

Small Business: A Government-Wide Strategy

Helping small businesses export is one of the central missions of the TPCC agencies because these firms offer great potential for export growth and are more likely to need assistance. A joint Small Business Administration (SBA) and Department of Commerce study, “Exporting by Small Firms”, showed that of the 112,854 exporters of goods in 1992, 108,026 (96 percent) were small or medium-sized enterprises (SMEs). These exporters contributed almost 30 percent of the value of exported goods. Leading exports by these firms include industrial machinery and computers, transportation equipment, electric and electronic equipment, food products, and chemical products. Top foreign markets include Canada, Japan, Mexico, the United Kingdom, and Germany.

“There is no better place for America’s entrepreneurs to grow their businesses than in the global marketplace. Technology and communications coupled with SBA programs and partnerships can help the nation’s entrepreneurs succeed in markets beyond U.S. borders.”

Aida Alvarez, Administrator
Small Business Administration

Despite this good news, there is evidence that these firms could export much more. As of 1992, only 12.6 percent of all small and medium-sized manufacturers were active exporters. Half of all SMEs that export sell to just one foreign market. Half of all SMEs that export rely on exports for less than five percent of their total business. The average (mean) export total for these firms in 1992 was just \$952,000, and half of these exporters recorded total foreign sales of less than \$64,000. This suggests we have an “**export gap**” with small businesses and that with additional support, these companies—which represent more than half of U.S. jobs—could be exporting more than they are now.

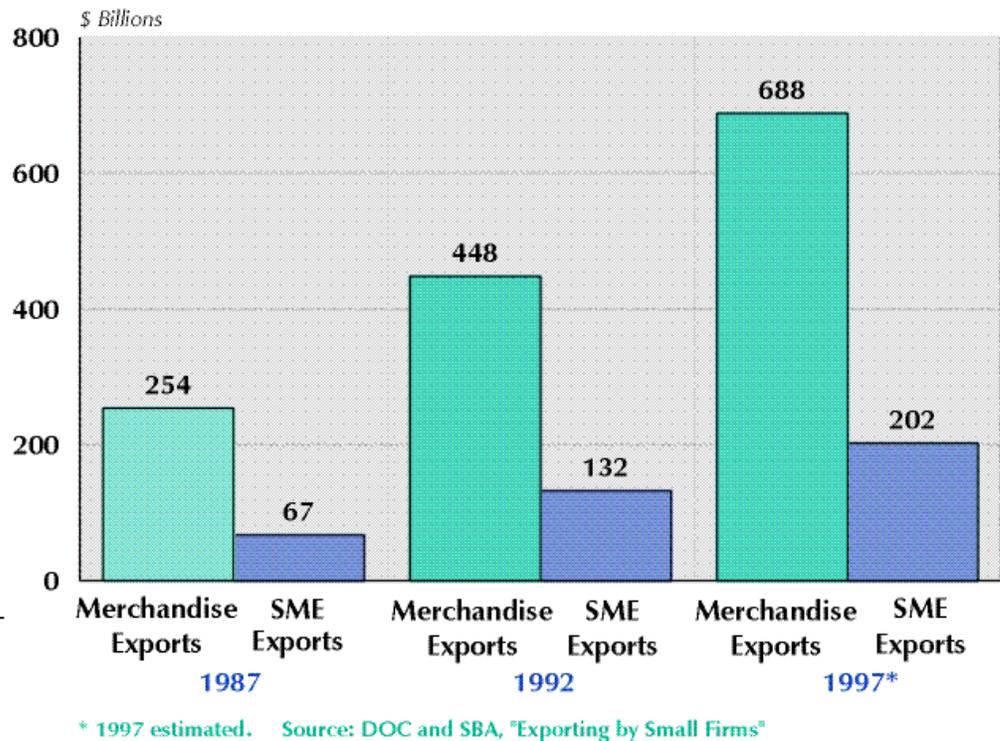
Barriers

There are two principal barriers that prevent small businesses from exporting: **lack of information and lack of access to reasonably priced financing.**

Small businesses may not have the resources to obtain information about opportunities in other markets. For many of these businesses, international marketing and sales functions are performed by one or two people. They may not have the time to explore international leads, nor the expertise to fill out U.S. or foreign government regulatory forms.

