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SENATE COMMITTEE ON FINANCE,
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COMPETITIVENESS
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“Exports’ Place on the Path of Economic Recovery”
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INTRODUCTION

Chairman Wyden, Ranking Member Crapo, 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.

As you are aware, President Obama has been clear that he is seeking a sustained economic recovery that will restore American jobs, and he recognizes that increasing exports is a key means for creating high-paying new jobs. Last week, Secretary of Commerce Gary Locke joined the President at a White House Forum on Jobs and Economic Growth where large and small businesses, labor unions, economists, financial experts, NGOs, and others came together to explore every possible avenue for job creation.

Secretary Locke strongly believes in the link between exports and U.S. jobs. Secretary Locke has identified five key strategies to grow U.S. exports in the months and years ahead, and the first of these is to ramp up the Department of Commerce’s trade promotion activities across the globe. Today, less than one percent of American companies export—a percentage that is significantly lower than all other developed countries. Secretary Locke believes we can do a lot better, and so do I.

DEPARTMENT OF COMMERCE INITIATIVES

One key means for implementation of Secretary Locke’s agenda is a pilot program, called “Commerce Connect,” which aims to provide U.S. companies with a single point of contact for commercial assistance from the U.S. Government. The program has been launched in Detroit and provides assistance to local 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 have one place to go to access the full spectrum of Commerce Department and other federal agency programs available to businesses.

On October 23, Secretary Locke convened a principals meeting of the Trade Promotion Coordinating Committee (TPCC), which establishes priorities and an implementation plan for the Administration's trade promotion efforts. The TPCC is chaired by the Secretary of Commerce and its Secretariat is housed in the International Trade Administration, U.S. and Foreign Commercial Service. TPCC members are the heads of 20 Federal Government agencies, including the Department of State, Department of the Treasury, Department of Labor, Department of Agriculture, Small Business Administration, Overseas Private Investment Corporation, U.S. Trade and Development Agency, Export-Import Bank of the United States, and the Office of Management and Budget.

Interagency leadership of the TPCC and export promotion are a top priority for Secretary Locke, and the inaugural meeting laid the groundwork for the development of a comprehensive government-wide strategy for export promotion. As a result of the meeting, six new TPCC working groups were formed based on the greatest potential to stimulate job creation by U.S. business, and agencies committed to participate in these groups. The TPCC working groups will be chaired by the Department of Commerce and co-chaired by other agencies as follows: (1) analysis and data (Office of the U.S. Trade Representative); (2) small business (Small Business Administration); (3) China/India/Brazil (State Department); (4) next tier markets (State Department); (5) clean energy (Energy Department); and (6) advocacy (State Department).

Another part of the Department's efforts to promote exports is our work in promoting rule of law as it impacts U.S. companies doing business abroad. For example, in China, where lack of transparency regularly appears as one of the top ten challenges facing U.S. companies, we are leading interagency efforts to promote open and transparent government decision-making so U.S. companies know in advance, and have an opportunity to comment on, the measures that will impact their business. As corruption is consistently identified as a major impediment to U.S. exports, we are working with our interagency colleagues to get other countries to join us in the fight against bribery of foreign public officials. Throughout the world, we are providing technical assistance to foreign governments to help them reduce corruption and promote good governance.

COMMERCIAL SERVICE ACTIVITIES

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.

As part of ITA, the U.S. and Foreign Commercial Service (Commercial Service) helps American firms navigate the often complicated and unpredictable waters of international trade. These foreign sales 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 (SMEs), 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 for manufactured (non-agricultural) products. We guide companies through every step of the export process, from learning how to export to logistics and shipping issues.

In fiscal year 2009, U.S. firms reported 12,335 export successes that were assisted by the Commercial Service; 832 of these successes were from companies that had never exported before, and 2,876 were from firms that exported to a new market. Eighty-five percent of these successes were reported by SMEs. One of these companies was PCS Edventures, a Boise, Idaho provider of engineering and science-based enrichment curriculum for children in grades K-12. The Commercial Service counseled PCS Edventures on the South African market and provided contacts in the market. As a result of this assistance, the company completed its first sale to South Africa for approximately \$100,000. This is just one of countless examples of the work we do across the country.

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 SMEs succeed in the global marketplace. 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 who live beyond our borders.

ROLE OF EXPORTS IN THE U.S. ECONOMY

The U.S. economy is increasingly 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 9.3 percent of U.S. GDP five years earlier (2003), and 5.3 percent 40 years ago (1968).

In 2008, the United States exported an astounding \$1.84 trillion worth of goods and services, and we estimate that close to 10 million U.S. jobs were required to produce and ship these exports.

Exports affect many different parts of the economy. For instance, we estimate that more than half of the jobs related to manufacturing exports were in the non-manufacturing sectors, such as services, wholesale and retail trade, and transportation.

