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# Small Ethnically Owned Businesses: How to Break the Trade Barrier

Assembly Subcommittee on International Trade

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## **Assembly Subcommittee on International Trade**

Port of Long Beach  
October 23, 2001

### **Small Ethnically Owned Businesses: How to Break the Trade Barrier**

**Subcommittee Members**

**Jenny Oropeza, Chair**  
**Phil Wyman, Vice-Chair**  
**Wilma Chan**  
**David Cogdill**  
**Rebecca Cohn**  
**Sarah Reyes**

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**Consultant**

**Jennifer Baker**

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# Assembly California Legislature

## SUBCOMMITTEE ON INTERNATIONAL TRADE

JENNY OROPEZA, CHAIR  
ASSEMBLYMEMBER, FIFTY-FIFTH DISTRICT

### Introduction from the Chair

**MEMBERS:**

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MODESTO

REBECCA COHN (D)  
SARATOGA

SARAH REYES (D)  
FRESNO

December, 2001

California is the nation's leader in international trade. Recently surpassing France as the fifth largest economy in the world, California has positioned itself as a pioneer in developing new and successful ways of expanding its trade markets.

We are uniquely positioned as a state and continuously use our location as a tool for reaching new markets, which offers our residents and businesses new opportunities for incorporating increased development into the international trade market.

As California moves toward a market incorporating increased international trade, its residents, especially those with diverse ethnic origins, are capitalizing on the prospects for using their cultural links to create entrepreneurial opportunities.

This hearing offered a rich assessment of these opportunities. It provided the Legislature with examples of successful ethnic entrepreneurs, how they succeeded and the pitfalls they had to overcome. There are a number of ideas presented here for how we can facilitate increased opportunities.

Also, the materials presented in this report offer a unique resource to businesses wishing to enter into the international market by outlining the various federal, state and non-governmental services that are offered to businesses wishing to expand their markets.

Thank you for taking the time to explore how international trade can affect businesses in California.

JENNY OROPEZA, Chair  
Assembly Subcommittee on  
International Trade

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FRESNO

### I.

#### HEARING AGENDA

Port of Long Beach Boardroom  
October 23, 2001

#### Small Ethnically Owned Businesses: How to Break the Trade Barrier

10:00 A.M. – 1:00 P.M.

I. **Opening Remarks** – Assemblymember Jenny Oropeza,  
Chair, Sub-Committee on International Trade

### II. **Panel 1-Current Trade Activities**

1. Ken Ackbarali, V.P. Managing Director of Economic Consulting, Los Angeles County Economic Development Corporation
2. Mark Matsumoto, Chairman, Southern California District Export Council, U.S. Department of Commerce
3. Martin Selander, Director, Export Trade Assistance Program, Small Business Administration
4. Maria Solomon-Williams, Director, California Office of Export Development
5. Jerry Avila, Director, California Export Finance Office

### III. **Panel 2-Small Business Entities**

1. Maria Sobrino, President and CEO, Lulu's Desserts-Exporter of dessert products
2. Candace Chen, President, PowerClean 2000-Exporter of fuel economy products
3. Rudy Gordon, President and Owner, J & N Transportation-Service provider in the international trade market

### IV. **Panel 3-Trade Experts**

1. Alexander Kramer, Executive Vice-President, Long Beach/Los Angeles World Trade Center Association
2. Bernie Weiss, State Director, Center for International Trade Development
3. Michael Doram, Regional Director, Export Legal Assistance Network
4. Gladys Moreau, Director, Export Small Business Development Center

### V. **Closing Statements**

## **Small Ethnically Owned Businesses: How to Break the Trade Barrier**

### **Executive Summary**

#### **Status of Trade and the California Economy**

California is the nation's leader in international trade. Recently surpassing France as the fifth largest economy in the world, California has positioned itself as a pioneer in developing new and successful ways of expanding its trade markets. California's unique location can be used as a tool for reaching new markets, offering its business community new opportunities for entering the international trade market.

The increased integration by the United States into international trade agreements altered the course of how businesses enter and flourish in the international trade market. The global expansion produced through these agreements caused a surge in exports and foreign investment in many parts of the world, particularly East Asia and Latin America<sup>1</sup>. The increase in international trade in these particular areas of the world has had a profound affect on California's markets as many of the countries in these areas are some of California's top trading partners, including Mexico, Korea, Taiwan, Singapore, Hong Kong, China, Malaysia and the Philippines.

Though trade has steadily increased over the past ten years, California exports have recently decreased as a result of a global downturn<sup>2</sup>. Trade will be important for California during this economic slowdown to offer its businesses new and continued opportunities for increasing its economic competitiveness and to help boost its economic recovery.

#### **International Trade in California**

California plays a significant role in the world of trade both nationally and internationally. Exporting over \$129 billion to foreign markets, California offers many opportunities and services available to businesses wishing to enter the international trade market<sup>3</sup>. These services, however, are not always visible to businesses that are not familiar with this arena of trade.

There are a plethora of resources available to small businesses for entering the international trade market. These resources come from federal, state, local, and non-governmental sources. Though there are many services that are offered to businesses, there are not adequate ways for businesses to find out about these services.

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<sup>1</sup> *Global Capitalism: Can it be Made to Work Better?*, Business Week. November 6, 2000. P. 74.

<sup>2</sup> Schnitt, Paul, "State's Exports Slide amid Global Downturn," The Sacramento Bee 21 November 2001.

<sup>3</sup> USDOC Series 1 Data-MISER (North American Industrial Classification System).



### **Immigrant and Female-Owned Business Opportunities**

Over 25% of California's population is foreign born, resulting in a significant population with a unique understanding of differing cultural characteristics<sup>4</sup>. Immigrants are more prone than the native population to become entrepreneurs<sup>5</sup>. For many immigrant groups, one of the primary ways the American dream is realized is through starting their own business. This provides a means of using skills they bring from their home country to support themselves and their families.

It is estimated that by 2002, more than a third of all female business owners in California will be owned by women of color<sup>6</sup>. Most of these businesses are small. The impact they produce on the California and U.S. economy, however, are quite large. Between 1987 and 1997, the amount of U.S. small businesses exporters tripled from 65,900 to 202,185<sup>7</sup>. In 1997, 97% of U.S. exporters were small businesses, totaling to 202,185 small businesses<sup>8</sup>. Since 1992, almost 20 million new jobs have been added to the U.S. economy through small businesses. Approximately 50% of the U.S. gross domestic product is provided by small businesses<sup>9</sup>.

### **The Resource Gap for Small Businesses**

The Technology, Trade and Commerce Agency (TTCA), through the Office of Export Development, and the California Export Finance Office, provides services to California businesses through seminars and trade shows. However, if businesses are not informed about TTCA and the services they provide, they will not be able to utilize their services. In addition, the witnesses representing the business community explained that the amount of services provided by TTCA was limited and was too narrowly focused on trade shows, which did not give businesses further options for assistance after they attended a trade show.

A majority of witness testimony focused on services provided by governmental entities that need to be streamlined and consolidated with other agencies and organizations in order to provide businesses with better assistance. Currently, businesses receive limited information regarding available services or they receive no information at all. This leaves those businesses without the necessary information they need to successfully enter the international trade market.

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<sup>4</sup> QT-02. Profile of Selected Social Characteristics: 2000. Census 2000 Supplementary Survey Summary Tables. [http://factfinder.census.gov/home/en/datanotes/exp\\_c2ss.html](http://factfinder.census.gov/home/en/datanotes/exp_c2ss.html).

<sup>5</sup> Portes and Rumbaut. "Making it in America," Immigrant America. U.C. Press, 1990.

<sup>6</sup> Robinson-Jacobs, Karen. "Minority Women's Businesses is on Rise," LA Times 18 December, 2001.

<sup>7</sup> "America's Small Business and International Trade: A Report," U.S. Small Business Administration, Office of International Trade. November 1999.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

**Conclusion**

California businesses have many resources that can assist them when entering the international trade market. Unfortunately, many new businesses are unaware of these services, which makes better outreach to these entrepreneurs necessary. In particular, immigrant entrepreneurs are often unaware of these services because they may not be linked to mainstream outreach systems. While working to coordinate services, creating a streamlined system of available resources and services would help businesses that are currently struggling to understand the services offered by each organization.

The Technology, Trade and Commerce Agency offers many services to businesses in California that are also offered by the federal government, local governments and non-governmental organizations. The overlap of services makes it complicated for businesses to properly find the channels and resources they need to enter the international trade market. Providing information to businesses in a streamlined manner will enable businesses to function more effectively in the international trade market.

While the resource gap continues to be a hurdle, targeted services to women, minorities and innovative immigrants will be important for the economic future of California as these populations continue to increase the amount of international trade they engage in.

**III.**



**Background Report  
Assembly Sub-Committee on International Trade  
Hearing on Small Ethnically Owned Businesses:  
How to Break the Trade Barrier**

**Members:**  
**Jenny Oropeza, Chair**  
**Phil Wyman, Vice-Chair**  
**Wilma Chan**  
**David Cogdill**  
**Rebecca Cohn**  
**Sarah Reyes**

Port of Long Beach  
Boardroom  
925 Harbor Plaza  
Long Beach, California  
October 23, 2001

## **Introduction**

California has undergone dramatic changes in its ethnic makeup over the past few decades. As a result, there is a high volume of diversity resulting from the large influx of immigrants, which has changed the way California does business. Because of California's global geography and influence in the international trade market, it is able to offer its residents and businesses new opportunities for incorporating increased development into the international trade market.

As California moves toward a market incorporating increased international trade, its residents, especially those with diverse ethnic origins, are capitalizing on the prospects for using their cultural links to create entrepreneurial opportunities. These entrepreneurs find that they can tap their cultural resources to enter new economic markets. These markets were widened through the expansion of international trade agreements such as the North Atlantic Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). Since NAFTA was created, Mexico has risen to California's second largest trading partner with \$17.5 billion in trade in the year 2000<sup>10</sup>, which resulted in an increase in jobs and business opportunities across both sides of the border.

An underutilized resource California possesses is its large immigrant population. The most recent census data show the dramatic increase in legal immigration to California, 1,807,953 persons between 1990-1998<sup>11</sup>. Over 25% of California's population is foreign born<sup>12</sup>, resulting in a significant population with a unique understanding of differing cultural characteristics. This understanding can be used as a tool to gain a better hold on targeting export markets. Successful foreign-born entrepreneurs in the U.S. have been able to conquer these markets. The success of some of the top entrepreneurs in the country reaches combined assets of around \$39 billion<sup>13</sup>.

The increase in immigration to the U.S. over the past 20 years has had much to do with the current economic success the country enjoys, which makes the creation of increased opportunities for these individuals important to the economy<sup>14</sup>.

Immigrants are more prone than the native population to become entrepreneurs<sup>15</sup>. For many immigrant groups, one of the primary ways they work to realize the American dream is through starting their own businesses. This provides a means of using skills they bring from their home country to support themselves and their families.

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<sup>10</sup> NAICS (North American Industrial Classification System) Series – MISER. California Technology, Trade and Commerce Agency, California Exports by County. 2001

<sup>11</sup> DDI for Legal Immigration to California by County, 1990-1998/prepared by the California Digital Library,--Oakland, California: CDL, 2000. (09OCT2001)

<sup>12</sup> QT-02. Profile of Selected Social Characteristics: 2000. Census 2000 Supplementary Survey Summary Tables. [http://factfinder.census.gov/home/en/datanotes/exp\\_c2ss.html](http://factfinder.census.gov/home/en/datanotes/exp_c2ss.html).

<sup>13</sup> Brenner, Reuven. "Land of Opportunity," *The Forbes* 400. October 12, 1998. P. 66-67.

<sup>14</sup> Valuing Human Differences: Immigrant Entrepreneurs in Chicago.

[www.grottocom.com/valuing/overview.html](http://www.grottocom.com/valuing/overview.html). October, 9, 2001.

<sup>15</sup> Portes and Rumbaut. *Making It in America, Immigrant America*. U.C. Press, 1990.



One of the primary factors preventing businesses from entering export markets is a lack of understanding cultural differences, which can influence whether or not the launch of a particular product will be successful. Immigrants often have an understanding of various cultural factors, which may assist them in finding niches where particular products or services may be successful.

“Small firms make two indispensable contributions to the American economy. First, they are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation that leads to technological change and productivity growth. Second, small firms are the essential mechanism by which millions enter the economic and social mainstream of American society<sup>16</sup>”

### **Background**

With the creation of the General Agreement on Trades and Tariffs (GATT) in 1947, came a new era where individual nations came together to form multi-national agreements regarding trade policy. This new mindset helped to spawn the creation of the World Trade Organization (WTO) and the most recent North American Free Trade Agreement (NAFTA) and the developing Free Trade Agreement of the Americas (FTAA).

The increased integration by the United States into international trade agreements altered the course of how businesses enter and flourish in the international trade market. The expansion of globalism through these agreements caused a surge in exports and foreign investment in many parts of the world, particularly East Asia and Latin America<sup>17</sup>. The increase in international trade in these particular areas of the world has had a profound affect on California's markets as many of the countries in these areas are some of California's top trading partners, including Mexico, Korea, Taiwan, Singapore, Hong Kong, China, Malaysia and the Philippines.

Small businesses are one of the key components in the international trade picture. Between 1987 and 1997, the amount of U.S. small businesses exporters tripled from 65,900 to 202,185<sup>18</sup>. In 1997, 97% of U.S. exporters were small businesses, totaling to 202,185 small businesses<sup>19</sup>. Since 1992, almost 20 million new jobs have been added to the U.S. economy through small businesses. Approximately 50 percent of the U.S. gross domestic product is provided by small businesses<sup>20</sup>.

California has particularly had a strong impact on the economy and is constantly aware of changes in the global market. Because of California's sensitivity to international markets, it continuously adjusts its markets in order to remain competitive. As borders of

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<sup>16</sup> “The New American Evolution: The Role and Impact of Small Firms,” Office of Economic Research, Small Business Administration Office of Advocacy. June 1998.

<sup>17</sup> *Global Capitalism: Can it be Made to Work Better?*, Business Week. November 6, 2000. P. 74.

<sup>18</sup> “America's Small Businesses and International Trade: A Report,” U.S. Small Business Administration, Office of International Trade. November 1999.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

nations become blurred through the integration of international trade, California will continue to be a major contributor to the innovation of where many of these markets flow.

### **Barriers to Becoming an International Player**

One of the most significant factors that will keep businesses from entering a market is a lack of understanding a particular market. Many ethnic and immigrant businesses have a competitive advantage when entering international markets because they understand the culture of those markets. However, what many of these entrepreneurs do not understand are various market factors that must be overcome to enter the international trade market. One of these factors is understanding the legalities of the international trade market. Small businesses often do not have the expertise or the resources to understand the complexities of international trade law. In addition, the financial fear of attorneys can keep a small business from entering a market.

An additional factor that keeps small businesses from entering the international trade market is the lack of understanding the foreign market they wish to enter. Many of these individuals understand the various cultures that affect the market, but do not understand the particular economic market itself. Again, the dilemma of the small business is a lack of resources to learn the necessary techniques to enter a market, which will often keep the entrepreneur from taking the first steps to enter a market out of fear of the costs involved.

Many resources are available to small businesses to assist them with the necessary tools they need to enter the international trade market. Some of these tools include financial assistance, attorney services and business counseling<sup>21</sup>. Unfortunately, many small businesses are not aware of these services, which leaves them giving up on the international trade market before they attempt to enter it.

### **State Efforts to Enhance Small Business Role in International Trade**

Many small businesses are hesitant to enter the international trade market. These fears stem from the lack of knowledge about international markets and what types of products would be successful for exporting. In order to assist these businesses, the California Technology, Trade and Commerce Agency (TTCA), as well as many non-governmental organizations and federal agencies have set up programs to assist small businesses. These services include information and materials to help businesses understand the various obstacles needed to be overcome to enter into the international trade market. These programs have been very successful and have helped to catapult California's export market to over \$122 billion and import markets to over \$209 billion in 1999<sup>22</sup>.

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<sup>21</sup> Weiss, Bernie. "Operational Review Report for the International Trade Development Initiative," California Community Colleges Economic Development Program. December 1, 2000.

