there, bringing trade missions and business meetings together, and that sort of thing. So, I would encourage you to look at some of those State programs.

But, on a Federal level, we would encourage—the three suggestions would be basic government coordination, which I think we've talked a lot about today. Again the TPCC is 22 agencies. It's a very big, big entity that—I don't know how you navigate that and how you promote that. In addition to that, the lack of resources is a real issue. I think when you look at the resources that are devoted specifically for export promotion, regarding agriculture exports, it's

over 600 million, but when you look at manufactured goods it's a little over 300 million. So, just about half.

And I think with more resources you could have more bodies on the ground, more of these export assistance centers, that could be more available to the businesses.

And then the final thing that I would just say for the record is obviously opening up new markets for business, through things like trade agreements.

Senator KLOBUCHAR. OK, very good.

Mr. Pierce?

Mr. PIERCE. Sure. I think that really reaching out, as I talked about in my testimony, to groups, and really to where businesses are, where businesses are listening.

One idea that I had was in regards to business licensing. Everybody needs an occupational license, everybody needs certain things to run their business. Well, there's a point that, as the government, you can pop in there and say, "OK, you're getting a business license, and you're doing X, Y, Z activity. Have you thought about exporting? Are you interested in this? This is something where we can put you together with some of these programs."

I think, as a small business operator, I'm excited about hearing all the good work that these organizations are doing. I, unfortunately, had to come to this forum to really hear it—

[Laughter.]

Mr. PIERCE.—and it would be nice that, as you start a company, that somebody says, "This is out here." That we reach out—

Senator KLOBUCHAR. So, this would be when you get your State license, you're talking about.

Mr. PIERCE. Yes, like a State licensing, or—certainly, I think that all of us—

Senator KLOBUCHAR. It's just—everyone's—

Mr. PIERCE.—as businesses, deal with the IRS, or with different government entities. There's—certainly, there's enough communication and mediums that latching on to those and—that you could latch on and do some promotion.

Senator KLOBUCHAR. OK, good.

Mr. Wollin?

Mr. WOLLIN. My biggest suggestions would be getting more feet on the ground. The office became much more closer to us when it was moved to Fargo. We had an opportunity where people showed up. Have them do a sales call. Have Commerce Service—Commercial Service—do a sales call. How do you get more business for Commercial Service? Put the feet on the ground. Make them do a sales call.

But, here's another thing that has happened recently. Our Commercial Service office sent out an e-mail with regards to travel, that they would not be going on a trade mission overseas—with a group on a trade mission—because there was a travel blockage. Travel was not allowed. How can you take somebody that is wanting to promote business and tell them the office that they're working with, the people that have directed them all this time, all of a sudden, "Well, you know, you're going to go overseas to Kazakhstan, and—but we can't go with you."

When we had Commercial Service with—on a trip to Turkey, from our local office—with the trade group that was there, answers were immediate. Negotiations were taking place literally at dinner with various businesses. And how else can you get that, without having those people on the ground, visiting you, telling you what's available, and also available to travel with you?

Senator KLOBUCHAR. So, you're talking about people traveling from Fargo, or are you talking about people—when you go to Kazakhstan, that people are—

Mr. WOLLIN. Both ways, because you still need that interaction and I think the local one is very important.

Senator KLOBUCHAR. OK. Very good.

Ms. Albright?

Ms. ALBRIGHT. I'd very much echo what my colleagues have said. I think, certainly, coordination at the Federal level. Our biggest challenge at Ex-Im Bank is reach. We're a very small organization, and it's very hard to reach all the small businesses that we think are out there, throughout the country, that need us. And so, any folks that you all know of in your states and at the local level that can be helpful to us in getting to customers that might be of interest to Ex-Im Bank and need Ex-Im Bank, we'd be very grateful for.

And, Senator LeMieux, we're going to be in Miami, and we'd be delighted to meet with whoever you think we should, so I'd be happy to follow up with your staff.

