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U.S. Small Business Administration

APPENDIX 23

America's Small Businesses and International Trade: A Report

U.S. Small Business Administration

Office of International Trade

November 1999



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BANKABLE DEALS

A Question & Answer Guide to Trade Finance for U.S. Small Business



SBA





APPENDIX 25

The Facts About ...

OPPORTUNITIES IN EXPORTING

Exporting can mean big profits for a small business. If you are not exploring export markets, you may be missing out on a world of opportunity.

Small Business and Exporting

World trade is increasingly important to the strength of our economy and to the growth of U.S. companies. Exporting creates jobs and provides small firms with growth, new markets and additional profits. Every billion earned in U.S. export dollars generates about 25,000 jobs. There has never been a better time for American businesses to begin exporting. As the world economy becomes more interdependent, the opportunities for small businesses become more attractive.

Exporting is booming in the United States, and small businesses are beginning to realize that the world is their market. A business does not have to be big to sell in the global marketplace. Experience shows that small businesses can and do export successfully. Finding your niche in the world market is similar to finding it in the U.S. market. Many of the same qualities that make small business owners successful in the United States apply to success in global markets.

Chambers of Commerce: Some chambers actively promote exports and provide training programs, counseling, referrals, trade missions and publications.

International Trade Associations: Many of these associations and other private organizations offer a wide range of services. Most conduct regular meetings with qualified speakers and provide networking opportunities with others involved in international trade.

Export Management and Export Trading Companies: These companies serve as export sales intermediaries and representatives for manufacturers. Services include locating foreign buyers, promoting products, making export sales, providing documentation and shipping products overseas.

Consulting Firms: Trade consultants can provide information on domestic and foreign trade regulations and overseas markets, and can assess overseas commercial and political risk. They often specialize in product lines and/or geographical areas.

Some small law firms, accounting firms or specialized marketing firms also provide international-trade consulting services.

For More Information

Information is power. Make it your business to know what is available, where to get it and, most importantly, how to use it. Sources of information include:

U.S. Small Business Administration

- SBA District Offices
- Small Business Development Centers (SBDCs)
- Service Corps of Retired Executives (SCORE)
- SBA OnLine (electronic bulletin board)
- Business Information Centers (BICs)

The SBA has offices located throughout the United States. For the one nearest you, look under "U.S. Government" in your telephone

directory, or call the SBA Answer Desk at (800) 8-ASK-SBA. To send a fax to the SBA, dial (202) 205-7064. For the hearing impaired, the TDD number is (704) 344-6640.

To access the agency's electronic public information services, you may call the following:

SBA OnLine:

electronic bulletin board — modem and computer required

- (800) 697-4636 (limited access)
- (900) 463-4636 (full access)
- (202) 401-9600 (D.C. metro area)

Internet:

using uniform resource locators (URLs)

- SBA Home Page: <http://www.sba.gov>
- SBA gopher: <gopher://gopher.sba.gov>
- File transfer protocol: <ftp://ftp.sba.gov>
- Telnet: <telnet://sbaonline.sba.gov>
- U.S. Business Advisor: <http://www.business.gov>

You also may request a free copy of *The Resource Directory for Small Business Management*, a listing of for-sale publications and videotapes, from your local SBA office or the SBA Answer Desk.

Other Sources

- State economic development agencies
- Chambers of commerce
- Local colleges and universities
- Libraries
- Manufacturers and suppliers of small business products and services
- Small business or industry trade associations

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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The Advantages of Exporting

Small business exporters can play a significant role in improving the U.S. balance of trade while protecting their competitiveness and improving their profits. Entering the overseas marketplace offers many benefits for small businesses, including —

- increased growth,
- increased profits,
- additional markets,
- extended product/service life cycles,
- increased numbers of customers,
- tax advantages,
- added product/service lines,
- improved competitiveness, and
- favorable publicity and recognition.

Exploring New Markets

Thousands of small firms already compete in the global market. They account for 97 percent of companies involved in direct merchandise exporting, yet generate only about 30 percent of the dollar value of the nation's export sales. Small firms, then, represent the largest pool for potential growth in export sales.

Entering the overseas market does not have to be difficult. The same strategies applied in the U.S. market can be used to develop export markets. Selling abroad demands hard work, perseverance and a commitment of resources. It requires planning, market research and attention to detail. It may also involve changes, like new packaging and metric conversion.

The mystery can be taken out of exporting by considering some of the fundamental elements of the export process:

- Analyze the capabilities of your small business.
- Know the export potential of your product/service.
- Identify foreign markets that are right for you.

- Study market-entry strategies and export procedures.
- Learn how to process exports.

Where to Find Assistance

Once you have decided to expand into the international marketplace, you need to know how to get started. There are many resources that provide assistance for small and medium-sized businesses seeking to export.

Federal Programs: Small business exporters may benefit from a variety of services provided by the SBA and the U.S. Department of Commerce. Types of services include —

- export counseling,
- workshops and training conferences,
- publications, and
- financial assistance.

SBA Assistance

Export Working Capital Program: The EWCP provides short-term, transaction-specific financing. The SBA guarantees up to \$750,000 or 90 percent of the loan amount, whichever is less. Exporters may use this program for pre-export financing of labor and materials, financing receivables generated from these sales, and/or standby letters of credit used as performance bonds or payment guarantees to foreign buyers.

The International Trade Loan Program: The ITL helps small businesses that are engaged or are preparing to engage in international trade, as well as small businesses adversely affected by competition from imports. The SBA can guarantee up to \$1.25 million, less the amount of SBA's guaranteed portion of other loans outstanding to the borrower under SBA's regular lending program.

U.S. Export Assistance Centers: USEACs offer a full range of federal export programs and services under one roof. Clients are assisted by professionals from the SBA, the Department of Commerce, the Export-Import Bank of the

United States, and other public and private organizations.

Service Corps of Retired Executives: SCORE, with 400 locations and 13,000 members throughout the country, offers individual counseling by retired executives, providing you with access to years of international business experience.

Small Business Development Centers: SBDCs, operating in cooperation with local colleges and universities, offer in-depth business counseling and training.

Export Legal Assistance Network: Through ELAN, you can receive a free, one-time consultation from an attorney experienced in international trade law.

Export Access: This international market-research tool delivers free market-data reports to your computer screen. Formerly known as SBAtlas, Export Access provides both product and country reports. The product report ranks the top 35 import and export markets for a particular product; the country report identifies the top 20 import and export products by country for the last five years. An on-screen graph allows for easy identification of trends. Export Access is easily reached via the Internet; it is on the Office of International Trade Home Page, which is found through the SBA Home Page. Export Access is also available at local SBA offices nationwide.

Other Available Assistance

The U.S. Department of Commerce: This agency offers a wide range of information on export potential, international markets, trade leads and contacts. It also conducts trade missions and catalog exhibitions, and assists firms participating abroad in trade shows. For more information about Commerce Department programs, consult your telephone directory under "U.S. Government" or call (800)-USA-TRADE.

State and Local Agencies: Your state and/or local government may also offer export assistance.