



Statement of
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Committee on Small Business
Subcommittee on Agriculture, Energy and Trade
United States House of Representatives
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Chairman Tipton, Ranking Member Murphy, Members of the subcommittee, thank you for the opportunity to submit testimony on strategies to improve small business participation in international trade. I have prepared a written statement for the record and will give you a summary of my remarks.

Over 90 percent of the world market exists outside the boards of the United States. Nonetheless, only one percent of small businesses export their goods and services. The single biggest reason small businesses don't export is their simple lack of knowledge of the opportunities that exist and their simple readiness to navigate the process. This loss opportunity severely inhibits, or at least limits, both their individual growth and overall national economic growth.

The mission of Small Business Development Centers is simple – to help small businesses grow and compete. In that effort, SBDCs retain specialized professional business consultants who are driven to help their small business customers research and develop specific strategies to expand markets and grow revenues. Through the growth of revenues businesses are able to hire more workers and contribute to the expansion of our economy. In the Florida SBDC Network we brand these specialize consultants as our Growth Acceleration Professionals, or GAP experts.

With a national network of nearly 1,000 centers, America's Small Business Development Centers offer a wide variety of programs and services to assist and encourage small businesses in their efforts to access international market opportunities. By accessing these specialized growth and international market consultants, we strive to identify those firms that are or are close to being "export ready" and assist them with developing the tools and strategies they need to succeed beyond our domestic borders. What we consistently find is that small businesses, including our smallest small businesses with fewer than 20 employees, are at a competitive disadvantage to their large business counterparts in their readiness to export due in large part to the daunting complexity of trade regulations and the potential uncertainty of international business transactions.

Export Readiness

At SBDCs around the country small businesses receive honest and accurate assessment on the state of their firm and their state of readiness to participate in the global marketplace. Unlike other programs or resources, our network of SBDC specialists assists small business owners in reaching, developing and, most importantly, executing international trade strategies. Through one-on-one consulting, training, customized research, and access to a network of trade professionals and partners, the SBDC provides its customers with the tools and strategies to successfully and profitably navigate the expanding world of international trade. Meeting with small businesses, SBDC consultants help determine the exportability of their products or services, identify appropriate markets and buyers, develop market entry strategies, establish shipping and distribution networks, determine appropriate payment methods and identify export financing and insurance needs.

Trade Research

Another key disparity between large and small business is access and affordability to business data. To aid in the process of getting a small business export ready our SBDC export specialist provide strategic

international market research to help its small business customers make informed decisions on the best international market opportunities for their product or service. Our SBDCs have access to a wealth of information on export markets, ranging from general country information to specialized information on markets for specific industries and products in countries worldwide. In some cases, our SBDCs can also conduct primary research for small business clients needing specific information unavailable through secondary sources. Examples of research SBDCs provide include:

- General information on doing business in different countries
- Demographic, economic, political and cultural information on different countries
- Information on specific industries/products in export markets, including:
 - market size, characteristics and trends
 - competitive environment
 - trade barriers and regulatory environment
 - pricing infrastructure
 - sales & distribution channels
 - key contacts (manufacturers, distributors, end-users, trade associations and journals, government offices, etc.)
 - trade shows
- Detailed statistical information on U.S. exports by state, product and country

Compliance Assistance Programs

Another major hurdle small businesses face is the various export control regulations that govern international trade. Our SBDCs export specialists offer Export Compliance Assistance Programs. Through these programs, they educate small businesses on export regulations and practices that can be implemented to ensure compliance.

In recent years, the federal government has significantly tightened export regulations in response to growing threats to national security. Government export enforcement officials are actively pursuing companies whose export operations are not compliant with U.S. regulations. Lack of export regulatory awareness on the part of an exporter can lead to audits and a whole host of penalties, including fines, revocation of export privileges and debarment from contracting that could threaten the very going concern of small business firm.

Many small businesses mistakenly believe that they are not affected by export regulations because they produce products or sell only to "friendly" countries. Whether they know it or not, all exporters operate under U.S. export control laws, which are broad and far-reaching. Even with the help of a freight forwarder, small businesses can unknowingly violate these laws. The exporter is ultimately responsible to have a thorough understanding of export regulations and to establish operating procedures aimed at preventing violations.

At SBDCs export compliance assistance is a *free* service offering:

- Counseling and technical assistance on the full range of U.S. export regulations
- ECCN classification guidance
- Export license determination assistance

- Assistance in establishing an Export Management System
- In-house training on the Export Administration Regulations, documentation and procedures
- Targeted referrals to government authorities responsible for export controls
- Low cost seminars on export compliance issues
- Onsite assistance available through the network of offices

SBDCs also regularly collaborate with the US Census Bureau's Foreign Trade Division to host seminars on the Foreign Trade Regulations (FTR) and the Automated Export System (AES). These seminars provide two days of training on changes to the FTR, common mistakes and how to avoid them, Export Controls and Enforcement and Commodity Classification. In addition, the seminars help familiarize small businesses with the Census bureau's extensive trade statistics system.

By working with the Census Bureau and other agencies SBDCs help small businesses get their documentation done right the first time and develop the skills they need to handle exports on their own.

Export Financing

Helping small businesses attract and handle financing has always been a cornerstone strength of the SBDC network. Navigating what resources are most applicable can be confusing without the proper guidance. In international trade SBDCs work closely with SBA's Export Loan program, the Export -Import Bank and conventional financial institutions to help small businesses identify and apply for appropriate funding to support their international trade activities. Without these funds many small business would face uncertainty and potentially unnecessary risk and losses.

Conclusion

As you can see, international trade assistance is incredibly specialized and complex. SBDCs offer a wide range of international trade services, but these services are extremely resource intensive. SBDCs do an outstanding to assist small business whenever and wherever they have opportunity to do business. We help navigate the regulatory maze but efforts to streamline and coordinate export services are necessary and we welcome the committee's focus on unraveling some of this complication and bringing a small business focus to the national effort to increase trade to our country's trade partners.

The complexity and the cross-agency jurisdictions are not the fault of the Obama Administration, the Bush Administration or Congress. Rather they are a product of years of changing economic realities and the many responses to those issues. However, it isn't just assistance and guidance that is necessary. We need Free Trade Agreements that are clear and focus on small business interests, and we need tariff and export controls that are uniform, clear and specific. We appreciate the efforts of the Trade Promotion Coordinating Committee, they are a great help in our efforts to educate small business on trade. Likewise, the US Trade Representative has been a solid advocate for small business concerns and a solid supporter of SBDC expansion worldwide. Those efforts are vital but to truly make our small businesses competitive in the global marketplace there is much more work to be done.

Thank you.