

# Small Business Exporters Association

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Doraville, GA

**PRESIDENT & CEO**

E. Martin Duggan  
McLean, VA

## E. Martin Duggan

Marty Duggan is President/CEO of the Small Business Exporters Association (SBEA). In 1990, Mr. Duggan founded SBEA to represent small and mid-sized exporters through influencing the trade policies and increasing the participation of small/mid-sized companies in global trade. Located in the Washington, DC metropolitan area, SBEA is positioned to gather the latest information from various trade-related agencies and to publicize and promote the availability of government programs. SBEA works to improve programs and policies that challenge the smaller exporter, and offers testimony before appropriate congressional committees.

Mr. Duggan has participated in the promotion of NAFTA, Fast Track, Sanctions Reform, Emergency funding for the International Monetary Fund, U. S. Alliance for Trade Expansion (WTO) and the Free Trade Area for the Americas.

Mr. Duggan was recognized as one of World Trade Magazine's 25 Most Influential U.S. Global Visionaries. Under his leadership, SBEA published Exporting as a National Priority, Export Finance: How the U.S. Measures Up, Export Promotion: a G-7 Comparison, Exporting: Right or Privilege? How Export Controls Impede Competition and numerous articles on small business and trade.

Mr. Duggan graduated from Michigan State University with a degree in economics. He is a member of several professional associations and advisor to a number of publications. SBEA publishes a weekly fax newsletter, "SBEA This Week"

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**PUBLIC HEARING OF THE  
U.S. TRADE DEFICIT REVIEW COMMISSION**

**Kansas City, Missouri**

**April 26, 2000**

**at the**

**Federal Reserve Bank of Kansas City, MO**

**Testimony of E. Martin Duggan  
President and CEO**

**Small Business Exporters Association  
McLean, Virginia**

I want to thank the Commission for holding this hearing and for the inclusion of small business perspectives relative to reducing the long term trade deficit of the United States.

The deficit has been of great concern to me for many years. I have included in my materials an OpEd I wrote in December, 1998 that was printed in the Journal of Commerce in February, 1999. A portion of the piece deals with testimony on the subject that I gave before the Ways and Means Committee over a period of years.

I am of the firm belief that if the trade deficit is to be dealt with effectively, small business has a major role to play. There are literally hundreds of thousands of small manufacturers in the U.S. who have products that can be exported. We need a comprehensive full court press nationally to reach this target group.

One suggestion that I would like to promote is the development of a series of regional conferences and trade shows to be held annually. By mobilizing the public and private sector; federal agencies, state economic development authorities, state manufacturers associations and other interested trade associations, etc., who are committed to a long term strategy (minimum five years), we could reach many companies who need this kind of hands-on assistance and stimulate a significant increase in U.S. exporting.

The events would include service providers: banks, non-bank lenders, insurance companies, freight forwarders, government agencies and foreign government representatives. The educational importance of knowing where the markets are and what support is available would be extremely beneficial to new-to-export companies. A brief sketch of this outreach is included in our materials.

The need for a comprehensive plan of attack should include, but by no means be limited to:

- **Access to export finance**

This is a major impediment for small exporters. The limitations built into the system and the lack of interest in small exporters by money center and regional banks require greater involvement by the Small Business Administration and the Export-Import Bank to ensure access for small exporters. Ex-Im makes a profit on its small business programs. It is essential that this fact be made known to policymakers. Only then will Ex-Im be given the resources to do a first rate job.

Canada, with a tenth of the population of the United States, employs twice the number of people in its ECA than does the U.S.: 800 vs 400. If we are serious about the deficit, here is an excellent place to start.

- **Information/trade intelligence**

This need rates right up there with financing in importance. Our overseas resources are equally inadequate to do a first rate job. The British Overseas Trade Board has 12-14 offices in the U.S.; we have one in Britain. Advantage who? By any measurement, our trade assets are woefully short compared to our friends and competitors.

