

MR. WEIDENBAUM: Thank you, Mr. Duncan. It turns out that Commissioner Weidenbaum is the only one on the Chairman's list, so let me toss my first question to Mr. Wilfong.

The subject is regulation. And just as a little background, for a number of years I and others have been involved in trying to reform domestic regulations that especially hurt small business.

Are there similar regulatory or procedural barriers imposed by Government that make it especially difficult for small business to export?

MR. WILFONG: Are there? In my experience, I have not had any. Maybe in my particular businesses that I've been involved in, which has been winter sports and outdoor equipment for the most part, perhaps there haven't been any regulations that were a problem for us.

It wasn't a problem on this side. Sometimes there would be a standards problem on the other side.

MR. WEIDENBAUM: Mr. Duggan?

MR. DUGGAN: I think that would be more of an issue with technology related companies than somebody in the sporting goods business.

We did a paper back in the early '90s on this. And the U.S., with basically the same laws as Britain, Germany, Japan, any of our friends that are trying to stop the proliferation of certain goods, we have over 1,500 pages or had over 1,500 pages of regulations. The Brits have 145. So it gives you an idea.

We did a thing down on the Hill with staffers, and we had somebody from Honeywell come in, not -- it wasn't just small business -- but we had somebody from Honeywell come in.

And they had to bring in a cart, I mean, get a hernia carrying these books with all the damn regulations in there of which, every time they made a foreign sale, they had to go through this thing to make sure that they weren't going to break any laws. For a small business, it would be an impossibility.

And that's what I was referring to, from the standpoint of compliance, having something that would be a template on the Internet that companies

could go to when there is a question of complying with U.S. regulations as to their product and its exportability.

MR. WEIDENBAUM: Thank you.

MR. ANGELL: Commissioner Rumsfeld.

MR. RUMSFELD: Mr. Chairman, I think this panel has been excellent. It's a subject matter that we as a Commission have really not addressed to this extent previously. So I am grateful to all three of you.

I think there are a number of very important, thoughtful, and, in some instances, quite creative suggestions that have been put forward.

Mr. Wilfong, I am delighted you're doing what you're doing, and I appreciate and value the enthusiasm, energy and thoughtfulness you bring to it.

MR. WILFONG: Thanks a lot, Commissioner. I wasn't sure that I wanted to do this job, quite frankly. I almost turned it down because, if you're an entrepreneur, the thoughts of having to go and punch a clock anywhere is really not the first thing you can think of. And I refer to, that at some point, that I'll be out of jail.

But nonetheless, I have to say that I love this job. It's a great job.

MR. RUMSFELD: Good. And I think the point that's being made here about the ease -- let me rephrase it.

Large companies have an institutional capability to deal with Government complexities. Large companies have the ability to cope with long delays. Small companies don't.

Small companies have the life and energy sucked right out of them by long delays and mountains of regulations and complexities. They're simply not capable of hiring the kinds of lawyers and lobbyists and what is needed to deal with Washington, D.C.

And there is only, at best, a very modest understanding of that in Washington, D.C. in the Congress as well as in the Executive Branch, and certainly in the bureaucracy.

Very few people have ever had to go out and deal, from the other end of the rubber band, with the Government. It is a tough thing to do.

So I think that the things you have brought up here are terribly important. And certainly I, as

one Commissioner, hope our Commission will include the thoughts that have been expressed.

MR. WILFONG: Thank you.

MR. ANGELL: Commissioner Papadimitriou.

MR. PAPADIMITRIOU: Thank you, Mr. Chairman. I, too, want to echo Commissioner Rumsfeld and to say that I am most appreciative for your coming here and giving us your presentations.

I do have a couple of questions, if I may, for Mr. Wilfong.

MR. WILFONG: Yes, sir.

MR. PAPADIMITRIOU: You have indicated in some ways that you do not worry about the trade deficit and its present level. Is there a level that you would worry about? That's one question.

And the second question relates to your indication that trade has afforded us a no-inflation environment, and therefore, we have seen a lowering of the interest rates.

I know we are in a Federal Reserve Bank building, and therefore, I do want to, in all due respect, say that the real interest rates, short-term

interest rates, are quite high. So how would you reconcile your statement of low interest rates?