<sup>22</sup> Department of Commerce, Bureau of the Census, Value of Exports and Imports through California Ports, by all Modes of Transportation, 1992-1999. <http://www.census.gov>.

The following are federal, state and non-governmental organizations that provide services to help small businesses enter and compete in the international trade market:

**United States Small Business Administration (SBA)**-Provides financial and federal contract procurement assistance, management assistance, and specialized outreach to women, minorities and armed forces veterans, while also providing loans to victims of natural disasters and specialized advice and assistance in international trade.

SBA's current business loan portfolio of roughly 219,000 loans worth more than \$45 billion makes it the largest single financial backer of U.S. businesses in the nation. Over the past 10 years the SBA has helped almost 435,000 small businesses get more than \$94.6 billion in loans.

SBA branches out to increase business participation by women and minorities along new avenues such as the minority small business program, microloans and the publication of Spanish language informational materials.

**United States Export Assistance Center**- The international programs and services of SBA are delivered primarily through the U.S. Export Assistance Centers (USEACs), which offer a full range of federal export programs and services. Clients receive assistance by professionals from the SBA, the Department of Commerce, the Export-Import Bank, and other public and private organizations. Each USEAC works to meet small business needs in export marketing, trade finance assistance, customized counseling and customer service.

**United States Department of Commerce (DOC)**- Promotes job creation, economic growth, sustainable development and improved living standards for all Americans by working in partnership with business, universities, communities and workers to: 1) Build for the future and promote U.S. competitiveness in the global marketplace by strengthening and safeguarding the nation's economic infrastructure; 2) Keep America competitive with cutting-edge science and technology and an unrivaled information base; 3) Provide effective management and stewardship of the nation's resources and assets to ensure sustainable economic opportunities.

**California Technology Trade and Commerce Agency, Office of Export Development**- The Office of Export Development (OED) offers an array of innovative export marketing services specifically designed to help California's small and medium-sized companies compete in export markets. OED has international marketing specialists that provide information to assist small and medium-sized firms to participate in dozens of the world's leading trade shows. In addition, OED introduces California companies to visiting delegations of overseas buyers and assists foreign companies seeking California products.

**World Trade Center Associations (WTCA)**- Supports the international business development of its members and the community. The WTCA stands outside of politics across national boundaries to provide service to those who develop and facilitate international trade. There are currently more than 750,000 members of over 212 World Trade Centers in 101 countries.

**Center for International Trade Development (CITD)**-Works to strengthen the competitive ability of small to medium sized businesses by coaching them on subjects relating to the global marketplace. By partnering with other economic development agencies, CITD's work to build strong businesses while having a positive impact on the regional economy.

**Export Legal Assistance Network (ELAN)**- Provides international trade attorneys from the Federal Bar Association who provide free initial consultations to small businesses interested in starting export operations. The U.S. Small Business Administration and the U.S. Department of Commerce as well as other federal, state and local agencies refer clients. ELAN attorneys help small and mid-sized businesses identify the export-related legal issues for their products or services as well as suggest ways to handle these issues.

### **Conclusion**

As one of the key engines driving our state's economy, the expansion of international trade will be important to our economic future. Small ethnic businesses are a vibrant sector of our state's economy and offer a fertile resource to bolster our trade efforts. The international market is dynamic and evolving, presenting many problems and risks, along with the potential for high returns.

Public and private trade organizations offer small businesses a range of services to help access international markets. While these efforts have had some success, many ethnic small businesses still face barriers that keep them out of the international market. Whether they are put off by legal concerns, financial considerations, or a lack of understanding of a foreign economic market, understanding these problems will be crucial to crafting solutions that can facilitate access to foreign markets. Helping bridge the trade barriers for small ethnic business can become an important source of jobs and economic growth for the state.



## IV Summary of Legislation

### 2001 International Trade Legislation

#### *Bills Passed by the Legislature*

**AB 366 (Oropeza):** Would require that prior to the funding of any new trade office, a business plan must be submitted to the Technology, Trade and Commerce Agency detailing a number of factors related to the potential benefits to the state that may result the proposed trade office. The bill was designed to increase accountability and ensure the decision to set up a trade office is a sound financial investment based on objective criteria.

Status: Vetoed

**AB 968 (Chan):** This measure amends existing law to formally place the Offices of Foreign Investment, Export Development, California-Mexico Affairs, Trade Policy and Research, Export Finance, the California State World Trade Commission and international trade and investment offices formally within the International Trade and Investment Division of the State Technology, Trade and Commerce Agency. This bill is a technical clean-up bill that is intended to codify administrative updates within the agency.

Status: Chapter 189, Statutes of 2001

**SB 1044 (Kuehl):** This measure would assess the potential impacts to California labor laws as a result of international trade agreements, such as the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). It would require the Director or Industrial Relations to consult with the Legislature as well as the public to determine which California labor laws could be considered in conflict with federal trade rules.

Status: Vetoed

**SB 1111 (Kuehl):** This is a companion bill to SB 1044 (Kuehl) and would assess the potential impacts to California environmental laws as a result of international trade agreements such as the WTO and NAFTA. The California Environmental Protection Agency would consult with the Legislature as well as the public to determine which California environmental laws could be in conflict with federal trade rules.

Status: Vetoed

#### **Past International Trade Legislation**

**AB 2889 (Assembly Consumer Protection, Governmental Efficiency and Economic Development Committee 2000):** This bill made technical and name changes to reflect current organizational structure primarily for the State Trade and Commerce Agency and various boards and commissions within the State Department of Consumer Affairs.

Status: Chapter 1055, Statutes of 2000

**AB 61 (Cardoza 1999):** This bill promoted exports from the state's rural areas by establishing a rural manufacturing and service export program, to be known as the Rural Export Strategy, within the Trade and Commerce Agency. Further, it requires the state's overseas trade offices to become knowledgeable about products and services available from rural areas.

Status: Chapter 598, Statutes of 1999

**AB 180 (Havice 1999):** This bill required the Trade and Commerce Agency to develop a statewide alliance of public-private trade development organizations to undertake specified tasks in the development of trade opportunities in the state. The bill authorizes the Trade and Commerce Agency to adopt emergency regulations and requires a report to the Legislature by December 31, 2001.

Status: Chapter 565, Statutes of 1999

**AB 1240 (Ashburn 1999):** This bill expressed legislative intent for specified state funding of certain international trade activities at the existing California Central Valley International Trade Center in Tulare.

Status: Chapter 141, Statutes of 1999

**AB 1617 (Havice 1999):** This bill required the State Trade and Commerce Agency to review and report on the effectiveness and coordination of the State's international trade programs.

Status: Chapter 242, Statutes of 1999

**AB 2493 (Bustamante 1998):** Provided funds (\$100,000) to the Department of Food and Agriculture to allow the Department to conduct market research critical to the viability of the industry and to the expansion of foreign markets for California agricultural commodities. This bill was designed to provide additional funds for critical needed market research that identified market trends, emerging industry issues and global competitiveness

Status: Chapter 574, Statutes of 1998

## V. A.

**Opening Remarks:**

*Jenny Oropeza, Chair  
October 23, 2001*

Good morning everyone and welcome. I am very pleased to see you all here as we convene this hearing of the Assembly Sub-Committee on International Trade. This morning, and this afternoon, we will be looking at one of the most underutilized resources that California has to offer and that is the international trade market. Small and ethnic businesses within the international trade market deserve additional attention and focus. We want to thank the representatives who have come here today to help us to do just that.

California is the most diverse state in our nation and is growing more diverse every year. Nearly one in four Californians is foreign born. This means that hundreds of countries, and, of course, their markets, are represented throughout communities in our great state.

Ethnic businesses contribute greatly to our economy here in California and immigrants in particular, show a great propensity for Entrepreneurship. Diversity is clearly our strong suit here in California, and the immigrant businesses have significantly contributed to California's economic success, drawing on their cultural backgrounds and their connections with their mother countries, helping to create new products and expand markets overseas.

As one of the largest economies in the world, we are ideally positioned on the Pacific Rim as Californians to expand upon and, indeed, make these ethnic differences our secret weapon as an economy.

Unfortunately, in my view, these markets have not been tapped to their fullest potential, and that is really our focus today. Many small businesses are not aware of the services that are available to assist them in entering the international markets. Most small businesses do not have resources available to them as are in large businesses to assist them with legal or fiscal burdens that they have to overcome in order to enter the markets.

The purpose of our hearing today is to evaluate the current situation in California by identifying:

- How small ethnic businesses get into the international trade market;
- The barriers that they face in this process; and
- What we can do to help remove those barriers.

We want to uncover and better understand the obstacles faced by all small businesses when they enter the international trade markets. We also want to evaluate the

effectiveness of the services that are offered to small businesses both by public and private organizations.

We are going to hear about the complexities of international trade. Our witnesses represent both those who facilitate trade and those who have succeeded by tapping into international markets.

I believe that we must address these issues to prevent our small ethnic businesses from continuing to be barred or inhibited from meeting their full potential. We need to know how the market is currently moving and we need to know who the players are, we also need to understand why small businesses enter or withdraw from international markets.

We are anxious to hear your ideas and your thoughts to use that information to perhaps devise, or amend our current programs or look at new approaches the state might take in helping to open up this hidden, under-tapped opportunity.

I believe we face very important opportunities and challenges in this arena. In particular, as we look at an economic dip, this is a chance for us to make more of the great resources that we have here in the state of California.



**B. Ken Ackbarali, Vice-President and Managing Director of Economic Consulting, Los Angeles County Economic Development Corporation (LAEDC)**

*Transcribed Witness Testimony*<sup>23</sup>

I am very pleased to be invited to address this hearing to share in today's deliberations and to represent the Los Angeles County Economic Development Corporation.

In looking at the subject of today's discussion, I would like to conform completely with the focus and concentrate on export trade in California, and especially the small ethnic businesses that are involved in that trade and what inhibits them, or constitutes barriers to their entry. To do that, I will make remarks in five areas and again stay within my time frame. One is the size and dimension of California's export trade business. Where are our major markets or destinations or buyers for exports? What products are the leading exports in the picture, and that, of course, will reflect the major composition of our very complex economy. The employment impact, because we are all concerned about jobs, and the creation of jobs. Finally, the hurdles and barriers that we hope you can do something about.

First of all, I found that the best statistic to use in measuring and describing California export trade, is what we refer to as the MISER Series (Massachusetts Institute of Social and Economic Research) at the University of Massachusetts. This measures the role of the Commerce Department and captures the universe of our export trade, especially the difficult components of trade moving to Mexico over land, and to Canada over land. Those are often understated, in fact, they are practically left out in the customs district dealing.

Using the MISER Series, it takes in total exports originating in California, the figure for last year was close to \$130 billion. That total dollar value of California export trade more than doubled in the last ten years. In fact, it increases 122% over the 1990 base. For this year, so far, the increase for the first half of the year was very small because many countries in the world to whom we export are either in recession or close to recession and are not buying as many goods as we thought. Plus, we had the high-tech melt down, which has affected a major component of trade. The long-term forecast, however, if you look beyond this current impasse, is for California's trade, both import and export, to more than double over the next twenty years. Most forecasts that you see that suggest more than doubling and nearly tripling for the year 2020 or 2025 are fairly plausible when you look at the assumptions in back of those numbers.

Importantly too in evaluating what is meant by this \$130 billion of goods and exports is to look at the size of California's economy, which is now \$1.33 billion in terms of the gross state product, so export trade alone accounts for about 10% of the total California economy if you measure it strictly in dollar terms.

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<sup>23</sup> Submitted testimony included in appendices.

Now as to the major markets to watch: It's often thought that these are mainly in Asia, to some extent in Latin America, but they are actually quite distributed around the world. I chose just the top ten to illustrate the really big ones. Mexico is now number-one. It overtook Japan two years ago with \$19 billion last year in exports. Japan is \$17.3 billion; Canada, \$15.1 billion; South Korea, \$9.1 billion; Taiwan, \$8.0 billion; the United Kingdom, \$6.3 billion; Germany, \$5.6 billion; Singapore, \$5.3 billion; the Netherlands, \$5.1 billion; and Hong Kong, \$4.5 billion. So you see, the distribution there between the European Union countries, Latin America and Asia. We have to pay attention to the global economy, not just looking towards the Pacific or looking South.

In terms of the major products, what is it that all of these countries want from us? Well, there is no question in my mind that we are the high-tech leaders. Amongst the top ten are: the electronic & electrical equipment; industrial machinery, and that includes computers and computer parts, instruments and related products, which are \$12 billion; transportation equipment; chemicals, food and kindred products; agricultural products and crops; other manufacturers; fabricators of metals and rubber and plastic products. So there is a host of what I call, complex industrial manufacturer products, but with an emphasis on high-tech and aerospace.

In terms of the employment impact, we did some analysis of the number of jobs that are directly related to international trade in the five-county Los Angeles area. I am sorry I do not have that for the whole state of California, but you could look at the five-county area as being about one-third of the state as a rough approximation of what the state number might be. This analysis is based on allocated shares of communications, transportation, wholesale trade, financial services and professional services, sometimes referred to as service providers or the logistics side of international trade, rather than only the manufacturing side. If you look at imports plus exports together, roughly 458,000 jobs are dependent directly on international trade in the five-county region.

That sector of the economy has been growing rapidly, measured by the employment effect. Our calculation shows that the growth rate over the last twenty years has been roughly 4.9%. That is the compounded annual rate growth for the twenty-year period. That is more than three times the growth rate of the overall economy, which has resulted in a 1.5% increase in total non-farm employment over the same period. And remember that is during a period where we had a very severe recession and a reconstruction of the economy in the 1990's due to the aerospace downturn.

Finally, what are these hurdles to exporting? Now, different observers have different views of these hurdles. I came to these views from my economic studies of international trade and export markets, but also by doing some field research for a couple of my clients who are concerned with ethnic businesses and ethnic populations in California generally. By asking the question, a very structured question, in a questionnaire format; what is your biggest concern, barrier or hurdle to exporting and why do you not get into it, or why do you have difficulties increasing your export business when you first make entry into the market? These are the best answers that I have found: 1) Finding markets for California products. There is a need to become aware of how to do that. Where are the markets?

What countries? There is some resistance to looking at the export assistant programs of the state government, federal government, trade organizations and other private groups of not knowing how to begin that process. It appears to me that trade missions and trade shows could be helpful. Another, is doing market research on how distribution of the product is done. For example, car parts or electronic products, metal products, etceteras in foreign countries. Again it seems that there is difficulty in connecting with the trade offices overseas that are set up to do exactly that: making that connection. There is a fear of the unknown in dealing with foreign cultures, foreign languages and foreign business practices. Here is where education can help your workshops and seminars that are focused and directed to what those issues and problems are.

Financing arrangements. The idea of foreign exchange risks is very scary for a small business. Difficult to understand is technical stuff and here is where bankers, for example, can be helpful in getting small companies over that hurdle. Understanding how to use Letters of Credit and how to use trade finance tools. Another is, arranging the logistics through freight forwarders and shippers, and still another is basically the complexity of the customs regulations, tariffs, duties and some of the technical specifications for products that are fairly complex. Here apparently, there are websites and information sources, one on which is the trade and information center of the U.S. Department of Commerce that helps in that area.

Finally, on the positive side, two things stand out that are encouraging in this area. One is that, as has been said earlier, the immigrant community possesses a first hand knowledge and understanding of the markets in which they came. They function in a multi-cultural environment and they are not as isolated or are not as fearful of dealing with the markets that are somewhat more scary for the mainstream population. They also are indeed quite entrepreneurial in terms of being risk-takers and also venturing into areas of business. That is very encouraging as well.

I would like to close by saying that it is a fact that California's economy is most able, can be more stable and can be stronger as a result of international trade expansion, because indeed, when we slow down here for whatever reason, whether recession or some structural realignment as we had ten years ago with aerospace, the external demand products from other markets other than the other forty-nine states can indeed be a major stabilizer in the growth area.

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### Question & Answer

#### Assemblymember Oropeza:

The worldwide economic downturn that you mentioned: how does that relate to future prospects for export opportunities? Is that a permanent adjustment in terms of what markets our folks should be looking toward?

