

Testimony of Dawn Wivell
Director, New Hampshire Office of International Commerce/
New Hampshire International Trade Resource Center
NH Department of Resources and Economic Development

U.S. Senate Committee on Small Business and Entrepreneurship

***Small Business Survival, Weathering the Economy, Creating Jobs, and What the
SBA Can Do to Assist***

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Portsmouth, New Hampshire

Good afternoon, Senator Shaheen and Senator Snowe. I would like to thank you for the opportunity to address this committee on the importance of supporting the growth of the export sales of our small businesses. Senator Shaheen, if I haven't said it often enough, I would like to say again that it was both my great fortune and that of the businesses of New Hampshire to have served under you while you were Governor. I believe that the focus and support you brought to the international trade efforts of New Hampshire's businesses had a huge impact both on increased business but also on our success in garnering additional federal support. I thank you and Senator Snowe for your continued leadership and efforts to ensure that our small businesses and entrepreneurs get the help they need to compete in the global economy.

I am Dawn Wivell, Director of the New Hampshire Office of International Commerce and the International Trade Resource Center, a bureau of the Department of Resources and Economic Development. We are completely dedicated to assisting New Hampshire businesses in their international trade efforts. The New Hampshire International Trade Resource Center is a unique alliance consisting of the State Office of International Commerce, the U.S. Commercial Service, the Small Business Administration, the U.S. Export-Import Bank, Southern New Hampshire University, the New Hampshire International Trade Association, the Food Export USA program, and a brand new partnership with the Manufacturing Extension Partnership.

In 1990, New Hampshire was the only state without an international trade program. The program was launched with a \$7,000 budget, one full-time staff person, and no federal partners to speak of. During that particular time of recession, many businesses were looking to sustain themselves through expansion to new markets, and the need was immediate. Because of the limited resources we had, and the tremendous need that existed, our focus was on how best to acquire and leverage additional resources. We have experienced great success with our model, and have become a national award winning organization. The need for this type of collaborative approach is one of the areas I will address.

New Hampshire's exports reached an all-time record in 2008 at over \$3.7 billion in merchandise sales to 178 countries. As of May 2009, U.S. exports, with the exception of one state, have decreased. However, our client numbers, as well as the complexity of their needs, continue to increase. SMEs account for 97% of U.S. exporters, but only 30% of the value of the goods exported. In New Hampshire, 41% of our export value is from SMEs, putting us at number eight among the states and well above the national average. Most SMEs export to only one market, whereas larger companies sell to five or more foreign markets. Imagine the potential, were more small businesses able to take advantage of the tremendous opportunities in the world marketplace. Innovation is what drives the global economy and it is our small businesses that drive innovation.

A recent World Bank study found that each dollar spent on export promotion and assistance brought a 40 fold return. The U.S. spends considerably less than the international average helping its small businesses to export; in fact, about one-sixth.

Because we spend so much less than our competitors assisting our small businesses in the global marketplace, it is crucial that any and all programs not duplicate efforts, that they be client focused and client driven with the least amount of bureaucracy possible. From experience, I can tell you that the effectiveness of collaboration is tremendous. True collaboration means joining forces in assisting the client and having full knowledge of each others' programs and services. It means making sure that the client has reaped the full benefit of the resources available. And it does not mean competing with one another. The various agencies in question: U.S. Commercial Service, U.S. Export-Import Bank, Small Business Administration, State Trade Offices, Small Business Development Centers, Trade Development Agency, Manufacturing Extension Partnership and more, should provide a collaborative network of assistance in which each program has a distinct expertise, complimenting and supporting one another. The importance of collaboration with the State Trade Offices is often overlooked by the federal agencies. This is a strategic mistake and creates a lack of efficiencies and effectiveness. The trade offices at the state level are the ideal partners as there is no more knowledgeable entity than they relative to their states' economic and industrial makeup and their businesses.

During this economic time in particular, our small businesses are cutting back on marketing and business development expenses. While they don't typically dispute the need for cost recovery in paying fees for services, particularly the critical services of the U.S. Commercial Service, should those fees become exorbitant, the companies oftentimes feel as though they are being double-taxed. It is critical that the fee structure remain affordable and not go down the road of competing with the private sector. In addition, now is not the time to cut back on the services and locations of the U.S. & Foreign Commercial Service. The worldwide network of offices and the programs which take U.S. businesses direct to market are absolutely critical. The further development of industry specific specialists in market would be extremely effective.