These same firms may also have trouble obtaining reasonably priced financing to support their exports. Exporters often consider financing only after they have made an export sale. As a result, their financial institutions often do not have adequate turnaround time to approve credit. Smaller financial institutions that typically serve smaller businesses are often unable to provide export-related financing, due either to their lack of resources to monitor and service cross-border credit, or to an aversion to international transactions.

Total Exports by Small and Medium-Sized Companies



The explosive growth of the Internet has the potential to dramatically lower both informational and financial barriers. Many of the barriers that exist for traditional methods of trade do not exist on the Internet. The biggest advantage of the Internet is that it is worldwide, 24 hours a day. Information on specific markets is easy to obtain, and lenders are better able to obtain information that increases their ability to estimate the risk of transactions and lower the cost of financing. Electronic commerce is particularly suited to serving small businesses as it gives them access to the same information and distribution channels that larger companies traditionally have had. The TPCC agencies are integrating this potential into our small business strategy for fiscal year 1999.

Strategy for 1999

This is an important year for our small business programs. It has been six years since the inception of the TPCC, and many of the original recommendations have been implemented, including the USEAC network; the development of the Trade Information Center; development of Commercial Centers in Brazil, South Africa, Indonesia, and China; cross-training programs for U.S. Government trade professionals; the

First Secretarial-Led Small Business Trade Mission

Last year Secretary Daley and Administrator Alvarez led the first Cabinet level trade mission comprised almost exclusively of small and medium-sized firms. The mission went to Montreal, Ottawa, and Toronto, Canada.

"The more we can expose these firms to opportunities around the world, helping them tap into projects and new developments, the more these small firms will grow and create jobs here at home," Daley said.

streamlining of both SBA's and Ex-Im's working capital programs, and the development of the preferred provider finance program. Meanwhile, many of the European markets that are traditionally easy for small business exporters to get into are expected to be among the fastest growing economies in the world. And finally, new technologies make access to timely information easier than ever.

This year we will use the recommendations from the evaluation of the Export Assistance Center network to refine our *small business strategy* and better harness interagency efforts to focus on services and support that TPCC agencies should provide over the next five years. Some of the issues under review include: improving communications between agencies (both in the field and at headquarters), better training, overcoming technological hurdles between agencies, establishing a USEAC-wide performance plan system focused on TPCC goals, and joint agency budgeting for the USEACs. We will also take advantage of new technologies to deliver our existing services in a more targeted manner and to reduce costs for small business exporters. And finally, we are refining our export financing tools to reach a larger pool of potential exporters.

Improving our Existing Services

We are developing a *small business outreach strategy* to coordinate our efforts aimed at letting potential exporters know about our services and to expand the reach of programs and those of our public and private sector partners. This outreach will combine targeted use of the Internet, joint public speaking events with Members of Congress, and a media strategy for getting the word out about the advantages of exporting and the services available from TPCC agencies and their partners. In addition to this outreach effort, other initiatives include:

- Working with the Census Bureau to develop more *current profiles of* small business exporters. We will use commercial databases and small business lists—to better target these outreach efforts.
- Expanding the *Export Trade Assistance Partnership* program. This program trains firms with no export experience in how to export. We will expand this program to all 19 of the USEACs and exploring the possibility of helping graduates attend their first overseas trade event by paying their conference fees.

Small Business Development Centers (SBDCs) and SBA's Export Working Capital Program Help Increase South Carolina Firm's Sales 300%

Anderson Marketing, Inc., of Anderson, S.C., designs and produces upholstery fabric. It needed additional working capital to meet a substantial increase in export orders. Since a vital part of Anderson's design production was in Georgia, the SBDC at the University of Georgia helped package the loan application. Anderson got a \$300,000 Export Working Capital Program (EWCP) revolving line of credit through Perpetual Bank and a year later graduated to an \$800,000 EWCP line guaranteed by SBA.

With this help, Anderson Marketing was able to expand into Peru, India, Russia, Poland, and South Africa and increased its work force from 15 to 25 (with a large number of additional employees at its Georgia supplier). Company President Joe Naus said, "The Export Working Capital Program has enabled us to grow from \$1.5 million to \$6.5 million in sales. The SBDC has been a great help with the paperwork and requirements, and we continue to have a great relationship."