Mr. Ackbarali

I see this downturn as a temporary setback. It is very likely that we would have gone into a global downturn or a global recession even if we did not have the September 11<sup>th</sup> attack on our country and now our being on the war footing. That event has pushed us directly into a recession in the United States, which I believe actually started in the third quarter and will probably last about nine months, but that is the optimistic forecast. There are others who believe it will last for all of next year.

This is a setback that we will recover from, one of the factors that has pushed us into this is the high-tech meltdown, and the setbacks in the equity markets and very heavy indebtedness of some countries, such as Argentina, Turkey and so on. It would be inconceivable that even if we have a full-scale global recession that it would last for maybe 12 to 15 months at the very worst. After which, we will see international trade begin to grow again and exports from the U.S. will go back to a fairly normal growth rate, we will begin to import more because our demand conditions will be stronger. I see a period ahead here where we have got a hiatus in terms of growth and expanding markets and during a time like that we can get reorganized. It gives us the chance to get ready for the next growth spurt.

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**C. Mark Matsumoto, Chairman, Southern California District Export Council***Transcribed Witness Testimony*

Thank you. I am a substitute for the Commercial Service and I am not sure if you have in your packet, a press article about the commercial service<sup>24</sup>. I am here both as a representative for the U.S. Commercial Service, it is the federal promotion agency for exporters, but I am also here as a minority business owner and the Chair of the Southern California District Export Council.

Quickly stated, the commercial service offices federal resources through a nationwide network of 100 plus offices throughout the United States. I am happy to report that 16 of those are in California and through the assistance of our export council, one has been recently opened in Indio on a Native American Reservation and another, just recently in Bakersfield, California. We think that is going to be a good resource for the rural exporters.

The commercial service has their sister organization overseas, which reaches 100 offices in 100 countries through the U.S. Embassies. In addition to that, the District Export Council is an advisory group that is appointed by the U.S. Secretary of Commerce. Their appointment is to help advise and provide insight from the private sector about how government can be more productive. Actually, from the group here today there are three members that you are going to hear from that are on that council, including myself.

I think it is quite useful to get the perspective and input of actual business people, and that is what the Export Council strives for. I am also happy to tell you that I was just in Washington, DC, and the new appointed Assistant Secretary for the Commercial Services' number one mandate is to reach out to minority, woman-owned and under-served communities with export assistance. At a national level, there is certainly a target to work with these companies.

I am very happy to say that our Export Council covers all of Southern California, all the way up to Kern County, Bakersfield, all the down to North County, San Diego, including the Inland Empire and Ventura County. We have about fifty plus members, but we have about 40% of our members are either minority business owners or woman owned businesses. We are really leading the way in California, particularly Southern California and are of the perspective that you need to have this critical niche, which is the minority owned businesses and to help them overcome the trade barriers.

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<sup>24</sup> "Program Helps Firms Sell Abroad," *Los Angeles Times*. January 24, 2000.

What I would like to talk to you about is actually some of the services the Commercial Services instituted to target minority companies, but actually provide crafted assistance programs that will help these companies expand into international markets. You are going to hear from one of the speakers later from the state, Maria Solomon, who was the first Director for the Global Diversity Program that is mentioned in this article. Maria started this program here in the West Coast and helped one of my companies that was based in Houston that I buy from as a supplier, as one of the first sites.

I can tell you that specific company went through an eight week training program with everything from marketing and legal and market research, all key segments that we needed, plus more importantly, we are talking about, and you are going to hear repeatedly today, dealing with access to resources. One nice thing about this program is it makes these resources available to the companies so they do not have to go search for it. They are going to be introduced and, like the panelists you have heard today, they are going right before the minority companies.

After eight weeks, some of the programs are less in terms of the time these companies now have an understanding of the resources available to them. They have a regional contact, and the nice thing is if we look at the results, I can tell you in Southern California, since this program was instituted, 125 companies have graduated from the program. Over 200 companies are in the state of California alone. There is a satellite that has been done in the Bay Area as well. We are happy to report there are actually success stories.

Now I will tell you the company I work with, at arms length in Texas, since they graduated in June of 1999, I can quantify over one half million dollars in exports of their water treatment exports to Japan and South East Asia. But at a local level, one of the first graduates, Linwood Warren, who is based in downtown Los Angeles, has been able to sign contracts by going on a federally funded trade mission to Canada, as well as doing some business now in West Africa. He has been able to take advantage of contacts, as well as some of the promotion tools that the Commercial Service offers.

Another graduate that recently graduated, Allbright Auto Polish, signed a Letter of Intent for a \$250,000 agreement to license their product in the market of Canada for 2002. We are excited about the success stories and hopefully we will see many more in the months to come. I should note that this program was carried out nationwide not just limited to Southern California. The numbers seem to be very similar with the results throughout the United States.

How do we identify and find minority companies that are suitable to do international business? I will tell you, for anyone that has a federal agency or a state agency as advisors or mentors, and you are going to hear from Centers for International Trade Development and other agencies, they all have advisory boards.

The most difficult thing is to identify companies that are export ready. I have found, as a business owner and sharing on our council, that the best way is really through grass-roots involvement. That is, Linwood Warren being successful telling his connections or



business associates that this program really worked, or at Albright Auto Polish, telling his counterparts in his auto after-market industry that there is a really good program you should leverage. We found the very best credibility is the word of mouth.

You are going to hear from some companies today on the panel that have actually succeeded in breaking the barrier down. I think they will be a testament as well that they learned from another company and they have been able to tell companies they know because they have been directly successful.

In particular, the U.S. Commercial Service has made a concerted effort to work with ethnic chambers and associations. I will name just a few in Southern California that operate that the Commercial Service directly is involved with. Some of these include the Latin Business Association, the U.S. Hispanic Chamber, the Black Business Association, MOBY, which is a Black information-technology entertainment association, which actually, later in the month, will be in Washington, DC to be recognized for their efforts to develop companies, both domestically and internationally, and the Asian Business Association.

Kristen Huston, who could not be here today will be doing event planning for the Latin Business Associations first exporters award later this year and will also be leading a trade mission to Mexico for the Printers Association in conjunction with the Latin Business Association. There is direct work to provide resource content into associations that are looking to provide value to membership. These associations, particularly ethnic, are going to aggregate, likely, the more qualified candidates to provide export resources too. We found that that is a very good partnership.

In addition, there was a statewide, all Hispanic Chamber meeting last year. Kristen and myself went and presented as panelists on international trade and we found at least 20 companies that were not aware of export services. Many times, these events will cater to minority companies that otherwise would not go out and seek federal, state or local level services. It is best, many times, to get the delivery through the ethnic association because a start-up entrepreneur will start where they feel comfortable and many times that is with their own ethnic association.

As we have heard already, your best focus as a potential exporter is to go to your home market, where you speak the language and where your ethnicity is. We find there are efforts by these aggregators to focus on their own market, whether it be the Vietnamese Chamber leading a trade mission to Vietnam, the Latin Business Association leading a mission to Mexico. It is likely that commercial service and other organizations can provide resources through that channel.

I would also like to say that, on an annual basis, in downtown Los Angeles there is a African Development Bank event that focuses on doing business in West and South Africa. It has grown to have over 100 minority Black business owners the last two years and that is bringing the federal resource from the African Development Bank and then going through some of the local political offices such as (Congresswoman) Maxine

Waters and Diane Watson who have aggressively supported the event. It also takes your type of outreach to your constituents about the availability of these programs because commercial service is known as the best kept secret and one of the mandates of the new Assistant Secretary is to go through political channels, to go through trade associations as well as the grass roots affect. There is a variation of all the tools available to get the word out to potential export candidates, both minority and mainstream, because there is also a problem with a lot of mainstream business owners knowing about the resources.

I was recently at a Los Angeles Economic Development Corporation meeting last week and it was very interesting. They had four entrepreneurs giving their success stories and all of them said that they were able to get into the business world and succeed without the help of the incubators, but that they would have liked to take advantage of federal and state resources. The problem was they did not know where to find them or were not aware of them. So there is still a problem, even with successful entrepreneurs not knowing where to get these resources. More work obviously has to be done.

Finally, another ethnic association event that was supported this year was the Asian Business Procurement event in Orange County that drew well over 1,000 business owners. Many times, coat tailing with other events is a great way to get the word out other resources like export promotion. That was focused on procurement, but many of these companies wanted to do international business as well.

One thing that I would like to point out is that it is not enough to get the word out to the masses. There is certainly an effort to get access to resources and to publicize the resources, but for any trade promotion agency, it is not just numbers. It is quality. The best way to reach qualified candidates, in my opinion, is to work closely with trade associations. This is something that commercial service has really made a concerted effort recently to do.

I can give you a couple of those examples. The first one I mentioned is the Printer's Association, which now, Kristen Huston and the Commercial Service will be leading a very specific trade mission to Mexico in three key cities to find their counterparts. It is likely that these associations are the best aggregators for qualified minority companies. In fact, as a follow up, Kristen told me that the Printers' Association already has set aside 10 companies that are actively doing business who want to go international that are ethnically owned companies who would like to be part of the next Global Diversity Program or SBA Export Trade Assistance Program (ETAP). Many times, the associations are the best ones to identify who are minority companies that could benefit from these resources and they are greatly lacking in their ability to deliver these resources.

In addition to the Printer's Association, a couple of other local associations, I would like to mention that work closely with the commercial service and other trade promotion organizations. The first one is called SEMA, Specialty Equipment Manufacturers Association. It is the largest auto after market industry association in the world. They have an annual trade show which will be coming up in Los Vegas that draws over

100,000 visitors and about 3,000 exhibitors, many of which, are minority companies. In the past, EMAC has done outreach programs to this organization as well as the commercial service and other state-level associations, but they are a good delivery systems.

There is a very specific ethnic association called the Korean Apparels Association, and the Commercial Services works actively with this group to lead trade missions down to Latin America and has had direct results. This is a group of several hundred Korean American owned apparel companies.

It is in cross-vertical industries that we are seeing success, but again, these associations are the first line of defense to find the qualified company, which again I would point out is the critical importance to find the qualified company that is ready to go international.

You are going to hear later on from companies who have broken through the barriers, I can speak myself that as much as we want to publicize the resources and as much as they are available, you still, as a company, have to be committed to going international and put resources aside to be able to succeed.

One event our Export Council has recently conducted in conjunction with the Commercial Service and a trade association was related to the National Association of Broadcasters Annual Trade Show, which is every April in Las Vegas. We were able to bring together the foreign buyers to come to that show, over 500, with 40 exhibitors, 13 of which were minority companies, where there and had a captured audience with foreign buyers. Out of this we are able to see many transactions and most of the companies that attended made many new prospects at one event that cost less than \$500. What is important about this, because I am going to segway into what is the Commercial Service offers specifically to help exporters is one layer of the federal government, which is a program called the International Buyer Program. What this group does is work to bring foreign delegations to trade shows.

Whether it be the SEMA show that I mentioned, or the National Broadcasters Show, or Comdex, many times there will be as many as 25 to 30 delegations with up to 100 members coming in. The problem is, many times the delegations come in and disperse. Our council is working to bring these delegations into California on a reverse spin-off or to have a targeted opportunity for exhibitors or non-exhibitors to come and meet these buyers. The number one thing that will perk the interest of a business owner that is not doing international business is not saying there is another seminar available, but to say, I will put you in front of a qualified buyer. That is really in this day and age, what companies are looking for.

How do you cut to the chase, put me in front of foreign buyers? I am happy to say we are working on in February 2002, a reverse mission for a builder show to China and Japan, event for the all product show in March and a redo at the Broadcasting show in April.

Finally, the Commercial Service has a number of low-cost programs that will help minority companies find out what the best markets are, as well as actually screen and find appointments should they want to go overseas.

The last thing I would like to show you is an article that recently broke in a Commerce publication, this is called, "Export America." You are going to hear later on from this company, Lulu's Desserts. There is a real effort to focus on minority companies, but also to publicize their success. Maria has been very successful in using all the trade resources to break into the international markets. It is nice that there is good publicity to help other companies learn that it is possible and that the resources are available. Again, I would stress the most important thing that you can focus on is the grass-roots outreach, as well as emphasizing that for companies, they have to be committed to this endeavor or they will not be successful.

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**D. Martin Selander , Commercial Loan Officer, International Trade Specialist,  
Small Business Administration**

*Transcribed Witness Testimony*<sup>25</sup>

My job function deals with primarily expediting and processing Small Business Association (SBA) guarantee trade finance loans. In the past 18 months, our staff has been pared down from five to two employees. One of the departing employees was an out resident Export Trade Assistance Partner Program (ETAP) coordinator. In her absence, we are working to maintain the momentum of the ETAP program.

To briefly explain, the SBA is one of three federal agencies in the U.S. Export Assistant Center Partnership, the USEAP. The USEAP concept was created by the inter-agency Trade Promotion Coordinating Committee. The TPCC, was itself created in statute by the Export Enhancement Act of 1992 to coordinate the delivery of federal export promotion services, to carry out Congresses intent, three TPCC agencies, the SBA, U.S. Department of Commerce, Commercial Service and the U.S. Export/Import Bank. It established a domestic network of one-stop shops, which are called the U.S. Export Assistance Centers. These agencies were to coordinate among themselves as well as with non-federal organizations to deliver a full rage of export education, promotion and finance services to small and medium sized exporters and firms interested in becoming exporters.

I would like to emphasize that I just mentioned non-federal organizations and non-federal partners. Over the years, USEAP and especially the Small Business Administration (SBA), have joined a very strong and successful partnership with our friends at the California Trade and Commerce Agency's International Trade and Investment Division, particularly the Office of Export Development and the California Export Finance Office, CEFO: both coincidentally located at the World Trade Center in Long Beach. I also would like to recognize the CEFO Director, Jerry Avila and his staff, who have worked very closely with us at the SBA in providing trade finance services to the local banking and the small business community. In fact, we have an official memorandum of understanding between our two agencies, which allows us to jointly finance eligible export transactions in excess of an amount that either agency could support on their own. This leverage program has allowed our agencies to extend over \$40 million in credit since 1994. Again, my thanks and recognition to the California State Senate, the California State Assembly and CEFO Director, Mr. Avila and his staff for their support.

The Bush Administration recognizes the critical role international trade plays in both the U.S. domestic economy and our foreign policy. President Bush has a strong commitment to "opening markets around the world for the benefit of American workers, farmers and businesses." He has stated that "open trade is not just an economic opportunity, it is a moral imperative." His first priority this year has been to seek Trade Promotion Authority from the U.S. Congress to demonstrate to the world that Congress and the

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<sup>25</sup> Submitted written testimony attached in the appendices.



President are united in seeking the best possible deals for U.S. businesses abroad. SBA has been working to support the President's efforts by educating small businesses and international trade resource providers of the importance of small business exports, to the U.S. economy and the importance of open markets to sustain export growth.

Our USEAC personnel, SBA personnel serve as the primary delivery mechanism for the agencies export assistance programs including marketing, counseling and processing of loan applications. Our primary focus is two-fold: Helping new to export businesses and providing finance, counseling and trade finance programs. Our first annual report of the TPCC (Interagency Trade Promotion Coordinating Committee) back in 1993 identified two major needs for small businesses interesting in going into international trade. First, access to information and second, access to capital. In regard to improved access to capital, SBA responded by developing our Export Working Capital program a short-term, transaction backed loan guarantee program. The number of SBA export loans has increased since the program began in 1984 from 160 loans to 480 loans nationwide in fiscal year 2000, supporting a growth in loan volume of \$77 million up to \$202 million. Here in Long Beach specifically, at our office, our lending volume has grown from 24 loans for \$7.3 million in 1994 up to 85 loans for over \$43.5 million in fiscal year 2000.

In response to the second issue: "Access to Information," the SBA developed our ETAP program. ETAP is another example of how SBA uses their partners to enhance our programs for assisting small businesses. We have identified two distinct categories of small business clients for export assistance. First, small businesses that are not currently exporting that have products with unique market potential that require education, technical and financial assistance. Second, small businesses already exporting that require additional technical risk management or financial services for expansion. Both categories of these clients are welcomed and embraced by our ETAP training program.