- **Successful use of the Internet**

Small business abounds on the Internet, but the practices of U.S. search engines hide or obscure many or most of them from foreign trade. Such factors as link popularity and absolute traffic count (hits) both seem to outweigh content relevance when getting visibility on the net. The Internet is the trade engine of the future. We need a more level playing field from those who index Internet search engines and directory services.

- **Regulatory and Compliance**

Small business has a difficult time with regulatory and compliance issues. Many can't afford full time lawyers or consultants for every transaction. There should be Commerce Department approved low-cost training line. A template for general use would ease the uncertainty relative to the exporter's responsibilities for compliance.

- **Tax Policies**  
A review of the U.S. tax system should ensure that our tax policies are not impediments to the competitiveness of U.S. exporters
- **Rights and Rule of Law**  
Worldwide Patent, Intellectual Property Rights and the Rule of Law should be part of any trade agreements into which the U.S. enters.
- **Open Borders**  
Freedom of movement across borders for legitimate business reasons is critical, as is the ability to bring technical or other specially qualified individuals into countries with whom we trade.

It appears that our policymakers lack an understanding of the needs of U.S. exporters or at least lack a sense of commitment to advancing U.S. competitiveness globally. Hopefully, this commission will issue the wake-up call needed for our country to ensure its economic security through exporting and small business is a key to that success.

# The Journal of Commerce

TUESDAY FEBRUARY 2, 1999

## Uncle Santa and trade

BY E. MARTIN DUGGAN

The United States, since World War II, has played Santa Claus, the Good Samaritan, the giver of first resort to the world. Lend Lease, the Marshall Plan and a wide variety of other humanitarian endeavors have qualified America as the most charitable nation in the world.

After the war, the United States single-handedly rebuilt a ravaged world. We helped rehabilitate not only our allies but our former enemies as well. We gave of our treasure and our expertise and opened our domestic market to the world. (This isn't to say that in helping others we didn't help ourselves.)

But in the last 20 years, we have run trade deficits in excess of \$2 trillion, 80% to 85% with Asia. In an average year, this meant the exportation of 1.5 million U.S. jobs.

We as a nation advocate the free and open trade that has enabled the world to achieve unparalleled prosperity. We have been met, however, with tariff and non-tariff barriers; health, safety, technical and myriad other barriers that make it difficult or impossible for competitive American products to gain market access.

It seems that one of the greatest challenges facing the United States in the new millennium is achieving balanced fair trade.

Since 85% of our deficit is in the Far East, we must take a more aggressive stand in our trade with Japan and China, the two most egregious of our trading partners. In 1986 our trade deficit with China was \$1 billion; for 1998 it will be \$60 billion.

If the United States is to

maintain its global economic leadership, we must address this most important issue now. In testimony before the House Ways and Means Subcommittee on Trade on Most-Favored Nation status for China, I called attention to our deficit numbers with the caveat that the committee, as policy makers, must address this issue before China consumes us.

I have repeated this testimony in successive years, only with upgraded deficit numbers. I see no aggressive new approaches or tangible results from negotiations. And, with the perseverance of the Eveready Battery bunny, the deficits continue to grow and grow and grow.

There is great need for patents, copyrights, intellectual property rights and necessary legal protections to be accepted and enforced by these regimes. China's accession to the World Trade Organization should not be accepted until the rule of law and other provisions of the WTO are fully guaranteed. China does not deserve special treatment while continuing to disregard universally accepted trade practices.

The U.S. tax system is an element of trade competitiveness that needs to be examined to insure we haven't added another self-inflicted impediment to trade.

European, Canadian and other exporters are refunded the Value Added Taxes on their exports, while U.S. exporters pay the VAT tax on their goods going those countries — it amounts to as much as 18% — while still paying a full share of U.S. taxes.

Meanwhile, many nations see job creation and preservation as a major responsibility. And,

especially with a political shift to the left, this will increase pressure for protectionist policies abroad.