- Expanding the number of *partners in the USEAC* system. This year the Department of Agriculture will join the U.S. Export Assistance Centers in Atlanta and Dallas. USAID is also going to expand its participation through the Internet by helping the USEACs and their clients to use their trade lead program.
- Teaming up with the 401 National Institute for Standards and Technology *Manufacturing Extension Partnership (MEP)* centers. We can help their small business clients export by developing a systematic approach that complements our objective of increasing U.S. exports and the MEP objective of increasing productivity. And, we can add the over 44,000 small manufacturing firms of the MEP centers to supplement the client base of our USEACs as ready-to-export companies. Our first step will be to partner various ongoing activities at three sites where the synergies are potentially the greatest.
- Having Governors of key exporting states participate in the TPCC, perhaps through the *National Governors Association*. We will start with a pilot program with a few states where our relationship is most developed. The pilot program would focus on four areas: trade missions, overseas strategy, a state-wide domestic strategy, and outreach.
- Using the *Market Development Cooperator Program (MDCP)* to help underwrite the start-up costs of innovative programs of nonprofit export multipliers, such as states, trade associations, chambers of commerce, and world trade centers. These multipliers are particularly effective in reaching and assisting small and medium-size exporters (SMEs). An example of an initiative that is being undertaken this year by a Cooperator is:
 - The Export Managers Association of California (EMAC) and its partners, the Export Small Business Development Center and the State of California Office of Export Development, are developing a Ready-to-Export Domestic Trade Show Program. The Ready-to-Export Program will prepare SMEs in California to make the best possible use of domestic trade shows as vehicles for obtaining foreign trade leads and will train them in proper trade lead follow-up. The Program will utilize extensive one-on-one counseling and seminars to give these companies the tools and knowledge they need to capitalize on opportunities in foreign markets.
- Expanding the assistance available from the award-winning *Trade Information Center (TIC)* to include country-specific information such as tariffs, taxes, and sectoral and business regulations. These added services enable small businesses to obtain more help from one phone call.

Using the Internet to Help U.S. Exporters

The Internet is one of the cornerstones of our strategy to help U.S. exporters overcome informational and financing barriers. TPCC agencies are modifying a number of our current products to take advantage of this technology.

- By 2003, the TPCC agencies will have a work force that is more highly trained as a result of the *Commercial Service Institute (CSI)*—a on-line mechanism for career and organizational development through education and training. As the Commercial Service strives to become more responsive to the needs of our clients, we must invest in training our work force. CSI provides an environment where employees learn from classroom instructors, distance learning, and share innovations and best practices. This approach ensures that Commercial Service professionals have the skills necessary to best serve the exporting community.
- Many more rural companies will become exporters by 2003. To support this trend, our *Rural Export Initiative (REI)* is coordinating a national rural outreach program that utilizes state-of-the-art technology to provide export assistance to traditionally under-served rural manufacturers. This national strategy expands upon regional rural pilot programs we began last year.
 - REI will coordinate three interactive video-conferences on a national level. The first of these events was the MERCOSUR “Contracts through Contacts” videoconference in May 1998 in Pittsburgh which was downlinked to 47 rural communities across the United States.
 - REI is launching a pilot push technology project that will instantly deliver relevant trade leads via electronic mail to the desktops of our rural clients. We will profile the trade information needs of 100 rural companies and, using unique software applications, will ensure that trade lead information flows to them as it becomes available from our overseas posts.
 - REI is setting up computer videoconferencing equipment in selected domestic and overseas offices to enable U.S. clients to conduct one-on-one meetings with potential agents and distributors in foreign markets.

Global Technology Network (GTN)

TPCC agencies are using USAID’s trade lead/business matching service, GTN. These leads originate in USAID-assisted developing countries and newly emerging markets. Focus sectors for GTN leads include: agribusiness, environment and energy, health technology and services, and information technology.

Leads are transmitted electronically for dissemination to U.S. companies—especially SMEs. In Asia, Africa and Latin America, U.S. Embassy and Department of Commerce Foreign Commercial Service staff provide a major share of the trade leads disseminated through GTN. USAID and the U.S. Department of Agriculture (USDA) are also exploring opportunities for development and dissemination of agricultural trade leads.