The first category of these businesses: those that are not currently exporting is the most challenging group to assist. These firms require extraordinarily high commitment of extensive training and counseling resource because most businesses have no knowledge of international trade. Their evolution of becoming successful exporting companies begins with teaching them the basics of exporting in addition to assisting them with market education, market entry strategies and financial counseling. The period of time from commencement of their decision to export, until they actually enter the foreign market, may extend over a period of years.

The second group identified requires less technical assistance as they are already familiar with the basics of exporting because they have either shipped goods from a foreign buyer or are already exporting to one country. Their need is generally focused on either finance counseling or financial services rather than the other types of export education.

SBA, through its USEAC network provides trade and finance programs for these already savvy companies. I gave you some of the loan statistics a while ago. They represent the most potential for growth and are an important focus for SBA. According to our SBA



statistics, these very small companies, those with less than 20 employees, made up 66% of all U.S. exporting firms in 1999.

To help the firms become export ready, and to provide additional knowledge to those firms, the ETAP program takes small business owners through all stages of becoming an exporter. Class curriculum typically includes seminars on international market research, financing, global marketing tools, cultural etiquette, pricing and quotation, international agreements and contracts, securing shipments, dealing with freight forwarders, and much more. The seminar schedules will vary. We have just kicked off an ETAP series nearby in the City of Santa Ana and this class will meet approximately once a month for two hours a session for 12 months. We just completed a series in Riverside, which met approximately each week for 6 weeks with each class lasted 4 hours. Many of the ETAP courses incorporate foreign trade events to encourage participants to begin the export process once the actual coursework has been completed.

Implementation of ETAP is highly dependent on SBA's partners. Partners who provide coordinated assistance, include our friends at the Small Businesses Development Centers, the Service Core of Retired Executives, the U.S. Commercial Service, Export/Import Bank, California Center for International Trade Development, CFOE and OED, city partners and other local trade offices; individual freight forwarders, customs brokers, insurance brokers, and international attorneys. All of them bring together essential export information at little or no cost to the small business.

In regard to the recruitment process for ETAP classes, typically the databases and mailing lists from all the partners are used to disseminate program information. Marketing materials are likewise distributed to our partners, who subsequently distribute them to potential prospects for our program. Interested companies are invited to our USEAC and introduced to our panel of board members to determine the suitability of their participation.

In 1996, our office initiated our first ETAP class and we had 6 graduates. In the next year in 1997, the class grew to 10. In 1998 we had 8 graduates. In 1999 we had 13 and in 2000 we had a dozen. Presently, in calendar year 2001, we have 3 ETAP sessions that are running concurrently. There is one now in the city of Ventura, which is winding down with approximately 7 companies. The one I mentioned a moment ago in Santa Ana has approximately a dozen and the just completed class in Riverside had 9 graduates.

Plans are underway to initiate ETAP series in other California districts that are served by the Long Beach USEAC, including San Diego, Fresno, Sacramento and San Francisco. We also service out of state districts, including Honolulu, Phoenix and Las Vegas. So, we spread ourselves pretty thin. Fiscal Year 2000, nationwide, our ETAP program provided training to 328 small businesses participants, which resulted in projected export sales of \$138 million.

Let me conclude by saying SBA is excited about prospects for U.S. small businesses in the global marketplace and we recognized the need to continue to adapt and create

programs to keep relevant to the needs of these businesses. We are committed to expanding our tradition of building relationships within the public and private sectors and we will continue to work under the auspices of the TPCC to coordinate and enhance our delivery of export programs to the small business community.

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### Question & Answer

Assemblymember Firebaugh: How do you decide where, and to whom you offer ETAP services?

Mr. Selander: I am going to take the second part first, as far as to whom we offer them, I mentioned once we have develop an agenda we will disseminate that as best as we can through our networking partners. We send out a brief questionnaire. We ask interested businesses to fill that out and briefly tell us a little bit about who they are, what they hope to accomplish and they send that back to our committee. We will screen those and invite the businesses to come in for a brief interview to learn more about them and determine their suitability, and most importantly to determine their commitment to the program and their commitment to breaking into the international arena.

Assemblymember Firebaugh: Do you typically get a strong response?

Mr. Selander: It depends on where we do this. I mentioned we cover many different districts around the state, so we are hopeful in getting one running in every district. It is also a function of the enthusiasm of the partners that we work with and who is able to physically host the location of the class. I mentioned we have one in Riverside that was spearheaded by our partners by the Center for International Trade Development in Riverside. There is one going up in Ventura, which is spearheaded by our partners at the Export Small Business Development Center. So, we are fortunate to have a strong network of interested and enthused partners who are willing to help carry the weight and accept that responsibility. We definitely try to spread the program around. We have had a couple here in Long Beach and I mentioned we have one going on in Santa Ana. So no place is out of bounds.

Assemblymember Firebaugh: I asked the question because I represent the district just up the 710 freeway and the Northern part of my district includes the City of Vernon and the City of Commerce, which, I think, would have a tremendous export capability. Though I would surmise, it is untapped in many respects. And so I am going to ask a question for the purpose of trying to figure out how, perhaps, we could partner to determine how I might be able to identify some businesses, perhaps pull together a facility or partners, certainly from the State of California and indeed, locally.

Mr. Selander: We would be delighted to talk to you further about that and get some more information on how likely a market you think that is and to work with you more closely in maybe setting one up there. We would be delighted and would like to talk to you about that.

**E. Maria Solomon-Williams, Director, California Office of Export Development***Transcribed Witness Testimony*

Today I will be discussing the role that the Technology Trade and Commerce Agency plays and the services that we provide, how we conduct outreach, who we partner with and some of the incentives that we provide to small businesses to enter into new markets. ITI, the International Trade and Investment Division has two programs that are specifically targeted to assisting small and medium sized companies expand their markets globally. I will be discussing the programs offered by the Office of Export Development and Mr. Avila will be discussing the programs offered by the California Export Finance Office (CEFO).

Before I begin with this specific program I would like to give an overview about our organization and how we are structured to provide the services. We have five offices throughout the state, including Sacramento, the Bay Area, Fresno, Long Beach and San Diego. The staff in those offices are responsible for providing companies with the information about export promotion services and the CEFO Loan Guarantee Program. Basically, the programs that we provide are designed to target the small and medium sized company encompassed in California, including ethnically owned businesses. Since our state is so fortunate to have the diversity of many ethnically owned businesses, by our very outreach to the business community, we are always focused on ethnically owned businesses in our every day work.

We have five programs that we offer for the small and medium sized company. I will go through those briefly. Our Trade Lead Program, is provided by the Office of Export Development in conjunction with the state's 12 international offices. The purpose of the Program is to alert small and medium sized companies about opportunities in foreign markets. Our 12 overseas offices, on a daily basis, give us information about foreign companies that are interested in purchasing California products and services. Those leads come into our office and are distributed among the trade specialist who then are in the community and are contacting companies and asking them if they are interested in responding to a trade lead. This service is absolutely free to any small and medium sized company in California.

Our next program is the Partner Search Program. The Partner Search Program again uses the 12 international offices to identify foreign distributors, agents or joint venture partners for California companies. This is a streamlined program that only requires a California company to fill out a very simple questionnaire and you take that questionnaire and send it to our overseas offices and the overseas offices then do the work of identifying the appropriate partner for the California company. This program again is absolutely free to any small and medium sized company in California that wishes to use the service.

Our next program is the Reverse Trade Missions. Again, we work with the 12 overseas offices to bring in delegations of buyers into California and the Office of Export

Development works to identify California companies that are appropriate to meet with the foreign delegations that come in. These delegations come in throughout the state and any one of our five offices may be hosting a foreign buyer delegation or reverse trade mission. Many times, reverse trade missions are initiated by the overseas offices because of the certain demand within their market to purchase California products. Often statewide, the Office of Export Development designs a reverse trade mission because they have identified a major industry within the state that is looking to form partnerships overseas and so we work with the overseas offices to organize that reverse trade mission into California.

Last week we were very successful in hosting a reverse trade mission here in Long Beach, which involved the wastewater industry. We had a delegation of about 15 companies from Hong Kong and Korea that were inquiring about developing relationships with California industries involved in the waste water area.

And then, of course, we have outbound trade missions that we also organize and those are organized statewide. We plan them to be industry focused, although we do have one horizontal mission, meaning that it covers numerous industry segments. We have had two years of our California Technology Mission that goes to Mexico. That is really designed to focus on small ethnically companies that are looking to enter into the Mexican market. We have been very successful. Our first year we had over 25 companies and last year we had about 20. You will be hearing from Mr. Bernie Weiss, from the Centers for International Trade Development, who is our partner in a very successful in this very important venture. He will be giving you more information on that particular trade mission.

We also have industry-focused missions that we conduct every year overseas. Our final program that I would like to focus on is our California Pavilion. This is our international trade show program that the state sponsors. I just wanted to take a minute to discuss the importance of this program, particularly for the small, ethnically owned business. If you have not had the opportunity to attend and international trade-show, I encourage you to because it will open your eyes to the challenges that many small companies face internationally when they go overseas to an international trade show.

Many buyers overseas will tell you that it is imperative for U.S. companies to be involved in international trade shows because it establishes their credibility internationally. If they are not engaged in an international trade show there are questions about the firm's viability and its ability to conduct international business. It is critical for the California small companies to participate in international trade shows. That is where the State's program comes in and the assistance that it provides is critical for the success of California companies internationally.

The California Pavilion is a concept whereby the state does the groundwork for the small company. We identify the international show based upon market research on the industry and on the markets that we think provide the greatest competitive advantage for the California companies. We will look at various industries. We will do the legwork. We

will use our foreign offices to collect commercial intelligence about the trade show and determine whether or not the trade show organizer is viable and will provide a good forum for our California companies.

Once we have selected the international trade show our state offices do the groundwork by negotiating with the trade show organizer to reserve a certain amount of space for, say 10 to 20 companies, to participate in the show. Then we work with the booth builder and we design and create the pavilion, which is basically a large booth and underneath that booth we divide it into small segments for small companies to exhibit their products and services at the show. Why that is important is that these small companies are competing and showing their services and products in the same floor with the Intel's of the world and their pavilion's are many times, two or three stories high, they have elevators, they have incredible presence on that trade show floor.

The purpose of the California Pavilion is to provide the visibility for those small companies, to give them that leg up on the trade show floor to invite the companies to come by and visit our companies and talk to them and find out, yes indeed, they are competitive and they do provide products and services that these companies should look for and not to be deceived. If they were on their own they would be in a small booth and maybe overlooked. And so our job, the state's job, is to provide maximum visibility for the small and medium sized companies.

In conjunction with that, we prepare the companies. Our job is to counsel them prior to the show and after the show so they do not go into an international trade show unprepared to negotiate with companies that come before them. They know about the markets, they know how their products should be sold and distributed in those markets and they are there to take advantage of any opportunity that comes before them.

In closing, those are the services that we provide and again, all of our programs are targeted to the small and medium sized company and ethnically owned company. Our trade specialists provide outreach by partnering with the organizations that you have heard from today and you will hear from later on this afternoon. We cannot do our job without our partners. They help us to identify the companies to get the word out about our programs. They partner with us in getting the word out.

In addition to partnering, our staff is given the charge by me to go out into the business community, go to ethnic chambers, ethnic business associations and tell people about services that the state provides. We have a list of all the associations and small business groups that we encounter on a daily basis and my staff is dedicated to doing their job, which is to spread the word about the services, the free services, that the State provides to small and medium sized companies.

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### Question & Answer

Assemblymember Firebaugh: How many trade specialists to you have?

Ms. Solomon: We have nine at this point.

Assemblymember Firebaugh: Statewide?

Ms. Solomon: Nine, and then we have some interns that are paid, that assist us in the program.

Assemblymember Firebaugh: Are those nine assigned by sector or by region?

Ms. Solomon: Both, for example, in Long Beach, I had Malcolm Green, who is assigned to assist this area in Southern California. He is also assigned the aerospace industry, so he keeps tabs on the industry and understands the importance and nuances of the industry through aerospace and satellite communication. He also heads up our overseas procurement opportunity program, which provides information about foreign bank tenders, which is a program I did not discuss today, but very important to small and medium sized companies. In response, they handle a geographic area and an industry specific area as well. So Santa Clara handles information technology and the Bay Area, Fresno handles agricultural technology and all of the Central Valley area. San Diego handles medical and telecom and all of the greater San Diego area.

Assemblymember Firebaugh: You said you have a list of all the business associations and business groups. Explain to me, a typical week or month for a trade specialist.

Ms. Solomon: Well, to back up a little bit and explain how we do our job. First of all, I don't know if you are familiar with our marketing program and our marketing materials. Yearly we develop a calendar of trade events. Every trade specialist identifies either a trade show or a trade mission that they can focus their activities on for the year. Many times there are more than one activity. They focus their activities on that and then they also, of course, are asked to provide assistance to our foreign office on reverse missions. They stay focused in their industry, so if they are promoting say, the Seabit trade-show, which is in information technology, and I will use Santa Clara as an example. Our trade specialist knows that she has to recruit companies for that trade show which happens in March this year. She works with the trade show organizer to reserve space for 20 companies. She has to sell that booth. She goes out and she develops marketing materials, and she goes and talks to any trade association about the SEABIT event. She will try to get publicity through the World Trade Center newsletters. She will appear in seminars. She will go to domestic trade shows involved in information technology and hand out her card to tell them about the CeBIT event. On a monthly basis, she is working on the phone, calling companies, prior participants, lists that partners give her about companies involved in information technology that might be interested. She is on the



phone. She is on the street. She is attending events in the evening. She is on the speaker's circuit. Anything she can do to promote that particular event.

Assemblymember Firebaugh: The trade specialist will identify a particular trade show just based on her expertise and knowledge about emerging trends and the industry?

Ms. Solomon: She will identify a trade show and provide justification for why she thinks it should go on the trade calendar and then I will discuss it with Chris Campaña, the Deputy Secretary for International Trade and Investment and we will make the decision on whether or not we should promote that event. In many cases, it is not a decision we take lightly because the trade shows require us to put money down and we use that from our trade promotion account and then we try to recover the funds through reselling that space. If we are not able to do that, our trade promotion funds could be in danger. We have to have done our homework and know that it is a show that it is going to sell. Our trade promotion specialists are on the line to really sell that show to make sure that they have done their homework right and it will be a successful event.

Assemblymember Firebaugh: I am asking you these questions because I don't know enough about these programs, and I should. I often receive inquiries from companies and individuals from all across California. I am privileged to Chair the Select Committee on California and Mexico Affairs and I serve on the World Trade Commission for Californians. I regularly interact, principally, with both Mexican companies interested in doing business with California, as well as California companies interested in doing business abroad, most principally with Mexico.

While I know that there are numerous resources available, both through the federal government and, of course, our state government, and of course I am familiar with the Centers for International Trade Development program. It seems to me, that we do not coordinate enough. Much like I had mentioned to the gentleman from the SBA. I am interested in perhaps having a deeper participation on a state bases. I would like to be helpful. I would like to offer services and benefits to my constituents and to businesses in California, as well as offering some opportunities or activity with some businesses outside of California wishing to do business here.

A lot of us get up and say a lot across California and meet folks in different places, with different things to offer and different queries to pose. We do not always have the ability to answer as intelligently and as capably as perhaps we should. I take responsibility for not knowing enough, but I would be pleased and grateful to you for, perhaps, a follow-up discussion about how can we partner, including through this Sub-Committee and through other members who are, likewise, interested in some of this policy work.

Ms. Solomon: Thank you and we look forward to working with you and promoting trade services.

**F. Mr. Avila, Director, California Export Finance Office***Transcribed Witness Testimony*

CEFO (California Export Finance Office) is very similar to the SBA. As a matter of fact, the same person that put together the CEFO program put together the SBA program. The programs almost mirror each other. Basically, CEFO provides working capital guarantees to financial institutions to help small and medium sized companies, California companies, support their export transactions. CEFO, has three guarantees, which are designed to meet the financial requirements of the export community, all of them California companies.

In its 15-year history, CEFO has issued nearly 1,200 preliminary guarantees, aggregating to over \$347 million and about \$300 million in actual guarantees. These transactions financed under CEFO Guarantee, directly increase California exports by approximately \$1.7 billion and had a direct employment impact in terms of job creation by about 23,000 jobs.

