

What Uncle Sam Can Do For YOU... in Exports

New and abundant resources make exporting less risky and more profitable.

BY GAIL DUTTON

“I’m from the government and I’m here to help” is a bone-chilling phrase to some, but the U.S. government does offer some of the best resources and advice available when it comes to navigating the intricacies of international trade. During the past two years, the federal government has initiated or enhanced programs to make it easier for companies to find the information and advice they need to succeed internationally. And, much of it is free.

The need

“Slightly more than one percent of U.S. companies export goods or services, and half of those export to only one country,” according to Doug Barry, trade specialist for the Trade Information Center at the Commercial Service, within the Department of Commerce (DOC). The National Export Initiative aims to improve that, by increasing awareness of available expertise, removing trade barriers, improving trade promotion efforts, increasing access to funding and promoting sustainable, balanced growth.

“The main barrier is fear of risk or fear of the unknown. They think the process is too complicated.” Barry says that’s a misperception, and urges businesses to contact the Trade Information Center at the DOC, or other agencies, for help. “Small- and medium-sized businesses say they want help finding markets, finding and qualifying buyers in those markets and help identifying and understanding the regulations and documentation

required by the that country,” Barry notes.

They also need help cutting red tape. “When it has to deal with government red tape, small businesses suffer more than large companies,” stresses George T. Haley, PhD., and director for the Center of International Industry Competitiveness at the University of New Haven.

The solution

To begin exporting or to increase market share in an existing market companies should develop a written plan, yet they often don’t. As Barry points out, “Fifty-seven percent of businesses that export don’t have a written export plan, yet it’s hard to increase exports if you haven’t planned how.”

The Small Business Administration and the Trade Information Center can help develop an export plan, with many of their services available at no charge. “Call us,” Elizabeth Echols, western regional administrator at the SBA, says. Her agency received \$90 million in step grants to walk small businesses through the exporting process, and is increasing its staff and counseling services.

The DOC is active, too. “Its Export University is a national program administered through the states,” Echols explains. Therefore, the details will vary. In Hawaii, for example, Export University offers weekend classes on exporting that help businesses develop an export strategy. There also is a network of more than 100 export assistance centers throughout the nation that understands the

local economic climate as well as the DOC programs. These centers can provide links to DOC personnel in more than 80 countries for on the ground assistance in opening and expanding markets.

Online, at <http://www.export.gov>, the DOC offers country and market reports, financing resources, step-by-step information, and links to relevant agencies, all consolidated into one site. That site includes an export readiness self-assessment, training, counseling and help in creating an export business plan, as well as comprehensive country and market information. It also has links to the SBA, the Ex-Im Bank, the Office of the U.S. Trade Representative, trade agreements and other sites, providing a one-stop shop for exporting information and trends.

The DOC also is increasing the number of trade missions and international buyer programs to introduce foreign buyers to American companies, both here and abroad.

For personalized service, "Our people in-country will work with buyers and sellers to provide support as necessary, including translation and interpretation, and local resources like referrals to local legal assistance and information on local labor laws of trade finance," Barry explains.

Detailed services that are specific to a particular company, however, do have charges. Typically, these are billed at cost, Barry says. And, Dr. Haley adds, "They probably will be worth the fees involved. U.S. government services are among the best in the world. But," he adds, "the scale-up process is being usurped" by countries (notably China) that offer greater incentives to move facilities to their nations. "It's a growing trend."

Finance

Improvements in the finance situation were achieved through the Small Business Act of 2010. "That was an important milestone for export finance," Echols says. "It provides a 90 percent guarantee of loans up to \$350,000 and a 75 percent guarantee for loans between \$350,000 and \$500,000." Additionally, the cap on International Trade Loans and Export Working Capital has expanded from \$2 million to \$5 million.

Another new program, Express Insurance, is offered by the Export-Import Bank. It helps small business provide financing terms to international buyers quickly and at low risk. The entire process from application to approval can be accomplished in five business days for loan amounts up to \$300,000. Larger loans can be insured, but requires more time.

U.S. Export Resources

Trade.gov

Offers a Trade Finance Guide, information on Free Trade Agreements, country fact sheets, clean technology guides to India and China, and more.

www.Export.gov

Information on upcoming trade missions, buyer's programs, and other resources.

Trade Information Center hotline

1-800-USA-TRADE (1-800-872-8723)—Talk to a real, live trade specialist.

www.ustr.gov/trade-agreements

Detailed information on various trade agreements.

www.uschamber.com

The U.S. Chamber of Commerce; a wealth of information and good contacts too.

Hot markets

Government sources indicate that exports are increasing. The Export-Import Bank of the United States, for example, says that exports of goods and services for March were at an all-time high of \$172.7 billion.

America's largest export markets are Canada and Mexico, but the greatest growth in demand for U.S. exports (compared to 2009) is seen in Turkey (57.3%), South Africa (37.9%), Panama (36.1%), Taiwan (34.6%), Peru (34.2%), Brazil (33.3%), Argentina (33.1%), Malaysia (31.7%), Thailand (31.2%) and China (30.3%), according to the Ex-Im Bank. Barry also notes that Vietnam is coming on strong, and that some companies are using Singapore as a springboard to Indonesia and much of Asia. These regions are gaining steam thanks to trade agreements like the African Growth and Opportunity Act (2004), and the three added since 2008, with Oman, Jordan and Israel.

Currently, the United States has free trade agreements with 17 countries, and three other pending, which provide American companies with lower tariffs. These agreements are based on—but are stronger than—the World Trade Organization Agreement. Many are bilateral agreements between two nations although some are multilateral. "Getting their benefits is not automatic," Barry emphasized. Exporters still must understand the agreements and provide the specified documentation to meet their terms.

To determine which markets to consider, "Go to the U.S. trade statistics and determine where we export similar products. That tells you where we have sufficient advantages to consider exporting," Dr. Haley says.

Barry also recommends that strategy, using detailed, publically-available information to identify countries in which similar products are selling successfully, and how or whether those products need to be adapted for the local market. Public data often includes details on specific products, the percentage imported, and the average selling price, as well as market trends and whether they are sold through a distributor or direct sales. The Trade Information Office can work with potential exporters to determine the total cost of doing business in a particular country to determine whether it is a worthwhile market. **WT**

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