State, local and federal agency officials interested in trade policy, trade development and global competitiveness issues need to forge substantive, meaningful and constructive consultations, supported by expertise and organizational capacity. Another example is the current federal-state consultation structure on trade policy, which is token at best.

Another obstacle for our businesses, particularly in the safety/security and defense industries – and this is a fast growing industry in our small business exporting community - are U.S. export control policies. U.S. export control policies have not been updated to keep pace with the economic and political realities of the 21st century and severely impede competitiveness. Our businesses are requesting that the Senate solicit the President to sign and fund an Executive Order to support major ITAR reform. Moreover, and relative to foreign military sales, the State Department and DOD remain conflicted over the best way to reform controls for exported items and information for oversight. DOD continues to pose a challenge in moving the reform process forward, as the State Department has not yet finalized proposed revisions to establish the Pentagon's role in FMS projects.

On the topic of export finance, we feel that more financial resources need to be dedicated towards small businesses that have the potential to expand globally, but do not currently qualify for assistance. At present, there is too little available for companies outside of manufacturing. There is a great potential for small businesses that provide services to create jobs by expanding internationally, and they need financing to make this possible. Right now there are no government backed lending programs (with the exception of Ex-Im Bank's credit insurance program) that allow service providers to export their services. Funding technology and the transfer of technology is another area where there is no real assistance.

Qualifications need to focus less on U.S. content requirements and more on the potential for long term U.S. job growth. Ex-Im Bank could do a better job of recognizing this in structuring its qualifications for funding. In cases where companies can prove that exporting products and services will lead to the creation and sustainability of jobs over the long-term, content requirements should be relaxed.

These programs need to also focus more on the qualitative characteristics of the products and services that small businesses are producing. Currently, there is too great of a focus on financial ratios and past performance of small businesses in determining eligibility for financing. Companies that have struggled during the global recession should not be automatically disqualified for assistance due to their inability to meet specific credit standards. Ex-Im Bank has relaxed these measures for environmental products as well as for medical equipment and transportation security exports. This should be done for all other industries as well.

The SBA has eliminated their facility fee for working capital loans. Ex-Im Bank should do the same, at least temporarily. In the current recession, charging fees to banks that service loans (which are ultimately passed along to exporters) does little to encourage

use of the programs. Also, the requirement of loans to be personally guaranteed by owners of 20% or more of a company could be temporarily relaxed in cases where the ability for repayment is highly likely.

Technology has made programs easier to use at Ex-Im Bank in the past three years. Many programs can now be applied for on-line and forms can be filled out using their on-line system. The SBA should develop a portal to encourage small businesses to utilize their programs.

It is unfortunate that the United States is now the third largest exporter in the world, when we were number one, not that long ago. However, the U.S. is still the largest exporter of services in the world. It is perplexing that more federal resources are not allocated to the further growth of this vital export segment. Export promotion agencies oftentimes struggle with assisting companies that may not fit the typical scenario of a tangible product. Moreover, the U.S. government has yet to find a way to track and quantify the export of services, where I believe other countries have. As such, it is that much more difficult to make the most of our capacity in this area.

We are heartened to see that there is or may be pending legislation for small business export development that allocates grant funding to the same. I would highly suggest that these grants be administered as locally as possible. As stated previously, it is the locally located entities such as State Trade Offices or perhaps the local District Export Council or the local USEAC that are most effective in applying resources. I would also suggest that the emphasis be on direct market development rather than on general export promotion. I would also suggest that the grant provisions encourage innovative market development projects that pool resources and affect a number of companies simultaneously. Examples would be industry specific export marketing consortia, shared facilities abroad, such as distribution centers, or representative offices, to name a few.

95 percent of the world's consumers live outside of the United States. Exporting helps small businesses grow, weather poor economic conditions and become more competitive. Exports support millions of American jobs; 20 percent in the manufacturing sector alone, and those jobs typically receive higher wages than the national average. More than two-thirds of exporters have fewer than 20 employees. Small businesses create 70 percent of the new jobs in America. Clearly, it is critical to the health of our economy, that the small businesses of America receive the help they need to increase and sustain their export sales.

I thank you for holding this hearing and for inviting me to speak. I would also like to commend the great work of our local SBA office and the tremendous collaboration we have enjoyed for nearly two decades. I welcome any questions you may have.