Senator KLOBUCHAR. And so, it's—is the Bank going to be part of this group, with the—

Ms. ALBRIGHT. Yes.

Senator KLOBUCHAR.—ConnectCommerce, and the work that Locke is doing, then?

Ms. ALBRIGHT. Yes.

Ms. LIPSITZ. Yes.

Senator KLOBUCHAR. OK. Because I would think that would be—if we could get one coordinated place, and a website, and places people can get information featuring that, these loans, and how this works there, would also be a good thing.

Ms. ALBRIGHT. Absolutely. We're in close touch with you all.

Senator KLOBUCHAR. OK. And do you want to end there, Ms. Lipsitz?

Ms. LIPSITZ. I would be pleased to end.

Let me just give you some low-hanging fruit. One way that you can help is by putting a link on your websites that talk about exporting, a link to the U.S. Commercial Service for companies that go visit your Website. Another way that you might be able to help is if you would allow us to train your staff, both here and back in your states, about the services that we offer, so that they can go out and they can be multipliers for us.

Senator KLOBUCHAR. Very good idea.

Ms. LIPSITZ. The townhall meetings, back in your home states, and—

Senator KLOBUCHAR. You want to go there, Ms. Lipsitz?

Ms. LIPSITZ. I would be pleased—

Senator BEGICH. We'll send you right up there.

[Laughter.]

Senator KLOBUCHAR. No, continue on. Continue on.

Ms. LIPSITZ. The townhall meetings and the Exporting 101 seminars that we put—we host back in your home states would be another opportunity for you to come. Use your name, use your expertise as a draw to bring companies there, and then we'll take it from there. We'll provide the content.

And when you go overseas—I don't know if you had an opportunity to visit with our offices overseas, but we can give you—we can pre-brief you, before you go overseas, about the opportunities, from a commercial perspective, over there, and we can also give you an in-country commercial briefing. So, I urge you to take advantage of our services, as well.

Senator KLOBUCHAR. OK. Very good. Thank you.

Anything anyone else wants to add?

[No response.]

Senator KLOBUCHAR. OK, well, very good. I really appreciate—this has been our first hearing on this topic since we took over, and we are very excited to be working with all of you, and some of the new developments with the coordination, and look forward to helping you in any way, so we can get the world of opportunity to our small and medium-sized businesses.

The record for the hearing will remain open for 2 weeks.

The hearing is adjourned.

[Whereupon, at 4 p.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

I want to thank all of today's witnesses for their testimony before the Subcommittee and for their ongoing work to promote America's businesses and products abroad.

America has always reached out around the globe, through its exports. Now, as the world grows ever more connected, exports have taken an even greater role in our economic livelihood. For the past 5 years, American exports have grown at double-digit yearly rates and have increased from 9.5 percent to 13 percent of our gross domestic product (GDP). U.S. exports now support six million jobs in the manufacturing sector and nearly one million jobs in the agricultural sector.

And yet, we could be doing even more to realize America's full export potential. Exports account for a smaller portion of American GDP than other leading exporting nations. Less than 1 percent of U.S. businesses export overseas and nearly 60 percent of these companies trade with only one foreign country.

Small and medium-sized businesses in particular have not taken full advantage of potential markets abroad. But that can and should change. As our economy continues to struggle, overseas markets for American exports represent a tremendous opportunity to spur growth here at home. Firms that engage in overseas trade tend to have higher rates of productivity growth and pay higher wages to their workers.

It is a powerful investment that pays great dividends: according to the National Association of Manufacturers, one dollar invested in export promotion generates \$100 in new business. Sometimes the return can reach \$300 for each \$1 invested. By leveraging U.S. competitiveness and tapping new markets, we can narrow our trade deficit and create quality jobs.

