

MR. DUGGAN: Thank you very much. I'd like to give Jim another 20 or 30 seconds to repeat a story he told me at lunch, because I probably won't take my ten minutes, anyhow.

MR. WILFONG: I assume that what he's talking about is the discussion that I had with him concerning the trade deficit and concerning the recent hullabaloo about WTO and so forth.

And I was talking to a friend of mine that I grew up with up in Maine, grew up on a dairy farm next to me, and he's a carpenter now.

And I said to him, Carl, what do you think about what is happening in the trade discussions in WTO?

And he said, I think they're trying to keep all the low price jobs for us here at home. And I thought he hit the nail on the head.

MR. ANGELL: Mr. Duggan, the clock is still running.

MR. DUGGAN: Well, that's all right. Number one, I'd like to thank the Commission for the invitation. I think that -- and appreciate, on behalf of small business, to be included in this discussion.

As an American who started life in 1929, and having a pretty fresh view of what the Depression was like as a youngster, to think that we're running the kinds of deficits that we are today and to have come as far as we have, it bothers me.

I see America as a producer. And when I see how we're declining and we're not accepting the challenges that are out there from an international perspective, I just think we're better than that.

As Jim has said, I'm a firm believer that the small business group in this country, the potential for it really hasn't been tapped.

The ignorance level across the board as to the importance of trade to this economy, the importance to small business to being involved and engaged in international trade, you know, it just --

They're afraid of funny money, they're afraid of people talking in a language that they may not understand. But they've got to recognize that the opportunities are out there.

And I think other people have cited the statistics as to our population and the world's population and what our potential is in that regard.

I testified for a number of years before the Ways and Means Committee on the MFN issue. And the only thing I did was just try to call attention to the fact how the deficit grew year in and year out.

But to talk about the deficit overall -- and the only thing I changed from one year to the next -- I said exactly the same things -- I just changed the deficit numbers and maybe our export numbers, which went up a little bit incrementally.

But I think that, with the agreement that has been reached or was reached by the Administration back in November that, as others have testified to, this was a win-win situation.

We give up absolutely nothing that the Chinese don't already have. And it opens the doors for just about everybody from the United States side into that economy.

For those who are concerned about the human rights and other issues, I have a member who was selling used medical equipment into China. And a couple of years ago, they put him out of business.

They decided that they were going to develop their own imaging industry in China, and so

they precluded new and used equipment from the outside to come in. They put this guy out of business.

I do a weekly newsletter, and I included favorable comments about the agreement that the Administration had reached back in November.

I never heard from this guy before. He was a member, but I never heard from him.

He called me and said that he had effectively been put out of business in China -- he had been there since 1987 -- but that he was just so happy to hear about the agreement, he wanted to see at least the summary benefits of it, and I faxed it to him.

But the point was that, from the time he started doing business there, in 1987, as a small entrepreneur from Brooklyn, the changes that had taken place were, to him, were utterly amazing.

And he just -- as far as the future was concerned, it was going to continue to be a constant change within China in opening up China more and more.

And I think that the agreement that we've -- the Administration got back in November does open that thing up tremendously and will be beneficial to large and small companies.

In my written testimony, I've got -- I'm not going to go into too much detail, Jim touched on it -- but access to export finance is a major impediment to small exporters.

And Jim is the first person to have the position of Director for the International Trade Office at SBA with any experience. Okay?

He brings credentials to that job that were sadly lacking, at least over the last 15 years.

When he told you -- and he didn't go into any detail -- that, as part of the mandate that he has and that the SBA has --

When the SBA was originally created, it was to foster exports. That's part of their charter.

So when he carried that over to the Department of Commerce, they had people falling down all over the place. They thought that was their job.

But they're a player in the game. And with a guy like Jim, who brings his background and expertise, he's getting attention to the needs of small business and getting out there and trying to work with the community banks and getting them involved in some new programs that they've brought about.

But access to finance is one thing, the big money center banks -- and Bob may talk about that, so I'll just keep moving on.

One thing I would like to mention is that the Ex-Im Bank has roughly 400, 414 employees. Canada, which is a tenth the size of the United States, has over 800 employees.

You can get an answer on a trade deal within, at the maximum, 48 hours, Bob?

MR. DUNCAN: Yes.

MR. DUGGAN: Forty-eight hours. They took and invested \$2 million in a software program to help them process the paper.

Ex-Im Bank didn't even have the capacity to do things internally. They had 386 computers that they had to download all of these damn programs, because the electrical wiring in the building was inadequate. They couldn't service their own internal communications needs. But Canada has made the investment.

The Ex-Im Bank, they're finally -- I think in the current budget they've got some extra money for administrative purposes.

But they haven't had money for outreach. They can't advertise, they can't promote their services the way they should.

Consequently, the ability to know what's available to small business out there is sadly lacking across the country.

Information in trade intelligence, the British have 14 offices in the United States, we have one in Great Britain. Their offices here are for trade development. The Canadians, I don't know how many they have, but it's on a par.

We just haven't put any assets into developing the kind of infrastructure to support whatever trade apparatus we've got or should have.

The 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 or 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 engines and directory services.

Regulatory and compliance issues, 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 a Commerce Department online, low cost training program that gives them a template to use when they're trying to figure out what they need to do as far as shipping certain goods are concerned.

And as far as -- one word on sanctions which I didn't have in the statement: SBE has been a member of all of the coalitions in Washington including one on trade sanctions.

Trade sanctions literally haven't worked unless they're multilateral. They've got to be multilateral.

The United States acting on its own, taking the high road, for whatever purposes, whether it's to placate a political faction or what reasons it might be, if it doesn't have the backing of the world

community or at least the power in the world community, then they're literally not going to work.

So --

MR. ANGELL: Mr. Duggan, you gave away more of your time than you should have. So there is a penalty for it.

MR. DUGGAN: For tax policies, intellectual property rights and the rule of law, which would impact on China, and open borders, where, even with Canada, we can't take people across the border that have particular skills that we feel we need to do the job up there, and they, trying to protect their labor market, don't want to give Visas to or let people in --

MR. ANGELL: Thank you for that summary of your conclusions.

Mr. Robert Duncan, President of Leawood Export, Incorporated, has more than 25 years experience in the state of international trade. We look forward to your testimony.