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 Oregon more than 4,600 companies exported goods in 2007. Of those, over 4,000 (88 percent) were SMEs with fewer than 500 employees. SMEs generated over 34 percent of Oregon's total exports of merchandise in 2007. In 2008, Oregon's export shipments of goods totaled \$19.4 billion, up 73 percent from the 2004 total of \$11.2 billion.

One of the Oregon firms assisted by the Commercial Service is ADI Mobile Health Inc. of Tualatin, Oregon, a manufacturer of mobile dental and medical clinics. The company contacted our Portland USEAC about a potential contract with the Malaysia Ministry of Health for a mobile mammography clinic. We provided counseling and assistance in verifying the legitimacy of the project and requirements for exporting medical equipment to Malaysia. These efforts by the Commercial Service resulted in ADI Mobile Health winning the bid and a successful sale valued at approximately \$400,000.

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. In 2008, the Santa Fe USEAC 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 the show, Chief Tsosie has seen an increase from 3,000 to 25,000 visitors on his tours in the last five years.

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, reflecting the tuition, fees, and living expenses paid to U.S. institutions by international students.

REALIZING THE UNTAPPED EXPORT POTENTIAL

The potential to build on these U.S. export successes and expand our nation's export capacity and job creation is tremendous.

Less than one percent of U.S. companies export, and of those companies that do export, 58 percent export to only one market. Therefore, increasing this number, even by a small percentage, could have a big impact on the U.S. economy. U.S. firms that export are less likely to go out of business when the domestic economy slows or contracts.

Enstrom Helicopter, a manufacturer of two-seater helicopters located in rural Menominee, Michigan, is an example of the significant impact exports can have for a small community. Enstrom first contacted the Commercial Service in 2006 for assistance regarding their bid on a tender from the Royal Thai Government. Between 2006 and 2009, the Commercial Service staff in Grand Rapids and Bangkok, with the aid of other U.S. Government agencies, helped Enstrom

navigate false claims from a European competitor, the ramifications of a military coup in Thailand, questions about U.S. legislation, financing concerns, and export license requirements to win the procurement valued at approximately \$35 million. This contract will provide a much-needed boost to Michigan's rural Upper Peninsula. Due to the general economic decline, Enstrom had previously laid off half of its labor force. Once this phase of the Thai contract has been signed, Enstrom anticipates recalling all of the roughly 50 laid-off employees. If the company successfully lands the next phase of either this contract or other pending international contracts, they anticipate creating an additional 20-30 positions.

CLEAN ENERGY: KEY SECTOR FOR EXPORT PROMOTION

As previously mentioned, the TPCC has formed a working group on clean energy. TPCC agencies agree that this sector is a priority for export promotion as the U.S. and other countries become increasingly interested in alternative energy technologies to support a changing global environment. Last month, the Commercial Service had a central role in the Green Build Road Show in the United States that included stops in four U.S. cities and the Greenbuild Expo in Phoenix, to introduce U.S. firms to opportunities in the green building sector in Europe. We touched over 200 U.S. companies during the series of events and supported buyer delegations from Israel, Sweden, and Abu Dhabi.

This week, in conjunction with the United Nations Climate Change Conference (COP15) in Copenhagen, the Commercial Service is supporting the Bright Green Program. This event, which Secretary Locke will help open, will feature more than 170 of the world's leading companies showing their cutting-edge clean-tech solutions. The Commercial Service is supporting the participation of 30 U.S. companies.

ASSISTING SMALL AND MEDIUM-SIZED COMPANIES TO 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 for 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 35,500 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. With Export.gov, small companies can walk through each step of the export process in just a few clicks of a mouse.

In September of 2009, the TPCC Secretariat and the Atlanta USEAC worked closely with SBA's Office of International Trade to provide a full-day of international trade training to SBDC counselors at the Annual Conference of Small Business Development Centers. This was an

initiative spurred by an inter-agency task force focused on encouraging a greater focus on international trade on the part of SBDCs around the country. Hosted by leading universities, colleges, and state economic development agencies, and funded in part through a partnership with the SBA, approximately 900 SBDC service centers provide no-cost consulting and low-cost training to small businesses and entrepreneurs.

The Commercial Service also 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, Marble King, located in rural Paden City, West Virginia, is a women-owned manufacturer of high quality glass marbles used in games and decorative vases and industrial applications and has been a long time Commercial Service client. The Commercial Service counseled Marble King on marketing strategies and how to take advantage of NAFTA for sales to Canada and Mexico. As a result, sales to Canada increased significantly and three new jobs were created in a rural community.

EXPANDING OUR REACH WITH STRATEGIC PARTNERSHIPS

The Commercial Service is able to reach even more companies interested in exporting through strategic partnerships with private sector organizations, state and local governments, and trade associations.

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 19 companies that provide export services, the program enables increased export opportunities through joint outreach and education to small-and medium-sized U.S. businesses. Partner companies provide SMEs with services for their international needs including marketing and research, financing, legal and regulatory advice, transportation and shipping, trade shows, trade risk insurance and education. 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 events.