The program itself, is very similar to the SBA program. Although it is a smaller in the sense of the maximum amount we can go. We go 90%, up to about \$750,000. We have a Memorandum of Understanding, as Mr. Selander said earlier with SBA, which lets us go up to about \$1.75 million and we also work very closely with the U.S. Export/Import Bank and we go up to, if we have delegated authority, \$1.5 million.

I mentioned we have three guarantees, a pre-export, post-export and a combination of both. Our requirements for the small to medium companies, the minimum requirements, is that it has to be a small to medium sized business. That is the size of the limits that can be supported. It has to be a primarily California product of 51%. We don't provide sea capital, which means we would like to have at least one year of operation.

What makes our program unique is that when a bank comes in and asks us to support a transaction, we are usually advancing against a purchase order or an export letter of credit. From a banking standpoint, a letter of credit is not regarded as collateral or we would take that to help the small business.

We have several loan offices throughout the State. We have three here in Los Angeles. We have a loan officer in San Diego. We have a loan officer in Santa Clara and we have one down in Fresno and one in Sacramento. 66% of our guarantees are from the Los Angeles five-county region. 27% comes from Northern California, which would be the San Francisco Bay Area. Let me back up here, when I say 66% that includes the LA region and Orange County and San Diego. So, approximately 6% of our guarantees that we issue over the life of CFOE for the past 15 years have come from the Central Valley, which is Fresno and Sacramento.

Frankly, we do not know if we have done a poor job of marketing or getting the program across. As a consequence, we have put a loan officer in Fresno who covers both Fresno

and Bakersfield and we are now talking to the Bakersfield USEAC office to see if I can rent office space or our loan officer in Fresno can split his time between Bakersfield and Fresno, because we think there is a good exporting community in Bakersfield.

In Sacramento, we have a loan officer that goes from Sacramento all the way up to Eureka, up the I-5 corridor to Red Bluff, Chico and covers part of the Napa area. The loan officers have large geographic areas to cover and, as I said, they market both directly and through the lending institutions. 50% of our guarantees come from direct marketing efforts. The other 50% comes from working through the lenders.

Going forward, we have full-time loan officers working on program. We are going to try to direct more of our energies to work toward the lenders because they have the larger basis. We work with a lot of ethnic banks, Chinese Banks like United Commercial Bank, and we have Korean Banks. There are about 15 or 20 banks that are active with our program. We try to reach the various foreign-owned businesses.

Our programs are available to everybody and we are very proud of it. We are one of the largest state-run programs in the United States. We were one of the first programs in the United States. CEFO put their program together before the SBA did and before it exports and imports started reaching the small businesses. We have been exporting for California companies long before the SBA has and we are proud of that fact.

I think our biggest challenge right now is we do want to market to get the program out to various lending institutions. I have spent over 20 years in the private sector working managing various banks and I do know banks, for example, who like the larger transactions because of the risk issue. Plus, there is not the long lead-time in trying to put together a transaction when you are dealing with a less sophisticated company. From a loan processing standpoint, whether or not you are putting together a \$5000 loan or a \$5 million loan from a banking standpoint, the costs are still the same. We gravitate toward larger transactions. However, we are trying to address that because we have what we call a certified partners program. This means, with the lenders who do three or more CEFO program transactions, after that, we are going to share in our fees with the lender as inducement to go out and do more CEFO transactions. That is how we propose leveraging our resources through the lenders.

We work with U.S. Small Business Administration, the U.S. Department of Commerce and we put on joint programs with them. We have worked with the Center for International Trade Development. We have just done a presentation in Red Bluff in Chico. We work with numerous Chambers, the Hispanic Chamber, the Black Chamber, the Filipino Chamber and we are just out getting the program out to whomever we can.

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**Question & Answer**

Assemblymember Oropeza: The issues that this Committee, and indeed we are running as a Sub-Committee of the Jobs, Economic Development and the Economy Committee, one of the things that we are really trying to look at are measurable outcomes for these programs. We recognize their importance and we want to support and, hopefully, enhance the opportunities for export. We also feel that there is the need for knowing what the investment that we are giving is action producing. I know that the Chair of the full Committee would be interested in, and I think our Sub-Committee would also be interested in some of that information.

**G. Maria Sobrino, President and CEO, Lulu's Desserts***Transcribed Witness Testimony*<sup>26</sup>

My story, is basically, I am an entrepreneur, and I began, in 1976, living in Mexico City. Exporting in this case, from Mexico to the U.S.: tourism. I was bringing convention groups to the U.S. and that really opened my vision on the export business. I added this agency here in LA. As part of my dream as a younger person, I really wanted to live here in the U.S., so I was combining one thing with the other. But something happened with the economy in Mexico in 1982 that really closed the doors of that business. The de-valuation of the peso hit my business like many others. I decided to stay here for some time and then tried some other ventures. In this case, I decided to do the same thing, continuing in my business in the travel agency, sending U.S. conventions to Mexico, but I did not know anybody. I did not have contacts. It was not really the right time. After that, I went to Mexico and I traveled to different states and I was trying to bring fine arts and crafts from Mexico. I prepared a catalog. I tried to put it together but I found several things: 1) I did not have the contacts in that type of business here in the U.S. 2) As far as distribution, I did not have enough capital to buy all these arts and crafts and their warehousing and the big investment.

I waited just a few months later and then suddenly, as a consumer, I was looking for this gelatin dessert. Ready to eat that is very traditional in Mexico to have. It came to my attention, how strange that it is not available. Let me make it. So that is how I started this company. I did not know what was going to happen.

This was 20 years ago. I started with my mother's recipe, without knowing anything about the food industry. I did not know supermarkets or packaging or machinery. I just went to the Health Department and asked a simple question, "What do you need to start a food business." They gave me the guidelines and I had some capital that I brought from Mexico and started my retail store in the City of Torrance, here in Los Angeles. It was 700 sq. ft. I did not know where to buy my ingredients. I went to Costco at that time I was starting.

That was the wholesale type of purchase that I was making. It was tough. It was not easy, but I started putting my gelatin on a consignment basis here in the Wilmington area, Carson and Torrance. I wanted to have the first-generation Hispanics because they really knew what I was talking about on this gelatin concept.

What I found, very few months later, one of the supermarkets saw my product and they sent me a broker. I said, what is a broker? I started learning little by little what was distribution. Suddenly, we were in, probably, 100 markets in the first year. I could not stop the business. I then moved to Gardena with 3000 sq. ft. and I added a more industrial building. I started hiring more employees. Distribution continued to Northern California, Arizona and other states. But I was having a problem. My gelatin needed to

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<sup>26</sup> Submitted written testimony attached in the appendices.

have the right shelf life because distribution takes time, so it took me about five years during that time to put together the right formula.

Not being in the food industry, I had to go through a lot of mistakes and pain. I received an SBA loan by 1988. I did not previously know about SBA. When I qualified I said, do you know what is SBA? It is a special program the government has and you can qualify. I said, I don't even have profits in my books, how can I qualify? And we are talking about for a \$1.2 million loan. They said you can qualify and I have the collateral of the property and let's go on and file your loan. We went and looked for a building, it took about a year to put the building and the expansion. Then I moved to Huntington Beach. A 15,000-sq. ft. building, so my company really grew tremendously. I was, by that time, probably selling in five different states.

At that time, I started a new company called Fancy Fruit Corporation. These are frozen fruit bars, all natural. I had a partner for this company. I started selling frozen fruit bars in different states. One day, one client bought my fruit bar in New York and he said, I would like to export your fruit bar to the United Kingdom. I said fine. He came to visit us. He was a small distributor too. He paid, probably, the first shipment.

Then we had problems because the second and third shipment, by the time the ships went and came back it took about six months just to pay for that container. I started little by little, but the paperwork was hard. The financing was hard because we had to finance every shipment. Then New Zealand started, Australia started, Chile, we had the same case in a way.

Small companies wanting to export, they come, sometimes here just to look for products. They want to take an idea or product and import in their countries and then they also have some financial problems and we are stuck now because we are also a small company and I have to give them terms. Never had a letter of credit. It is hard for those small companies to get a letter of credit.

So, in a few words, during my first eight years of exporting, we lost about \$1 million from packaging that we had to print with different languages of countries for different countries. Collections that even with hired attorneys in this country I couldn't collect. I got really, really frustrated about it.

I had an article in the Registrar here locally, and Toni Mitchell, from the U.S. Commercial Service saw my article and called me. He said we would like to talk to you about your export business. I said fine. He explained about all these programs and about the Department of Commerce and talked to me about the Export Bank. I said, where were you when I needed you.

That is when I really got very interested personally in this export business because I saw the potential. That was the experience that I had for all these years is and my product was very well accepted. The food, the price, I was competing very well with all these local manufacturers. That was my goal, I need to make this work.



I also met Kristen Huston, I met Mark Matsumoto, then I met the world from the federal and state level in the export business and I said, we need a lot of help. We are here trying to put our efforts and our time investing. I went to a couple of shows in Mexico that I found out at that time, investing in booths, and travel and samples. I did not feel any support at all.

Since 1998, when I met Toni Mitchowski, I really have learned a lot about all these programs. I have used Export Bank in my export accounts, even Wal-Mart is buying my product in Mexico and I guarantee those shipments with Wal-Mart. I was sad that that is another program that exists. It is a little bit hard to understand. The paperwork is difficult. But I know it is available. You want to have one or two persons at your company just dedicated on following up on these programs, finding information. I have here a list of suggestions that I would like you to consider. I have not given up, by the way, on my export business. Now that I know a better way to do it, I would like to continue, but I know we can improve a lot.

Basically, it is in information. I heard about, and I know the SBA has export loans and the Department of Commerce. My suggestion is, why don't we put together one specialist to take care of one account, say my company. I wish I could just deal with one person. It is true that the information is available, but to find it, it is hard. It takes time. You get confused. You just want to export your product and find the customers. That is another thing.

Now the Internet is helping tremendously, but at that time, when I was in business, there was no Internet so information was harder. I am also part of the (LBA) Latin Business Association. There are a lot of companies and associations like the U.S. Hispanic Chamber of Commerce. All of these associations should also give us this type of information. These different offices should receive or should be involved with them so that can get to these small businesses. So information, as I said is important. We should put together, all of it and make it easier for us. This is the right time to do it.

On the other hand, in my written proposal that I gave you, I have also learned about the Trade Promotion Authority that President Bush has asked Congress to grant him, but I understand that there are 133 trade agreements signed and the U.S. only participates in two. This means that we have a lot of obstacles and in order to have free trade with these countries, we just have a few, NAFTA and the FTAA. We need to sign more agreements and have the freedom to export.

Another thing is women and business. This is exactly what is happening in this world. Right now, you have to see the potential with women in the U.S. not only in the export business, but in general, in every business. I would recommend to increase the promotion to export to women owned businesses. Having an immigrant entrepreneurship, that is another thing. As an immigrant, we have difficulties with the language. We have difficulties to find all of this information. It took me probably ten years to just understand what is going on. Where you go to get information. Even though I spoke some English at that time. It is hard when you don't know the system. That is where I

want to pass to you all the frustration and all the things I had to go through. I still haven't given up and really know that I have the potential, but I had to hire, just this year, one more executive in my company just to take care of my export business. Now that we have the connections. Now that we know how to do it, it is just a matter of putting in the right time and dedication. At this moment, my export business is only two or three percent of my sales in my company. I know that I can sell \$50 or \$100 million, there is no limit to that. I can ship full containers of product, but that means \$70,000 to \$80,000 per container and that is a reasonable amount. The price is right. I just need to find the right customers, number one, and the way to do it.

I was invited, last year, with Dr. Freeman, in this book that is called Conversations with Women who Export. She is an expert in Washington, DC, not only in export business but also with different countries. She has lived in probably ten different countries and speaks seven different languages. She is very interested in supporting women and she invited Ms. Chan and I to share our experiences and mistakes. I had the opportunity to write the 22 pages in her book that I think have had a lot of impact in different offices in Washington, like the SBA, Department of Commerce. I understand that they have our book because they really need to know what is going on with small businesses.

Identifying immigrant exporters among Mexican and Asian Americans, is another thing that needs to be done. Identifying current practices among California State agencies in reaching out to and servicing this segment of the population. Providing information that is language specific, as Spanish or Chinese or any other language. Creating a focus group with business leaders among the target constituencies to gather their new input and initiatives that can be undertaken to improve the effectiveness of programs to promoting the exporting among the immigrants in this state.

Time is changing. Technology is changing and we need to make export easy. We just need to put it together. The export and import business needs to continue.

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**H. Ms. Candace Chen, President, PowerClean 2000***Transcribed Witness Testimony*<sup>27</sup>

My product is not quite as delicious as the Lulu Dessert line. We are an automotive service equipment manufacturer. We actually specialize in removing carbon from fuel systems. So it is like a dialysis machine for the engine. We get rid of the carbon, thereby reducing vehicle emissions and all of that in an hour, without taking the engine apart.

We started out in 1991. I was fresh out of college. I was looking around to see what I could do and big brother invented this product, this de-carbonization unit and the technology. He said well, little sister, you have been talking ever since you have been born, so how about taking on this product for me? I thought about it and thought, well, I sold real estate throughout my college years and also worked in a giftware distribution, so I figured I have got some sales and marketing background so I can handle this.

I took on the project and it was not all roses as I had originally anticipated. In fact, because our product is technology based, I thought that, being a new technology and a wonderful product, that all I had to do was go to the back then, "Big 3:" General Motors, Ford, Chrysler and show them what a wonderful product we had and they would take a look at us. That was not the case. I found out very quickly, that the automotive industry is, more or less, an "old boys club." So I was basically, ignored. I will come back to this point a little bit later, but it took General Motors three years to even look at our product. We are actually one of those companies that exported before we came back in the United States to sell our product.

A little bit about our company, we export at this point to about 30 to 40 countries. Exports are a large part of our company activities. I would say amounting to roughly 65% for our company's activities. When I got this new product, I figured I was going to go to the trade shows. That is where everybody starts. The biggest one for the automotive industry is in Las Vegas in November of every year. I went there and this gentleman from the Department of Commerce came by. He was a trade specialist. He came by, shook my hand and said, how would you guys like to export? Can we help you? I thought, Department of Commerce, that is IRS. I was very skeptical. This person really had to earn my trust.

I took baby steps and took a look at their magazine, Commercial News, USA. I took a look at different programs they had. They had this agent distributor service. In fact 10 years ago, for \$150 you get a list of companies interested in your product from a particular export market. From that point on, I graduated to trade missions and that sort of thing.

What I do want to say about trade shows, I heard some emphasis on trade shows. If the product is not technology based, if it is something that is off the shelf, readily understandable that they can share or watch, then that is an excellent venue for

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<sup>27</sup> Submitted written testimony attached in appendices.

companies that produce that type of product. But for technology based products, like ours, we have to sell the concept before we can sell the product. What we found was that there was a lot of "lookie loo" traffic. People looking around and thinking, good idea, but it was difficult for us to get to the decision-makers. At this time I am talking strictly on an export basis. You will have companies looking around, language barriers, etc. They will think our product is one thing when it is really another.

What I found to be particularly useful for my company because these gold key services, meaning, these were services that the Department of Commerce offered, they would help us find distributors overseas by first sending our catalogs over there and come back with a list of companies. Then we could decide whether we would like to meet with these companies overseas. That was basically what we did.

You will notice that in my testimony that most of these programs are Department of Commerce orientated because I am most familiar with them and that is how I got started. I believe some of the programs that we have participated in are also through California Technology, Trade and Commerce Agency joint efforts and so on. One thing I do like about working with the embassies overseas is that again, technology-based products are very difficult for a small company to get to the decision-maker. However, when a call comes directly from the U.S. embassy, we get our foot through the door. From that point on though it depends on the company. I would like to tell people that these programs are out there for people to use, but they are only as good as the company and only as good as the products that are supported.