And the Federal Government plays a key role: its agencies and their policies translate that investment into real opportunity for American businesses and workers. At least 20 Federal agencies, along with countless businesses, trade associations, and even local government offices in states like West Virginia are actively working today to promote trade abroad. Chief among them are the International Trade Administration (ITA) at the Department of Commerce, and the Export-Import Bank and we must ensure they have the resources to do their job.

With today's hearing we can examine their work, learn from their success, and discuss new ways to maximize their efforts. In particular, I want to explore inter-agency effectiveness, strategies for monitoring and enforcing increasingly complex trade rules, and how they apply to small and medium-sized businesses.

I want to thank Senator Klobuchar for chairing this important hearing and I look forward to working with our colleagues to make export promotion a priority in the months ahead.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. TOM UDALL TO
LIZ J. REILLY

Question. I led a trade delegation in 2006 to explore the possibility of opening up trade between the Navajo Nation and Cuba. I know the Chamber of Commerce supports efforts to broaden economic engagement with Cuba as a way to create commercial and people-to-people contacts that will promote a transition to democracy and full civil liberties on the island. Ms. Reilly, what are your thoughts on how American businesses—in particular small businesses—could take advantage of opening trade with Cuba?

Answer. The U.S. economy as a whole will benefit from lifting the embargo. Cuba is a natural market for U.S. products. Prior to the embargo, the United States accounted for nearly 70 percent of Cuba's international trade. The agricultural, tourism, oil, and mining sectors in particular stand to make significant gains from lifting the embargo.

While current law allows agricultural and medical goods to be exported to Cuba, only large multinationals find it worth the effort to export to Cuba. A 2007 U.S. International Trade Commission report states that small exporters avoid the Cuban market because of the complexity of the regulations imposed by the Trade Sanctions Reform and Export Enhancement Act (TSRA). Removing restrictions on trade with Cuba would provide small and medium-sized enterprises (SMEs) with access to a much needed market in these difficult economic times.

The 2005 Bush Administration amendment of TSRA cash-in-advance payment rules leave small and medium-sized exporters out in the cold when it comes to doing business in Cuba. Under the embargo, exporters to Cuba cannot take advantage of private U.S. financing of the sales, direct payments by Cuban banks are prohibited, and all payments must be routed through third-country banks. SMEs do not have established relationships with foreign banks, so these requirements create an additional impediment for sales of U.S. products to Cuba. Additionally, requiring payment before goods depart a U.S. port places our exports at a significant competitive disadvantage. As a result, U.S. agricultural sales to the island decreased by nearly 15 percent in the 2 years following the 2005 amendment of TSRA's term payments of cash-in-advance. Applying the commercial term of cash-inadvance payments to require cash on delivery, rather than cash before products leave U.S. ports, would re-establish the natural competitive advantage of U.S. products.

Restrictions on the ability to travel for the purpose of establishing commercial relationships also significantly impacts the ability of U.S. firms to trade with Cuba. U.S. exporters often lose out to third-country competitors because of the significant delays travel restrictions place on the ability to transact commercial sales. U.S. business travel to Cuba to explore the market would create additional commercial opportunities. Additionally, lifting the restrictions on visits from Cuban officials to confer with U.S. suppliers, inspect facilities, and discuss sanitary and phytosanitary issues would greatly benefit the sale of U.S. food and agricultural exports to Cuba.

Dismantling policies that prohibit trade and investment in Cuba will reduce the transaction costs that place U.S. agricultural products at a competitive disadvantage. Once the embargo is lifted, the U.S. Chamber is confident that small businesses will trade as successfully with Cuba as they have with the rest of the world. In fact, 97 percent of all exporters are SMEs and SMEs account for over 30 percent of all U.S. exports (\$312 billion).

In 2001, the International Trade Commission estimated that the embargo cost U.S. exporters up to \$1.2 billion annually in lost sales. The U.S. Chamber recommends that an updated study be conducted to evaluate the missed opportunities for U.S. farmers, businesses, and workers that are currently being taken up by our allies and trading partners.