The Corporate Partnership Program recently expanded its scope to include our relationships with key national and industry associations linking our common strategic goals and activities. This expanded program is now the Strategic Partner Program. 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. One of our major association partners is the National Association of Manufacturers (NAM). Under a joint agreement entered into in the fall of 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 agreements with the United States Council for International Business and the U.S. Chamber of Commerce to expand outreach and education to their members.

In addition to our corporate and association partners, partnerships with state and local trade organizations are a key component of the Commercial Service's outreach 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 are collocated with state or local partners, providing the best possible combination of resources to the client, increasing successful exporting and resulting in local economic and job growth.

The Commercial Service also works closely with 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.

In Louisville, Kentucky, Phoenix Process Equipment Company has benefited greatly from the synergy between the Commercial Service, state and local partners and DEC members. Since the mid-1990s, Phoenix, a manufacturer of equipment for de-watering industrial and municipal wastewater, has leveraged the services of the Louisville USEAC, the Kentucky state trade office and the World Trade Center. In 2009, Phoenix participated in the Enviro-Pro Show in Mexico that included a trade mission organized by the state trade office. The Commercial Service helped recruit companies for this mission and provided Phoenix with counseling services, market reports, and financing information. These joint efforts resulted in a \$300,000 equipment sale in Mexico. The company's Vice President of Sales and Marketing is a DEC member who mentors other small companies in the Louisville area to help them realize export successes such as this.

MATCHMAKING & 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, NanoScale Corporation, located in Manhattan, Kansas, is a small nanotechnology firm that develops and sells materials used to remove, destroy or neutralize toxic and noxious chemical and biological agents for the safety, security and environmental sectors. In August 2008, the Commercial Service provided a Gold Key matchmaking service for NanoScale to help them find and sign a new distributor agreement in Canada.

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 2009, the Commercial Service supported 30 trade missions to 24 overseas markets helping approximately 250 firms.

This past spring, the Commercial Service completed a successful trade mission to Poland, called TradeWinds, that had both a Pan-European conference and a matchmaking 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.

In September 2009, Maine Governor John Baldacci led a delegation of 25 Maine businesses to Spain and Germany for a Commercial Service-supported wind power trade mission. As a result of the Commercial Service Gold Key matchmaking services provided for the mission, Maine companies reported \$21 million in expected sales in the first 12 months.

Our International Buyer Program (IBP) is 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 promote these trade shows and recruit foreign buyer delegations to attend the shows. For example, at the 2009 National Association of Broadcasters trade show, an IBP event, Commercial Service Bogota staff facilitated discussions between Avid Technology, a Tewksbury, Massachusetts company, and RCN Television for the sale of a news editing and broadcasting system valued at \$400,000.

The Trade Fair Certification program is a cooperative 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 & ADVOCACY

U.S. companies often seek assistance to address specific trade-related issues. The U.S. Government can weigh in on behalf of a U.S. company with a 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 2008, Seafood Producers Co-op of Bellingham, Washington contacted our ITA's Trade Specialist in Brussels asking for assistance in obtaining the release of a shipment of frozen salmon from German Customs in Hamburg. German authorities refused to clear the shipment due to a technicality cited with the health certificate. Staff reviewed the EU legislation pertaining to requirements for the health certificate and provided the Seafood Producers Co-op and the EU customer with an interpretation of the legislation. Subsequently, this explanation was provided to German authorities who then reviewed their initial decision and released the \$350,000 shipment.

U.S. companies also look to the 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 foreign government procurements. In fiscal year 2009, U.S. Government advocacy supported American companies successfully in 26 international government procurements with U.S. export content of \$10.9 billion. The Advocacy Center is actively tracking over 400 cases.

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 Trade Promotion Coordinating Committee (TPCC) partners to conduct seminars and webinars 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 finding financing assistance and solutions in a rapidly changing commercial banking landscape. In November, the team, in collaboration with the Florida International Bankers' Association, Small Business Administration, and Export-Import Bank, held a seminar in Miami, Florida titled "Finding Financing for Florida Exports."

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 the Small Business Administration or the Export-Import Bank; 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 PNC Bank, M&T Bank and Comerica Bank, have reprinted and are distributing our Export Finance Guide, which provides a comprehensive resource on export financing options, to their clients.

CONCLUSION

In these challenging economic times, the Department of Commerce is committed to restoring American jobs and strengthening our economy. Exports have an important role to play in this recovery. President Obama, Secretary Locke and the TPCC agencies have acknowledged this—voicing their support for increased U.S. exports. The Commercial Service, through our global network of over 225 offices worldwide, is working to help Americans realize the benefits of exporting, including greater stability for firms and higher wages for workers. Members of the Committee, we look forward to working with you and your constituent companies and invite you to be a partner in supporting our efforts here in Washington, in your states, and abroad.