The second thing that I would like to talk about briefly are the trade barriers. Once a small company begins to export, invariably, it will bump into trade barriers. For my particular company, it is this technology verification program that I mentioned in my written testimony. For some reason, we do not have this program or even this concept in the USA, but overseas, anything that is technology based will have a distributor or buyer. The first thing they are going to ask you is, is this product certified? Do you have a certification for this by an equivalent government agency? Being in the automotive industry, our Department of Transportation does not certify products. Our EPA (Environmental Protection Agency) does not certify products. I have always had to go back to them and say no, but I do have test results from General Motors proving grounds from the vehicle lab. Will that suffice? And they will say, that is nice, but we still need a certification. That has been our companies main trade barrier.

Some of the other trade barriers, China, I would like to pay some attention to toward the end of my presentation. Technical standards; we can have one product that will go into one country be acceptable. When it goes into another country we have to get it re-tested or we have to change the knobs or wiring. That gets very expensive for small companies. Then we have got again, government procurement opportunities that can be better streamlined and more friendly for small businesses.

Aside from that, I would say that talking about China is a topic that is very dear to my heart because I am hearing, almost on a daily basis, whether heard by e-mail or fax, that

China is this tremendous market for small companies. I have to agree with that to some extent. It is a tremendous market for small companies, but a very, very treacherous market, whether it is for a technology based company or a non-technology based company.

If you are a non-technology based, you have got a U.S. product, some sort of a design, maybe a pen. Take it to China, it is going to get copied and that product is going to go from China to Southeast Asia, to Europe. For an American company like me, when my product went to China and got copied, I could very well be competing with my own product in France. Not out of the same company, but somebody in China who took my product and decided to compete with me in France. Now, is there anything I can do about it in China? No, because China is not the USA. They do not have the type of intellectual property protection rights that we would like to see. So that is one thing about non-technology based companies.

With technology-based companies, there are these things that are almost ridiculous. What you will get is a Chinese interest in your product saying we need your product to clean up our environment. Can we take a look at it. The best case scenario is a straight sale, but again, when they buy that product, they are going to reverse engineer it. If the product can be easily reverse engineered, it is gone. That is it. That is very damaging for small companies. However, if you have a product that is not easily reverse engineered, here is what they will do: They will say, OK, let us do a joint venture. A lot of times, the companies that approach the American company are State-owned, they have an excellent network throughout China and some of these people, for example, people that we partner with are the biggest conglomerates in China, it sounds great. But, what happens is, even though they can get the product through their distribution, once it gets through their distribution begin to think: The product is making money and doing well. We do not need the American company anymore. At that point, when the American company tries to take them to court, it is a ridiculous battle. My father actually was kidnapped in Shanghai by my joint venture partners. The message was to get me to get out of China. That is interesting. The Marines went and got him out and I was very thankful for that. That is China there for you.

At this point, we do have a small operation in China. I am still optimistic about China, provided that they get into the WTO (World Trade Organization) and there is a mechanism to enforce all the rules that they would have to abide to in the WTO. And that that mechanism be very accessible and affordable for us small companies.

Finally, just some of the suggestions that I have jotted down. Again, I think that there are a lot of small companies like me out there who think that the government is bureaucratic and unfriendly to small business. I would like to see some way of overcoming that. I think, just from a personal standpoint, what I have noticed is that after I became an Export Council Member, I started walking the shows and talking to companies. I said, you have a product that I think you can export. Are you aware of the Department of Commerce and the State of California and so on? Most of them will say no. That is from my experience. They do not know that these programs are out there. Then they will say



who are you? Are you with one of the Feds or the State? I will say no, I am a small business owner just like yourself. I can tell you how I have utilized these programs to increase my companies business. That is where you will get them to start listening. To say, let me think about how these programs have worked for you and how they can work for us. At that point, we have established a bit of trust.

Finally a better coordinated effort. To me, like Lulu's Desserts, it is a little bit confusing to me. You have the Department of Commerce, the State, the City and so forth. There are a lot of programs out there. I think many of them serve the same purpose. Perhaps it could be better coordinated.

One other suggestion I was thinking about as I was listening to this if you would like to reach out to your constituency, if you know the industries that are in your constituency you can host townhall meetings with these companies and ask them if they would like to export. These are the programs that are available. Or sit down and talk to me about what you guys would like to see.

Finally, one last comment, for Assemblyman Firebaugh. You mentioned you have the California/Mexico initiative you are part of and I was to say that the APEC event is going to happen in Mexico next year. This year was in Shanghai, in China. Next year, in Mexico. APEC again, the majority of companies within APEC are small companies. Mexico is, of course, a very prominent member within the APEC. I think there could, perhaps be some coordination or programs that California companies can utilize as part of the APEC meetings.

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### Question & Answer

Assemblymember Firebaugh: This is a question for both of you. You heard earlier from the SBA folks as well as the state agency. Would companies like yours respond to invitations for a one stop servicing center or is it more useful to have agencies come to you? What I am trying to get at, it seems that the SBA efforts, in particular, that links these agencies provide somewhat of a one stop shop giving industry information, coordination with overseas markets, financing and those kind of things in one location. Is it more useful to wait on the state side where there are trade specialists that go out and talk to individual companies?

Ms. Chen: I will answer that briefly from my point of view. I like the one stop shop much better because if we have different agencies coming to us, we are busy enough as it is, we are involved with the day to day operations. We do not like to get bombarded in that way. Besides, when we get calls from agencies we do not know, or people that we do not know, the first thing we think about is are they going to sell me advertising or what is it that they want from my business? When it is a one stop shop, or in my case, one trade specialist that came and said, let me get you through the door and show you the



programs and show you the other agencies that we worked with. That was what I preferred and appreciated.

Assemblymember Firebaugh: Would you respond, do you think, effectively to a government representative or to another business, another small business? If a small business was involved with a similar line were to send out a letter or make a call, would that be persuasive to you?

Ms. Chen: Yes, but I believe that the two could work in combination having the government person say these are the programs and this is how our small businesses have utilized them and these are the names and phone numbers assuming the small businesses are willing to share that information. Please call them up for information. I believe that is also what the District Export does. I walk the show grounds just to see how people react to the Department of Commerce and the trade programs. That was the reaction I got. First it was like me, the Department of Commerce: IRS; but then when they hear, it is a fellow small business doing well in a market that I haven't even thought about. Then they will stay and they will start listening instead of thinking, you are a small business, what do you want from my company? Do you want to sell me something? They start thinking wait a second, she is here to help me out and I am going to give her some of my time.

Ms. Sobrino: Just to emphasize, as a small business, I think it takes some time for you to realize you can export. A lot of companies think that they have to be huge, like \$ 5 million or more in sales just to consider the fact of exporting. I do not think that is the case. Depending on the industry, in my case the food industry, once you have the production volume, because I am a manufacturer, so I can control my manufacturing for the local market or for export. I have the capacity right now to export. But four years ago I did not. I was limited. So, yes, I was dedicating a percentage for the export capacity, but the rest was really dedicated to the local market. It all depends on the investments and the product that you have and give the importance to this export business. In my industry, in the food industry, there are a lot of associations like the Deli, Bake Association. There is an international office too that I have never seen. I have a booth every year there. I have never seen the Department of Commerce or any agency promoting any export business at all. It is only business between companies and we have buyers from supermarkets or difference food distributors. That is about it.

Assemblymember Firebaugh: Are you still based in Vernon?

Ms. Sobrino: I just moved to Vernon ten months ago. By the way, Vernon has a very good department of Chamber of Commerce. He visits us all the time and he brought us a delegation of Koreans this year to promote our company with Korea. So they are very active. It depends on the city too. In this case, I did not know that Vernon was active in export business. They invited me to the food export in Japan next year. This is going to be a US Pavilion. I do not have to pay anything for the booth, it is just basically my expenses for this event. He told me that he had had very good results with other manufacturers. He gave me a list of other companies that I could talk to and see the

results that they had. That helped. Between your own people you need to hear stories because it is an investment.

Ms. Chen: If I may just add one more point that I find rather important. It is that with all these programs out there, from a small business point of view, it is very important for the government not to promise too much. Just lay these programs out on the table and show the small business how you can get creative and how you can utilize them on a practical basis, but do not promise too much. Meaning, do not say, just do this and you will be able to export, because that set us up for failure.

I have heard time and time again, a number of small businesses have said, well, I have used these Department of Commerce program and state programs that you have talked about it got me nowhere. I really have to dissect that a bit and say what was it that you expected it would do for you. I found that the expectations were very incorrect. They thought that by signing up for these services, they would be able to export just like that. That is not the case. I believe that these programs are ways to open doors for small businesses but often, it is up to the small business. They are the ones that have to export, not the government.

**I. Rudy Gordon, President and Owner, J & N Transportation***Transcribed Witness Testimony*

To give you a little background on myself, I am founder and President of J & N Transportation, which is an international freight forwarder. I have got over 25 years of international, domestic, transportation and logistics experience. I am sort of the exception to the rule when you look at minority firms being able to stand before you today and testify, for representation. I would certainly like to see other Black-owned freight forwarding businesses, but to be perfectly honest with you, I am one of the only Black-owned freight forwarding businesses West of the Mississippi. That is astonishing. There may be one or two somewhere else, but that is what I am aware of.

I have been in business for about seven years. I have had many great challenges as a small business owner in the freight forwarding, transportation and international industry. I would like to give a little bit of insight into some of the challenges that I faced, being a very experienced person in this industry.

Several years ago when I started, I took an extensive evaluation of my market. There were a total of 600 freight forwarders here in the local LA, Long Beach market. As a small businessman, when you approach that market you say, 600 businesses. How can a little small company like mine compete with these corporations which have offices and agents all over the world? They have millions of dollars, they have large 100,000 or 200,000 sq. ft. warehouses. But having a background in marketing, I decided to approach it from a very keen marketing perspective.

Of those 600 companies, freight forwarders, 70% concentrated in the gateway, which is a Far East market or Europe. Logically speaking, what we decided to do was just go develop our own niche industries, where the majority were not located. At that particular time, I saw the innovative concept of where the international industry was going in Latin America. My company decided to specialize in Latin America because at the time 30% or less were only concentrated in Latin America, so that gave us a much stronger opportunity, and of course, we had to create the components of a successful business. We offered a very customized, personalized service and to this day, we are very successful in Latin America.

We also offer services through your standard gateway markets, such as Europe and the Far East. You have to be in order to be a diversified company to suffice your clients needs of the day. You can't be orientated to just one market.

We were quite successful in Ecuador, we handled quite a few factories. I have got extensive product backgrounds. We have handled quite a few factories in China. We have also now re-evaluated the market and the trend now is that we have put some focus on Sub-Saharan Africa and throughout Africa.

Right now, if you were to take an inventory of those, I would not say you still have 600. Some of them have gone out of business in the last seven years. So maybe you are down to 500 now. Those same 500 freight forwarders, if you were to take an inventory, less than 20% concentrate on Africa. That is what J & N is doing again. Developing a niche industry where the majority is not there. We want to become a household name all throughout Africa. That is one of our goals this year.

Being an international industry has been quite fascinating, as a small business owner, I have had an opportunity to travel all over the world. I have developed unique relationships, and partnerships and friendships that I will cherish for the rest of my life. But it has certainly been a challenge. Today I do not want to go into a whole lot of detail about myself. I feel that in order to really be able to give you proper testimony today I need to give you greater insight to the community perspective, which I think will be a much greater attribute than you here in my résumé.

The challenges and barriers that are preventing SME's (Small Medium Size Enterprise) from entering the international arena, I feel utmost is ineffective outreach. There is a lack of education of knowledge of programs and businesses incentives. An example, you do have trade missions, export systems and financing, but it is so ineffective with certain sector or ethnic groups. You also have your service sector imbalance.

I was looking on the web not too long ago because I always like to give you some basis for which our decisions are made. I was looking on the web and I looked up some State of California statistics. Just back in 1998, there was a total of 541,400 minority owned businesses in the State of California. Of that amount, 69,900 were Black owned. You also had 561,000 self-employed women owned businesses. Of those businesses, they generated, in the State of California, \$87.8 billion. The reason why I bring that up is because when you are looking at small and medium sized businesses, you have to look at truly what aspect of business they are in. Of that total amount of figures that I just gave you, say Black owned of 69,000, less than 1% are manufacturers. Now when you are looking at an industry or an ethnic orientated group of people, which you are trying to target international services to, how can you present product generated models to a service sector industry? That is one of the dilemmas that I see when I am referring to service sector imbalance.

As a service company, I am an international industry and I am part of the international industry, so I can adapt and I can take advantage of it. But when you look at the lawyers, you look at the bookkeeping, you look at all these service sector industries, which is 80% of your Black owned businesses, specifically, but of the small and medium sized businesses how to you get them and educate them to tap into the international arena? There is no such modular education program that is currently existing either federal, state, city or local, which I do feel creates a wall of discouragement for many small or medium sized business in the sector industry. There are also limited opportunities.

Black owned SME's have no international foreign linkage for which to foster export relationships. A typical example is, I would love to have the opportunity to send an e-

mail or fax or whatever form of international communication there was to my grandfather in Africa, they just do not exist. We, as Black people, do not have any foreign linkage. If you are from any other ethnicity here in the United States, you have a natural tendency to have an opportunity to international trade. But as a Black person and as a Black community, we have no linkage. We do not have a natural tendency to be able to be a part of international trade. It is an opportunity in which we have to create ourselves. If you are from, I think a few people have mentioned, one from Mexico and one who showed her Asian heritage, but when you have an opportunity to be able to just contact your uncle or your family member in the country for which you came, it creates a natural opportunity for international opportunities. We lack that. That has really been a daunting task in trying to create opportunities for the Black community in the international arena.

I wanted you to understand the context for that because I would have loved to have, as a small business owner, to be able to send an inquiry to my uncle and say, let me handle those 20 containers for you. It's not that simple. But it is difficult, and I wanted you to understand the context of that situation. What that does, is it keeps the Black community only geared and orientated towards the domestic market only.

Solutions and recommendations: I feel strongly that there should be a more direct target towards the Black, minority community. I think you need to develop marketing strategies designed to educate domestic small businesses about international trade and the opportunities available to them for global expansion at state, city and federal levels.

We need to increase and broaden outreach capacity. In going with what these other young ladies have said earlier, I have as much experience, I probably received about ten faxes a week from city, state, federal, World Trade, Centers for International Trade Development, Long Beach trade offices, and it gets very daunting. As a small business owner, no matter how good we are, we can only allocate so much time a week or every two weeks to patronize any of these events. What I do is, I just go through them to see which one is relevant.

Once you have been in the industry and once you have been in Los Angeles for so long, what you have learned is you are probably going to run into the same people at all of them. You get somewhat disenchanted or disinterested because you feel it is not serving any purpose. I only go to select ones in which I feel I can further educate myself. I feel there could be a new policy or procedure that I can further educate myself and my staff.

I am also looking at it as a novice. As a novice person looking to enter the arena for the first time and I was to receive eight different invitations, it is very confusing. You look at them and you try to figure out well, is this the right one for me? Is that the right one for me? Then you go through and you call Joe and call Bob and try to get referrals or advice from them, but they cannot help you. Then on top of that, you finally say I am going to try these two and you go to two of them. You go to them and they are very excellent. They have good data. Good resources. Good material. But when you come away they can do nothing for you because they do not tell you how to take your service company international. Then you become completely frustrated. Then you say, how can I do it?



Then you look at large corporate accounts. I will not name any, but large service orientated companies that have been quite successful. From, let us say from the financial perspective, you have large law firms. You have large financial institution law firms who are providing financial consultation all over the world. But if you want a local lawyer or a financial consultant, there is no modular program, that I am aware of on a federal, city, state, community driven basis that is going to educate you on how to tap into the international services industry.

I get calls all the time from constituents and members from the various organizations that I am President and Chairman of. I get frustrated myself referring them in the right direction because I do not see them coming away with a very positive outlook on continuing to pursue the international industry. Just going to trade shows is not the solution. I think that in order for a person to go to a trade show, they need to fully understand all the ins and outs of international trade. The more educated you are, the more knowledgeable you are. The better opportunity you can be truly successful in entering the international arena.