The Small Business Exporters Association, a group committed to free trade, adopted as its credo "exporting for America's economic security" when it was founded 10 years ago. We have watched our deficit grow, and we have watched those nations that profited the most challenge in every way possible our entry into their markets. We cannot afford to indefinitely postpone the correction of these imbalances.

The 21st century holds great potential for the entrepreneurs of America. We have the creativity, the efficiencies of production and the will to compete globally. We must have the political will and leadership to confront the unfair business barriers that inhibit our competitiveness.

America needs a national symposium on trade to bring together the brightest, most innovative and creative trade practitioners and theorists in a comprehensive, no-holds-barred meeting that addresses these issues.

The National Research Council, with the blessing and involvement of the National Economic Council, the U.S. Trade Representative's Office, the departments of Treasury and Commerce, the Congress, academia and the private sector have the resources to do this in a timely manner. We challenge them to do so, and to do it NOW.

*E. Martin Duggan is president and chief executive of the Small Business Exporters Association, based in McLean, Va.*

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## National Public Education Project:

### The Importance of Exports to the U.S. Economy and Jobs

Create a video for annual presentation at high schools across the country to kick off an essay contest on the importance of exporting to the U.S. economy and jobs.

Winners would be judged on a regional basis (10 regions) with a winner in each region receiving a four year \$10,000 scholarship each year (\$40,000).

A scholarship trust fund would be created by and administered by the private sector. The Business Roundtable would be the prime candidate for the funding.

A massive publicity campaign would kick off the announcement. Winners would be recognized nationally at a White House ceremony.

This should be a ten year program to insure reinforcement of the message of trade's importance to a whole generation of Americans.

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## **Small Business Exporters Association**

### **Preliminary Plan to Mobilize U.S. Export Organizations in Support of Small and Midsized Manufacturers**

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## **Mobilizing U.S. Export Organizations in Support of Small and Midsized U.S. Businesses**

### **Goals and Method**

- Reduce the trade deficit by substantially increasing the amount of U.S. exports
- Increase the amount of U.S. exports by increasing the U.S. exporters by 50,000 – 75,000 over a 5-year period
- Accomplish the goals by educating small and midsized U.S. business regarding the need for, and value of, initiating export activities and motivating them to initiate export activities
- Coordinate with and facilitate the efforts of organizations that provide export information and support, including:
  - Federal, State and Local government agencies;
  - private sector companies
  - non-profit organizations
  - foreign governments

### **Activities**

- Host a series of regional conferences and exhibits where businesses will learn first hand about markets worldwide for their specific products and services and/or the market profile for U.S. products and services in their geographic area of interest, as well as the tools and programs available to assist them in initiating or expanding their export activities
- Each year, a conference will be held in each of five regions: East Coast, Mid-west, Central, Southern, and West Coast. Potential locations for the first series of conference include Philadelphia, Chicago, Dallas, Atlanta, and Los Angeles
- The target date for the first conference is June 2000.
- To best meet the needs of the various types of businesses, the conference educational programs will be structured with different tracks for established businesses looking to expand their export activities, established businesses are not yet exporting, and start-up businesses. Within those tracks, separate programs will be created for manufacturers, service providers, and minority businesses

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- The conference educational programs focus upon providing business with information on where in the world their products and services have market potential, what sells in specific areas, and how to go about capitalizing on these market potentials. Among others, topics will include:
  - Market-specific information
  - Export Financing
  - Insurance
  - Shipping, Packaging, and Labeling
  - Technology Transfer
  - Licensing
  - Joint Ventures
  - Consortiums
  - Cooperatives
  - Trading Company Services
  - Matchmakers
  - Minority Outreach, including Counseling and Market Research tools

#### **Participants**

The Small Business Exporters Association will coordinate with and invite participation by:

- U.S. Federal Government Agencies – a partial listing of potential Federal participants is provided in the attachment
- State and Local Agencies, including the State Trade Offices of Economic Development
- Non-profit organizations, including state manufacturing associations, trade associations, chambers of commerce, minority outreach organizations, and academic institutions (University of South Carolina – Graduate School of International Business, Thunderbird University, and Edison Electric Associates, among others)
- Private sector corporations, including trade and minority outreach publications (World Trade Magazine), third party agents, utilities, and banking, insurance, transportation, customs brokerage and trading companies
- Foreign governments and foreign commercial attaches to provide sales opportunities and provide information unique to their countries with emphasis upon Eastern Europe, Africa, Mexico, and Latin America

#### **Requirements and Approach**

The proposed role of SBEA is as program developer, coordinator, and planner. There is an immediate requirement to obtain funding to support the following activities:

## **Small Business Exporters Association**

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- Develop a list of potential participants and designated points of contact from the Federal Government, State and Local Governments, Organizations and Other Non-Profits, and the Private Sector
- Determine the willingness of each of the potential participants to actually participate
- Assess the potential contribution of each participant in terms of assisting with financing, publicizing (including outreach), education program participation, conference management, and logistical support
- Develop an information management plan, including establishing a web site that will serve to link participants and information resources
- Develop a plan for conference implementation

## Small Business Exporters Association

### Attachment Partial List of Potential Federal Participants

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Agency for International Development (USAID),  
-Center for Trade and Investment Services (CTIS)  
-Office of Small and Disadvantaged Business Utilization/Minority Resource Center (OSDBU/MRC)

American Business Centers (ABCs) in Russia and the New Independent States (NIS)

Department of Agriculture (USDA), U.S. Trade Assistance and Promotion Office (TAPO)

#### Department of Commerce

- Advocacy Center
- Business Information Services for the Newly Independent States (BISNIS)
- Central and Eastern Europe/Business Information Center (CEEBIC)
- Consortia of American Businesses in the Newly Independent States (CABNIS)
- District Export Councils (DECs)
- European Union Single Internal Market 1992 Information Service (SIMIS)
- Infrastructure Division
- International Trade Administration
- Japanese United Aid Program
- Market Access and Compliance (MAC) Officers
- Market Development Cooperator Program (MDCP)
- Metric Program
- Minority Business Development Agency
- National Marine Fisheries Service (NMFS)
- National Institute of Standards and Technologies (NIST)
- Office of Export Promotion Coordination (OEPC)
- Office of Export Trading Company Affairs (OETCA)
- Office of Multilateral Affairs (OMA)
- Trade Compliance Center (TCC)
- Trade Development (TD) Industry Officers
- Trade Information Center
- U.S. and Foreign Commercial Service
- U.S. Commercial Centers
- WTO/GATT Hotline and EU Hotline

#### Department of Energy

- Committee on Energy Efficiency Commerce and Trade (COEECT)
- Committee on Renewable Energy Commerce and Trade (CORECT)
- Export Assistance Initiative
- Office of Fossil Energy- International Program Coordination

**Small Business Exporters Association**

**Attachment  
Partial List of Potential Federal Participants**

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Department of State

- Bureau of Economic and Business Affairs
- Coordinator for Business Affairs
- Regional Bureaus

Department of the Treasury

Department of Transportation

Environmental Technology Network for Asia (ETNA), United States-Asia Environmental Partnership (US-AEP)

Export Assistance Network (USEACs/EACs)

Export-Import Bank of the U.S. (Eximbank)

Office of the U.S. Trade Representative (USTR)

Small Business Administration (SBA)

- Export Legal Assistance Network (ELAN)
- Office of International Trade (OIT)
- Office of Minority Enterprise Development
- Service Corps of Retired Executives (SCORE)
- Small Business Development Center (SBDC)

U.S. Information Agency (USIA)

THE JOURNAL OF COMMERCE

## OPINION

# Uncle Santa and trade

BY E. MARTIN DUGGAN

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