MR. WILFONG: Well, I would say that, first of all, as I said before, I'm not an economist. But I guess I would get worried if I did see that it was creating problems with unemployment, especially in the unskilled levels, unskilled and lower skill levels of employees.

Right at the moment, we don't see that. In the future, it's entirely possible that some of the higher skilled jobs may be threatened if our companies don't stay competitive.

But if I look at the stuff that -- and I'm having to dig a little bit deep, so please forgive me if I don't have these exactly right.

But in the last half of last year, it seems to me that the economy grew at about 6.9 percent. Inflation dropped from 1.9 to 1.6 at the same time unemployment declined a little.

And it just seems to me that I believe that Mr. Greenspan said that one of the things that helped in this regard to bring -- in a red-hot economy, to bring the inflation rate down was the introduction of

imports, and that that was an important factor, of course, along with the increased productivity that we enjoyed, as well.

But I'm just a novice. I'm a country boy at this.

MR. PAPADIMITRIOU: I think Chairman Greenspan also said that he does worry about the trade deficit.

MR. WILFONG: Well, he may worry about the trade deficit. That's --

MR. ANGELL: I think that Chairman Greenspan said something not very dissimilar from what Mr. Wilfong said, and that was that, in cases where the dollar shows weakness, that that would represent an imbalance.

And I think Greenspan was talking about a potential imbalance compared to an immediate imbalance.

MR. PAPADIMITRIOU: Well, I heard him say it differently at a meeting I attended with him. Thank you.

MR. WILFONG: You're welcome, sir.

MR. ANGELL: Thank you. Commissioner Wessel.

MR. WESSEL: Thank you. And I want to echo Commissioner Rumsfeld's comments about the desirability of having this Commission be fairly specific in terms of what it can do.

Having tried on Capitol Hill to assist small business people for many years, there was often a lack of knowledge of where the resources were, how to go about doing it, whom to direct them to, et cetera.

And I think it would be of tremendous value for us to be very specific about the kind of resource additions, where they should be allocated, not only here, but for example, in the foreign trade offices so that small businesses can be given leads about where to go, et cetera. So the more specific you can be in giving us information would be helpful.

MR. WILFONG: Oh, I can be very specific. One of the things that we really need help with is with getting the word out to banks, and there's a problem here.

And so I went to New England, and I called on 15 different banks, and 75 percent of those banks were community banks because small business is going to community banks in big numbers.

I know in my own business, I did away with the Interstate Bank because I got tired of training the new loan officer every six months.

And so when I went to them, I asked the decision makers for small business to be there and for them to bring in their relationship managers and their credit analysts. And so we would have 20 to 30 people around a table to discuss small business trade for two hours.

And what I found, time and time and time again, was that there might be one person who knows if they have an exporter, one person out of 20 to 30.

And so there's a real problem out in the infrastructure with the banks not knowing who they have for exporters, who might have an exportable product, who is export ready, and when they do.

And I asked them how they are financing the trade deal, then, if it's not done with a letter of credit or a guaranteed form of payment like a wired transfer or something. Then I find out that it is being done on the second mortgage of someone's house, which is not necessarily the best way to do it.

I mean, they would be far better off using a transactional form of payment like we have at the SBA or like Ex-Im has.

But there is a lack of ignorance out in the --

MR. DUGGAN: No lack of ignorance.

MR. WILFONG: Pardon me?

MR. DUGGAN: No lack of ignorance. There's an overabundance.

(General laughter.)

MR. WILFONG: Sorry. There is not a lack of ignorance. That's correct. There is a lack of knowledge about the programs that we have to offer and the types of services that we could also provide to a small business that was either exporting or that wanted to become export ready.

MR. WESSEL: So without having individuals like yourself who are going to go out and do those one-on-one meetings -- and I don't know that we have enough personnel to do that -- how do we enhance the infrastructure to be able to help small business, or is it just a function of the people?

MR. WILFONG: To tell you the truth, I don't think there's any silver bullet. I think we're going to have to do this as a long-term strategy.

We will in fact have to go out and educate them, not just with the next person taking my position, but with our trade specialists who are at the United States Export Assistance Centers and our trade specialists who are in the district offices, Ex-Im.