I think also what needs to exist, there needs to be an aggressive patronization and sponsorship of Black businesses and culture venues, such as annual conferences, seminars, special events such as those in California that is done with the Latino Business Association and Asian Association. There is an over-saturation of resources that these regents have been to the neglect of the former invited. They have never patronized Black organizations. A typical example is, I am the President of the Black Business and Professional Association (BBPA). We have had an annual event during World Trade Week for the last six years. We are the only Black organization putting on an event during World Trade Week. We have not received any major support from State, city or Federal on that initiative. I think there needs to be some more direct commitment, not tokenism. I mean strong commitment, in order to reach into the Black community and help.

We have the issue of point of entry referral that is utilized in organizations like the Africa Growth and Opportunity Act, Southern California Coalition and organizations like the BBPA to provide assistance with foreign businesses and foreign business matching. Its product sourcing, technical training and a host of other membership based value-added services designed to increase capacity as companies go global. Being here in California for the last 17 years and being one of the only major advocates for the Black community on international trade has been very frustrating. I have set up and implemented on the job programs in my organization.

I have brought 20 minority students throughout my organization trying to promote and encourage minorities to enter this arena, but there is a mental concept in the Black community, that the only opportunities that exist in the international arena, is only on the docks, it is only driving trucks, it can only be import/export clerks, never from the concept of being a business-owned beneficiary in the international industry.



As Chairman and President of the Africa Growth and Opportunity Southern California Coalition, believe that trade is the solution. I strongly support that. But also there are four trade deals that the U.S. government has participated in. The Africa Growth and Opportunity Southern California Coalition was a bipartisan deal passed a year ago and signed by President Clinton. It is set up to help the infrastructure and development of sub-Saharan Africa countries, as well as Central and Caribbean countries. We see it as an opportunity to create opportunities for service orientated companies. It is on the concept of matching California businesses with businesses in sub-Saharan Africa. It not only matches those two companies together, we also create value added service or we make sure that service sector industries come in and consult on those relationships to ensure the likelihood of success. I think that since no one else is coming up with an alternative, I would certainly like to state, and so would certain other organizations, to look at some of our suggestions and alternatives because we see it as a means to try and bring service sector industry into the international arena.

In closing, I would like to say that I applaud this committee. Being a minority, we always feel that we are neglected and overlooked and there is no concern for us. But by being here today with you gives me some hope that it is being given consideration.

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**J. Alexander Kramer, Executive Vice President, Long Beach/Los Angeles  
World Trade Center**

*Transcribed Written Testimony*

In the last six months, the World Trade Center has changed who we are in our mission statement. We are a little bit unique from the other presenters in that we support both importers and exporters. We deal with both sides of the coin. Both sides are profitable and are a very important element to the economy here. We support importers and exporters through a variety of programs. But basically, what we do is again, a little bit different from the traditional government association or other trade associations. We consider ourselves a bit of a boutique service in that we provide one on one technical assistance.

Trade facilitation is what we call it. Again, just as an educational overview, you have heard earlier today about getting quality companies and the type of client, diversified client experience that is out there. We call new-to-export companies, category A, and ready-to-export companies, category B. We focus on the ready-to-export companies. For the new-to-export companies, there are plenty of state resources and other trade associations to help them with general training that they do need.

We do provide, through membership, the one on one trade facilitation. We have a trade team of four professionals with over 100 years of business experience. It is very important, again, to segregate that from, with all respect to the other colleagues here, we are one of the only few organizations with business professionals on staff and we happen to be working in a non-profit environment.

Recently I was with Case New Holland, which is the world's largest manufacturer of agricultural equipment. Other people on our trade team have 20 plus years experience in Latin American marketing. We support importers and exporters through trade facilitation one on one. That handholding that Council member mentioned earlier, we are not a one-stop shop. We go out and visit the clients. That is the only way to get them to be working on trade. They are running a business day to day. So my personal opinion, the one stop shop concepts probably are better for the new-to-export client who needs to look at the overview to see what is there, get the flavor and get connected. Once you are connected though, we find that our ready to export companies prefer to have us go out to visit them face to face on a one on one basis and to act as the mentor and as a case manager for the other services that we frequently refer into including Department of Commerce, CEFO, you name it, we refer into it.

As I mentioned, the World Trade Center, in the last six months has really changed who we are and what we do. I will give some statistics on that in just a bit, but the bottom line is, we have merged with the Los Angeles Economic Development Corporation (LAEDC) primarily to complement our back office operations in accounting and the usual things that go into running an office. We have had very good success in linking with the LAEDC, as we have a trade team of four managers spread over two physical offices.

With the LAEDC, we have an additional six regional managers throughout the Southern California region. Theoretically, we have ten bodies that are able to look at companies, know the companies, identify and target companies and put them on the radar screen. I think that has been part of our success at being able to, in the last few years, to document over \$250 million in trade direct facilitation.

Our first element of products that we provide to exports are the one on one trade facilitation, the case manager-type role. The second function we do is we have a cadre of phenomenal interns, one of whom is right here. They are unpaid this year, hopefully the next year they will be paid. We have ten to twelve interns at any one time. Again, it is a large mass of people, who provide the research, the Internets, the books, the trade regulations, the resources. And so again, what we are doing as a boutique firm is providing a business owner who does not have time, we handhold everything and bring it over as a turnkey project. We rely on our interns, it also links us up to a variety of the colleges as well as the community colleges in the area that can start promoting international trade to the young people here.

The third element of what we do is say we know people who know people. We do a lot of referrals into the community here. Sometimes a call from one of us to one of our colleagues, saying this is indeed a company that does merit an immediate or high level attention helps all people involved. We do a significant amount of referrals and that subject of referrals and coordination is going to be an important element in my presentation later today.

To a lesser degree, you have heard a lot about people, I think all speakers have mentioned seminars. I think we have been seminared to death in this community. We also do seminars, but we are trying to get out of that business. We are trying to steer those seminars to organizations that need the revenue stream from seminars to keep going. We do not rely on seminar revenue stream as a major element. They are important, I think, but what is missing in the community here, as was alluded earlier, is high level technical training workshops. Occasionally, we do some of these things such as, we had once recently on the Euro, using the Euro and invoicing the Euro. We had another one a few months ago on the Income Exclusionary Act, which is how to get tax breaks for international trade. We are very high level on technical, and what we are trying to do, and I think there are opportunities for other organizations to continue seminars and what they do.

Our membership base, and I am very pleased to know that you had a service provider here, is a critical element whenever a state organization or a government organization looks at international trade. It is not just manufacturers but service providers are a very important element that provide jobs. Frequently, they are doing the handholding and making up for that support and handholding and guiding companies in how to do the deal. Service providers are also usually, small businesses. They usually are very small and have a very high focus on a particular region in the world so they are a great resource in the community.

At the World Trade Center, over 40% of our members are service providers. That includes banks, freight forwarders and customs brokers. The bottom line, the World Trade Center is connected to over 200 brick and mortar offices globally. We have a presence in 70 countries. The Los Angeles/Long Beach World Trade Centers rank number three globally in terms of our services. We have about 1,000 card members now and throughout the year, we estimate that we will touch 3,000 to 4,000 companies. During the year, we will touch, that means in one form or another, a call, a visit, a seminar or some mechanism, 3,000 to 4,000 companies.

We have about 1,000 active members. I think that is interesting to note because we are a membership-based organization. That is our pillar number one of services. In the last six months we have done something interesting with our membership. Our membership fee, the lowest it used to be, \$400, was increased. You get in the door now, for \$1,000 if you are a service provider and you just want networking. If you want trade team access it is \$2,500 to \$5000 a year. Last month, I am very proud to say, we had our second best month in history, in an 18-year history, of membership. It is my opinion that people will pay for value. I know that a number of agencies and organizations that provide free services, in my opinion, even a small fee is critical in this community because then you have people's attention. If they are putting money up front, even if it is a couple of bucks, they look at where it is going. I think from a small business perspective, we like to see that because it demonstrates a commitment to going forward with the program. I have heard many cases where somebody wants to go international and yet they do not want to spend the \$200 for an advertisement somewhere. So how do you expect to go international?

We changed our pricing structure and we have found no resistance, especially in light of the difficult economic conditions. People are being choosier in where they are allocating the money. When they do allocate the money they are dedicated. That is an observation there.

I am very pleased to talk to you a little bit about some specific products that we have. More importantly, to show how we are leveraging other organizations and the public and private sector money. We were just awarded by Secretary Evans, from the Department of Commerce, in a press release, an MDCP grant, that will be focusing on California lifestyle apparel. A significant part of that industry is located here in Southern California. That is the surfer-wear clothing and all that kind of thing. It is also the second largest industrial base in the United States for apparel right here in Los Angeles. So, there is a \$400,000 grant that we have been awarded. It is for a three-year grant. I am very pleased to see that happened. It is highly focused on California goods. It is highly focused in the Southern California market. More importantly, we have a challenge to go come up with \$800,000 private sector money, which we can do, but if you are familiar with any kind of program you have got a cash matching and so forth.

In that program, to show you how we leverage organizations, we are partnering with the California Fashion Association, the Export Small Business Development Center, the LAEDC and the San Gabriel International Business and Trade Center, plus the State of

California wrote us letters in support. We get into the community to connect up and to leverage off with each other.

Another example of a specific product we have that has just been launched is a financing credit support program. That is technically, very interesting, it allows importers and exporters to pick an individual invoice, get 100% insurance coverage, then on the web answer in five to ten days. It costs about half the price of a letter of credit. The application is all web based and everything is web based. This is done in partnership with the corporation we received a sponsorship grant. What we will be doing is providing expanded one on one trade counseling free of charge to specific companies that may or may not use this credit tool. So again, what we are doing there is going into the community and leveraging corporate funding.

Another program we have is called the Trade Match LA Program, where we match on a one on one basis again, inbound companies. We just launched this program and we had fourteen companies come through. We have got another nine coming in from Poland next week that are all technology-based companies. We have had French companies coming in on toner cartridges. We have had Australian companies come through. We charged inbound, foreign companies, \$500 a day, and we set up qualified meetings with them here with California companies. Then we provide one on one assistance to help work on the deal. If the buyer and seller have an issue or they need a sample contract, or they need pricing assistance, contract assistance, freight assistance, we provide that assistance. This is not limited to members only it goes out throughout the community.

The third pillar of our program is what we call, public sector agreements. These are what gives us the fuzzy warms. While we are working all day long on business deals and pricing and all the hard technical stuff, we do have a soft side to ourselves. We work with a number of cities, most importantly, the City of Long Beach International Trade Office, we all serve on the Los Angeles Office of International Trade. We provide, through those programs, by having a base of memberships and that funding, we can provide expanded services to those free clients that come in through a city program. So, we also have through the paid funding forces, access to databases that we have to pay for. We provide that free into the city programs.

We have changed our direction in those city programs and are starting to focus on basic entry level job skills training for international trade. I cannot tell you how many times I have been at big MBA (Masters in Business Administration) schools and have asked what does FOB mean, and nobody knows. That is one of the most critical elements that basic skill set that a person needs for trade. It is also a basic skill set that you may use for an entry-level job, for your first job opportunity. Whether or not you are going to go college, we know from service providers that there is a need for clerical administration people and we are developing programs. In less than a month we have had 130 attendees at an event here in Long Beach on how to get your foot in the door for international trade, basic courses.



Some very quick thoughts on the subject today on how do we get people motivated for trade. There are three basic reasons: No time; No money; No knowledge. If you have no knowledge, you have the resources here. If you have no money, there is financing tools such as our credit program, which can help businesses with their cash flow. There is CEFO. There is money there. If you have no time, a resource center like the World Trade Center can come in and basically provide a temporary staffing service for international trade. So the resources exist. The problem then is coordination.

You have heard this many times today in these presentations. Regarding the State of California, again, be very candid so that we are not sugar coating things or using smoke and mirrors here, but with respect to my colleagues, the Office of Technology, Trade and Commerce has not done the best job in coordinating things. An example is there was recently a road show and the instructions were: Here is our flyer with our logo; go distribute it. We did not have the opportunity to joint logo, to get advanced notice to do more coordination and have speakers from our organization or other connections. However, it is improving. For example, the same organization that we were dealing with recently held an event focusing on environmental water processing technology. We were invited to participate. They did refer people to our organization so we are seeing an improvement. All I am saying on that subject is we need to keep an eye on that.

The other issue regarding the State of California is the view if we do it all mentality. We are very niche focused. Where most state agencies are like a pond, very, very wide, many constituencies that need to be pleased and the depth are very shallow. I think that the state can become more focused on a few of their products that we think are excellent that we can leverage into. I will give you an example, we very much like the overseas offices. The twelve offices have been a very good source of information for us and the timeliness in replies have been excellent. They have a good presence with a good distribution around the world in all the appropriate markets. Just a sidebar comment on that subject, I do not know if you are aware of this but we got a note about the looking at putting a trade office in Armenia. That to me, is probably the lowest priority market on the planet. The amount of money that could have gone to this program could go into funding leveraging resources here in the community or expanded staff for other programs. One the one side, we are seeing good things. On the other side, we have things that we have to keep a watch on.

Another program that we like very much, we are very pleased to see, Jerry (Avila) as the Director of the CEFO program. Their current portfolio is very small. It is a \$10 million portfolio, which for one company, that would be a receivable that we work with. I think there is opportunity there and I am glad to see that one of Jerry's first items was to reorganize his staff and focus on marketing initiative. We are glad to see that happening. I think you can go as much as \$40 million. There is lots of room there for growth, and financing is going to be critical.

We have also seen how CEFO has recently, after a two year absence, had a community board meeting recently. That did not happen for over two years. We are seeing again, a reinvigation in the CEFO program and we like that. Another program that we like a lot



are the California Pavilions. It allows a company to get overseas for much reduced cost. Those are some of the programs that we like in the State of California.

The Assemblymember indicated that you are interested in helping, that you want to help out there. Every time we approach the State of California, either through ourselves or a partnership with other organizations, we are always told we do not have money. Yet there is a possibility to put an office in Armenia. As a community, we look at this and go, what is going on? We understand budgets, we understand line items, but we need to coordinate this a little better.

We have ten bodies available for outreach here in the community. We feel that one of the best ways, we as an organization can support the state, is to be your outreach arm. We can do the marketing, the local marketing, we can design and market seminars and workshops. We can help you in outreaching, but we cannot do it for free. Or, if we do it for free, is going to be a hour or two on some phone calls as a favor, because we have known most of our colleagues here, some of them for over ten years, our paths continually cross.

My recommendation is to leverage in the community, the local resources trade associations for your outreach and have your California State and Technology programs, like the Pavilions, CEFO and all the other things continue and have you focus on those programs, strengthening those programs.

In conclusion, to tie this directly to the subject at hand on how do some of the ethnic minorities get more engaged in the community, we tend to push something called the non-sexy markets, the non-traditional markets. We always hear things in the press about Japan and Mexico, Japan and Mexico. One of the best examples I have is a guy who manufactures soap products who wanted to go to Japan because he knows the industry market. We did some research and we actually found out that Venezuela and Italy, while not as big a market in dollar terms, had a bigger spike in terms of percentage growth. There is also less competition. Who goes to Venezuela? So that was our strategy and I think that the ethnic minorities that we worked with, have that strength because they are the ones that would consider favorably, some of the non-traditional, non-sexy markets. If there is a way to communicate that into the community, I think there is an opportunity.

The final thing, I think that the State has an opportunity to act as a clearinghouse. Southern California has fourteen significant industry clusters. We are extremely diversified. We are a huge economy. You have heard the statistics of how big we are. Again, when we think of trade, when John Q public, where do you go for trade, you get a blank. There are eighty trade organizations in Southern California, of which, I would say probably the ones who are present here are the most viable. If the State really wants to promote exports you do need to do some funding for trade organizations and have them do your outreach.

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### Question & Answer

Assemblymember Firebaugh: Mr. Gordon was critical somewhat of not only the State's outreach efforts, but the federal governments as well. But I understood him to say that neither did a good job, particularly with ethnic businesses. Do you think that your association could better target those kinds of businesses?