At the state level, USAID’s Office of Business Development has established formal ties with 22 state trade organizations. Under this arrangement, “partner” state trade offices, as well as U.S. Export Assistance Centers (USEACs), receive access to the GTN trade-lead tracking system which enables them to monitor specific leads received by individual firms in their state, and provide appropriate follow up assistance to help local firms.

- REI is developing a range of creative Internet applications for rural companies which could include the virtual marketing of indigenous products.
- The Commerce Department is planning to make trade *contact and market research products available for electronic purchase* by U.S. firms. FY98 has been devoted to the planning of this electronic product exposure. Implementation will be possible in FY99. Products available will include Customized Market Analysis (CMA), International Company Profile (ICP), and Agent/Distributor Service (ADS). U.S. firms will also be able to pursue participation in trade events such as the Multi-State/Catalogue Exhibition events and Matchmaker Trade Delegations. In addition, Commerce Department web sites are being enhanced to provide more comprehensive services to U.S. companies on the Internet, such as the ability to request participation kits, send e-mail to Commercial Service project officers, and, in the future, to register and pay participation fees for trade events over the Internet.
- Small firms interested in increasing export sales will soon receive trade leads or notices of international procurement opportunities through *Tradenet/Export Advisor*—an interactive, international trade “tool kit” on the Internet. Tradenet is a multi-agency, intergovernmental, export assistance online service.
- The Commerce Department is developing a *Virtual Trade Show program* where products are electronically listed and categorized. Virtual Trade Shows will help U.S. companies promote their exports by bringing product information to potential buyers through electronic means. Companies have the ability to place photos and product description and pricing information in an electronic trade show format.
- Even the Gold Key Service will be tailored to take advantage of new technologies. The *Video Goldkey* will facilitate export transactions by using video conferencing equipment to link the U.S. exporter with the international buyer. International buyers will be able to view the product, marketing materials, shipping papers and other relevant information with Commercial Service Trade Specialists available to answer questions. The Video Goldkey is not intended to replace clients physically going to the international market, but rather to help foster the business relationship before and after an actual trip.
- The Export Assistance Centers will continue to conduct *Electronic Commerce Seminars* designed to educate the exporting community on the Internet-based marketing and technology tools available today.
- The Commerce Department’s Trade Development unit is developing an Internet-based program to *match exporters with export finance providers*. This program will allow instant exchanges of information and access to export financing for small businesses.

- The TIC will expand its new geographic web site. The TIC will publish country-specific export-related laws, regulations, business practices, and contact information on the Internet to help small businesses comply with foreign import regulations.

Financing

A key to helping many small businesses export is obtaining financing. SBA and Ex-Im Bank have successful products that provide both working capital and insurance to support small business exporters. However, TPCC agencies are not stopping at these accomplishments.

- SBA will complete its “*SBA Export Express*” tool which enables financial institutions to make decisions more easily about the three primary risks in most export transactions: the foreign country, the buyer, and the buyer’s financial institution. SBA’s Export Express will provide an automated, cost-efficient means of obtaining an early indication of SBA’s willingness to support the transaction; suggestions regarding structuring the transaction; as well as assistance with the risk analysis involved in the transaction.
- OPIC will launch a pilot program with California to support firms that already have a significant share of their sales from exports and now need to establish a “footprint” in a region in order to increase market share. OPIC will work with California’s Trade and Commerce agency to educate staff at the International Trade Centers on OPIC’s programs and counsel companies on its project financing and political risk insurance products.
- Ex-Im Bank is launching a *pilot program to assist small businesses* that already have not been able to obtain financing. Small businesses that meet specific criteria (minority-owned, women-owned, located in depressed urban or rural areas, or in the environmental sector) may be able to obtain coverage for 100 percent of their export working capital needs. This program should encourage smaller banks and businesses to participate in exporting.
- Commerce is doubling the number of its successful *Export Financing Seminar Programs* in FY99. These seminars not only educate small businesses on the types of export financing vehicles available but also teach them how to use export financing to win more sales.
- SBA will investigate the possibility of *streamlining its Export Working Capital Program* by recognizing qualified lenders’ applications and closing forms instead of having them fill out an additional set of SBA forms. This will facilitate the loan process and cut bank costs for providing SBA-guaranteed loans.