As a matter of matter of fact, I'm flying back tonight to Washington so I can meet with Ex-Im tomorrow so that we can find ways to better harmonize what we are doing so that we're not working at cross-purposes, we're working together to try and help small business be successful in exporting. So --

MR. ANGELL: Commissioner Lewis. I'm sorry. Go ahead.

MR. DUNCAN: Further to that comment, money talks. Going from pre-export working capital to build a product to export it to post-export financing, the higher amount of those budgets for internally and for the exporting public were made available to small business, banks are risk adverse, they will move in

that direction, and they will build the infrastructure over a period of time to access those support loans.

The SBA domestic loan program is indicative of that. You go into any of these community banks, and most of them know what an SBA domestic loan process is. They have a specialist.

So money talks. And that's where really it will start to push towards the smaller exporting community.

MR. ANGELL: Commissioner Lewis.

MR. LEWIS: I'd also like to thank the panel very much, because you've really opened our eyes to something that we hadn't really focused on very much.

Mr. Wilfong, I'd like to ask you a question, but I would like you to maybe submit something to us afterwards, in writing.

MR. WILFONG: Sure.

MR. LEWIS: On page 10 of your written testimony, you said "I do not think that measures to structurally attack the deficit are the answer in a case such as Japan, because the deficit is a symptom rather than the cause of the problem. Instead, we need

to attack unfair trade practices and level the playing field."

The last sentence is where I would really appreciate if you could give us some specific suggestions on that sentence.

MR. WILFONG: Yes, sir. I will do that.

MR. LEWIS: Thank you very much.

MR. WILFONG: You're welcome.

MR. ANGELL: Yes. Mr. Duggan.

MR. DUGGAN: There were two things, going back to Mr. Wessel's question.

Number one, the political appointees that are filtering down the ladder now in this Administration is at epic proportions -- or epidemic proportions, as I understand it.

And one of the problems -- I mean, Jim is a breath of fresh air. You just don't find people in positions of authority where they come and bring the kinds of things to the table that he brings. So you know, but unfortunately, he came in June of last year.

His tenure is such that he's gone is a puff of smoke, and whoever comes in will appoint their person, and normally it's going to be somebody with no

background or experience. You've got the same thing at the Commerce Department, getting down to the director level.

And I think until we can do something about professionalizing and giving career enhancement to those people who spend their life in there, hopefully - - because I know good people, say, at the Commerce Department, and they're being overlooked because of the political appointees.

Their ideas, because they are not the political appointees, go down the tubes.

So I think that's one place to start right there, dedicated people who know what the hell they're doing.

MR. WESSEL: If I could, Mr. Chairman. There was an idea several years ago to create an analogous situation to what the Foreign Service has, which is a trained core of well paid people that are professional in terms of career paths. There was a suggestion that we do something similar on the Trade side, as well.

Is that the kind of idea you think would be worthwhile?

MR. DUGGAN: Well, the Commerce Department has now started a commercial service institute which a friend of mine is running.

And he's one of the people that I have in mind who just got recently passed over and then given that job. But he had been passed over for a promotion to something bigger and better, but one hell of a good man. And you know, he'll be a success in the job that he has now been given in developing this program that's now underway.

MR. ANGELL: Again we want to thank the panel for your appearance and your willingness to respond to questions.

So we continue to move a little ahead of time which is helpful for the next panel, several of them have airplanes to catch.

Commissioner Lewis comes to your rescue, Mr. Wilfong. He suggested -- I guess he read your body language as more assertive than I did in regard to your wanting to answer that last question.

MR. WILFONG: Oh. I just wanted to assure him -- thank you, Commissioner. I just wanted to assure Commissioner Wessel that we, in fact, are -- I

have worked to give the civil servants who work with me -- I have given them responsibility, and I hold them accountable.

And we have written a business plan for the Office of International Trade where we have all of the people in the Washington and the field offices who have committed to it and have signed off on it.

And really, we're trying to treat them in a very entrepreneurial fashion.

And I think that it'll be far different no matter who comes next, quite frankly.

MR. ANGELL: All right. Thank you.

MR. WILFONG: You're welcome.

MR. ANGELL: The next panel, then.

(Pause.)

MR. ANGELL: Leading off the final panel is Peter Kresl, Professor of Economics and International Relations, Bucknell University.

Mr. Kresl.