Mr. Kramer: We do not make a concerted effort to target anybody because we are membership based. For the most part, companies come to us. Through our city programs, however, we do have targeting. The city programs are not always targeted at ethnic minorities, specifically, but they are usually in what are called, blocked rent, where you want to target geographic zones. If it happens to be predominately Hispanic or predominately African-American or other then that is just the way it is. In my opinion, a number of the ethnic Chambers are difficult to work with sometimes. To just say we are going to do a program for Chinese, or we are going to do a program for Latin people and do it in Spanish has been a difficult sell and a lot of work to do. It is not what we do personally as an organization. Other organizations here do have that capability. They can do a turnkey. They have the speakers in Spanish. They have the program in Spanish and the brochure. It is just not what we do. We focus on the block grant type of stuff.

Assemblymember Firebaugh: I was responding, and was frankly intrigued, by your idea of serving as an outreach vehicle for reaching businesses who are export ready or are interested in exports particularly. From my own experience, and travels up and down the state, I do not think we do a good enough job reaching every single business in this area. I think a majority of businesses have a particular interest. I am intrigued about the idea of conducting outreach programs in some other way. That is why you caught my attention. You offered to provide some outreach support. I guess I am just wondering why you think you could it better.

Mr. Kramer: We proposed this think to the State and it went nowhere. Again, because there was no money. It was no from a lack of interest. The answer was there was just no money. I think that we proposed to the State jointly with the World Trade Center in San Diego and Los Angeles, we have ten bodies up here and there are four bodies down there, we could have got fourteen bodies looking for companies.

The other thing we do is, on a regular basis we research through our databases that we pay for, specified companies. For example, for our inbound companies, these are individual companies. We do not do delegations. These individual companies are coming in, they are all in technology and plastics and one of them wants a chemical sniffer, we go to our databases and found them thirty meetings. This is what we do day in and day out. It is one of our elements. It could be a great opportunity to go to the state. I know there are limited resources with just one person. We can support that office and that effort. We can bring the bodies and you guys have the product. Again, that needs to be a funded and structured coordinated effort.

**K. Mr. Bernie Weiss, State Director, Center for International Trade Development**

*Transcribed Witness Testimony*<sup>28</sup>

Our centers serve a number of ethnic and minority communities in Fresno, Oakland, San Jose, San Francisco, Los Angeles, San Diego, and Orange County. Two centers just opened this past year. Our position in Los Angeles, to serve precisely those ethnic clients, those constituents needing help to overcome obstacles to trade are located at LA Southwest College and LA Trade-Tech College. In addition, we have many centers in Orange and LA County.

Our centers are part of a community college program called ED>Net, which is the Economic Development Network that has ten initiatives, of which we are one.

A conservative calculation that was done as a result of a legislative request for the whole economic development program resulted in a Return on Investment or Cost Benefit Ratio of over 12 to 1 in 1999 dollars. The return on investment and numbers for our Centers for International Trade Development (CITD) would be considerably higher. We work together with several entities, I will explain later, but one of the key partners is the Small Business Development Centers (SBDC). There are 29 centers around the state.

We work together to counsel and train small businesses, for example, a business can come to a Small Business Development Center looking to possibly handle an export order or have a business plan problem. We work very much with them and, in many cases, we are co-located with the SBDC's.

Before giving you the bland numbers and statistics, let me give you some real life examples of ethnically owned small business that we have helped break through the barriers in international trade. There is Marianela Yates, from the Merlin Group, an importer and exporter of specialty produce, who received counseling and training from the Long Beach CITD and in a letter stated, and I quote, "from just three seminars and only having part of my time to devote to my business, we had \$60,000 in new business through the year 2002. Just think of how much more business we could have if I was doing this full-time and could use all of the CITD services." And no, we did not pay her to say that either. It just came out in the letter.

Mario Fuentes, a client of the Fresno CITD, an International Marketing Manager for Domries Enterprises of Madera, California, reported sales of \$40,000 and serious inquiries from Mexican companies wanting to become distributors at the "Expo Agro Sinaloa 2001." I should state here that we are very much involved with the US Department of Commerce, particularly the foreign ag-service and the California foreign-ag department. There is a team in California that all of our CITD's involved in agriculture participate in.

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<sup>28</sup> Submitted testimony attached in appendices.

Another example is a very interesting one. David and Martha Thomas who manufacture Churritos El Tony, a Mexican snack food for children that contains a full dose of daily required vitamins and lower fat. With the help of Southwestern College CITD, the company was able to expand production and supply schools in Nevada, Texas and Arizona. They also donate product to orphanages in Tijuana so the kids can get a nutritious snack and are exploring products for Mexico and Latin America.

The last example is very interesting and a recent one. Rancho Santiago College District just completed an agreement with NAFIN (Nacional Financiera), which is the Mexican equivalent to the SBA, to train their small business counselors. NAFIN is establishing a \$50 million Hispanic Private Equity Fund to finance businesses on both sides of the border. There is a LA Times October 11<sup>th</sup> article that I have included in the package<sup>29</sup>. There is \$25 million already in the fund, so it is not something that is coming down the road.

This is an example of leveraging because the records and the people involved in Rancho Santiago went to Mexico and identified the need, their assumption is that if they help the businesses there, those businesses are going to do business with us in California.

The largest statistics behind the case studies in CITD and CMTAC's (California/Mexico Trade Assistance Center), helping small ethnic businesses inclined to break through the trade barrier are as follows:

In the last fiscal year, of those clients reporting ethnicity, 44.9% identified themselves as White, 21.4% as Hispanic, 13.5% as Asian and 11.2% as African-American. In other words, over 50% of our clients served were ethnic populations for the state as a whole.

Not incidentally, at our 18 CITD's and CMTAC's, one-half of our Directors or Managers are themselves members of ethnic groups that are particularly well-qualified to inter-face and advise small ethnically owned businesses. The number of ethnic assistants and consultants at the CITD's exceed even that ratio considerably, which facilitates the communication process and provides opportunities for diverse Californians to achieve success.

Our college-based platform facilitates collaboration between our Centers and a broad range of cooperating service organizations, including all the groups represented in this room.

Last fiscal year, our centers reported 838 strategic partnerships with 298 separate organizations, of which 64% were in the public sector. CITD consultants from our Centers deliver services to clients at diverse locations, which includes the US Department of Commerce offices, local and regional EDCs (Economic Development Corporations), the SBA, World Trade Centers (I am on the Board of the World Trade Center for San Diego from its founding), ethnic chambers of commerce and professional trade associations.

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<sup>29</sup> "Rancho Santiago, Mexico Bank Plan to Aid Businesses," *Los Angeles Times*. October 11, 2001.

Our methods of operation and delivery at all our CITD and CMTAC Centers support small and medium size business (with special attention to ethnic and cultural interests and challenges) through one on one, face-to-face counseling. In this regard, we are a non-fee organization. I like to use the term, pre-paid services, you pay your taxes, that pays our salary, instead of saying free.

We do deal in exports and imports equally. Because the import activity in the state is, of course, larger than the export, that is why there is a trade imbalance. We know that it works, dealing with the importers, actually produces exports of equipment and materials. We have a number of joint ventures that we work on in Mexico. We work in Mexico with farm groups. We work in Mexico with incubators, trying to connect them to businesses in California through video. In Guadalajara we have projects going. In Guanajuato we have some agricultural projects going directly to President Fox's brother in broccoli growing, etc. These are all requests for assistance.

We do information seminars. It is true. There are an awful lot of seminars. I am always amazed though, when I do these seminars or attend them, there are always some new faces. There are a lot of old faces. We are looking for new faces to get people to understand what is going on. We do foreign market research. I would like to emphasize that our counselors are all very experienced practitioners, just like the World Trade Association. They have many years of actual business experience. They have been there, they have done that. They are not academically based. None of our Directors are academicians. They are all business or export and import experts.

We assist with participation in trade shows. That has been discussed and foreign buyers organizations through the state Technology, Trade and Commerce both in Trade Commissions as well as inbound missions. We can draw companies. The most efficient way is, as was mentioned, inbound because the companies can go and meet people who have come with an interest in buying. They pay the money to get here and the business is still reluctant or at least have an inexpensive way to start talking with other countries and allow other companies to see, is there really something out there? We prepare and coach clients for attending exhibitions overseas and trade shows and, of course, we accompany clients frequently on trade missions such as the two successful ones to Mexico in recent years. We also collaborate in training, sponsorship and presentation with special emphasis on organizations such as the ethnic chambers of commerce, Latin Business Association and all other associations.

A principle of our program is that we are transaction-focused. We are interested in helping the business make that first transaction. In that regard, we do a lot more of the new-to-export than the ready-for-export or the frequent exporters. That way, we fit in with the State programs, Department of Commerce, which wants to deal with frequent exporters and with other entities that are dealing in that area. As our clients graduate we do, in fact, refer them to all the programs, because it is not competitive from our point of view. It is collaborative.



The effectiveness of our grassroots hand in hand outreach, as well as our collaboration with other state and federal service providers, is what makes the CITD/CMTAC initiative a success. Even more impressive, in my opinion, is the fact that funding for the Centers has remained in the same absolute dollar levels for the last four years. In other words, if we did have an expansion of funds, and I know this is not the year to ask for it, but I would like to make the point, we could put Centers in two more of the ethnically, small business owned areas. We look for that in the future when there are surpluses.

Finally, I would be remiss if I did not ask for the support of this committee for the upcoming legislation re-authorizing the Ed>Net program and funding. My hope is that you will agree that our record of success merits your continued support for this initiative.

I would also like to say a couple of comments based upon the previous comments not in my written testimony or even in my notes. I do think that you all agree that there is a plethora or a huge number of resources that are available to the target markets; small businesses, ethnic and otherwise. The problem is the information that exists, the best kept secret kind of thing. I would like to make the observation that when we did receive funding for the California-Mexico trade assistance, we surprisingly got a chunk of money to do nothing but marketing. The result, was a significant increase in attention, inquiries, road shows and other programs to bring the world of opportunity for Mexico trade to the community. I was very impressed with the results.

I would like to say, quite candidly, that if we, the assistance community, were to bring our business plan to one of our better counselors, they would look at it and say, well how much of your budget is to direct advertising or to multi-media advertising. We would say, we don't have funds for that. That is not part of what we do. The answer would be, your business is likely to fail. My message is that the resources are here. When I came here as a small businessman myself twelve years ago I had no knowledge of any of these resources. I joined and because part of the resources and I know the community is not 'fully aware,' that is because there is no emphasis on the marketing. The emphasis is in the delivery with reducing costs. That kind of emphasis in place, either by directive, as well as by budgetary means would have tremendous results.

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**L. Mr. Doram, Regional Director, Export Legal Assistance Network***Transcribed Witness Testimony*

While there are secrets, there are even more secrets in the international trade business, one of them is the Export Legal Assistance Network. We are pro bono counselors for people who are either engaged in, or interested, in international trade with respect to imports, with respect to exports and secondly, the provider is that they are small businesses.

The program has been in existence for 18 years now, with zero federal funding. Zero State funding. Zero city funding. Zero county funding. I am talking nationwide. Our purpose is to answer legal questions associated with exporting. I would add that we are not a legal referral service. Nobody gets paid for referrals or for obtaining referrals. We simply do it because we know the business, the people are panel members that live here in Los Angeles or Seattle or Houston, or anywhere around the country are knowledgeable and are well motivated. Their purpose is to give something back to the community. That is their gift.

It is true that a good number of people hope that some day business will come their way. In fact, it does not work that way. It does not work that way because, generally speaking, the businesses are small and not many of them grow to huge business size, despite the free agent help. There are a good number of small businesses that simply are not willing to pay the standard going rate for talking to international trade attorneys. They are just not. They are frightened of it. The idea of making such a call is not one that occurs to a lot of people. What we try to do is overcome the fear people have calling an attorney who knows this subject matter.

What kind of subjects do we deal with? We deal with all the legal questions associated with carrying on business at the international element. Sometimes it is a dispute with a domestic supplier, what to do about or what can be done about it. Sometimes it is a dispute with a foreign customer. Sometimes it is how to avoid a problem with a sales representative that is about to be terminated. Other times it has to do with the technicalities with Letters of Credit and merchandise is being held ransom by a freight forwarder, for example. What to do about export licensing of products, or for that matter, services. How to get trademarks registered. What to do with copyrights. All these are things that we do. One of the most common ones that we do in certain parts of the country has to do with questions that exporters or potential exporters ask about transactions that appear to them to maybe be bribes or some other shady transactions that could fall under the Foreign Corrupt Practices act. We tell them what the deal is.

The manner in which we do it. Phone. Fax. E-mail. It does not require a great deal of time or attention by the person who was actually assigned. It requires their initiative, however. How does business come in the door? When it does, it comes in by referral only. It comes in from either the U.S. Department of Commerce or the Small Business Administration. The State does not participate, does not make any referrals, does not

carry any listings. Neither does the county or the city of Los Angeles or anybody else. This is regrettable in a way.

The convenience factor is genuine. I should emphasize that part of it. One of the most interesting projects we have had in this past year concerns pet food for rabbits and turtles and fish. The producer is in Nebraska. The Sales Manager with whom I work, is in Australia. The destination markets, originally in Singapore are now Japan and, starting next month, England. Their project did involve, what kind of agreements should a person have, who is distributing that kind of food to those kinds of markets. The point is that it is done by e-mail, phone and fax. The idea that you cannot get access to highly experienced labor service associated with international trade is just a manner of not knowing.

I would like to take the opportunity to associate with my gray hair and my 32 years in this business to make some recommendations: First off, what is not the problem with respect to exporters, small businesses, ethnic small businesses. What is not the problem is the availability of information. There is so much information that it is overwhelming. It appears in a variety of places and in a forum. The only real difficulty is digesting it. Making it into packagable elements. The problem is not export licensing of products.

The problem is not U.S. embargoes to, let us say Afghanistan or Iraq or Libya. Those are not markets anyway. The problem is not any longer financing. You have heard earlier today, several state and federal entities that have to do with assistance and financing. The money comes mostly from banks and when the banks have guarantees from the federal government they are generally willing to participate in the program far more that they were fifteen or twenty years ago. The problem is not the availability of credit information about foreign customers. Credit insurance is readily available.

The problem is the exporter business that is in operation to be a potential exporter needs somebody to package the information to tailor it to their own situation. To reduce this gigantic mass of date information, throw out what is not relevant, identify what is relevant. Putting that package together is a hassling job. It is not a one on one deal. It is not a furnishing more paper or more data. It is talking to people, identifying what they do not need. This service of consulting is readily available from different organizations within California and some of is paid. Some of it is not paid. Some of it is association sponsored. Some of it is sponsored by the Small Business Association. Some of it is sponsored by the state, but the point is, that it does exist.

What I do think is a major problem aside from packaging the data to make it relevant to a particular business is inspiring the manufacturing and trading companies who are already in business to be willing to export. The last time we had a recession in California it lasted for many years but it was the export business that led the way out. It was the export business that was a much higher growth area that accounted for all of the growth in 1995-1996 in the California economy. I am not a crystal ball gazer but that might happen again next year or the year after. The one thing that I strongly recommend with respect to the state is, to the extent that you are talking about using state vehicles as a

method of delivery for the market and other services, from my viewpoint is to identify the expertise and concentrate it. Promote its availability. Do not dilute the expertise. Do not go for this Johnny Appleseed syndrome, where you spend \$500 here and there in the whole state so that every district gets \$500. That helps nobody to achieve a particular transaction. Expertise is valuable and people benefit by it but that is why it is useful and can tailor a product to fit the need.

The other thing that would be highly helpful, perhaps, is for more people to be willing to participate on a pro bono basis as some of us do in the legal services program.

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**M. Gladys Moreau, Director, Export Small Business Development Center***Transcribed Witness Testimony*<sup>30</sup>

They say that a picture is worth a thousand words. I would like, if I may, to paint you a picture of the types of obstacles that are encountered every day by our businesses and the work that we do to help them overcome those obstacles in three case histories that I will present to you that exemplify the need for the type of services that are concentrated by the Small Business Export Development Center.

My first example concerns a family-owned business. My contact, Mr. Jorge Oroza, is with the San Fernando Valley Pallet Company. They manufacture wooden pallets. The San Fernando Valley Pallet Companies success shows how much progress can be made within a year's time with the assistance of the center and a diligent client. We started working with Jorge in January of 2000. They had never exported before but had a good opportunity to sell pallets to a company in Mexico.

We assisted Mr. Oroza in reviewing the requirements of exporting wooden pallets to Mexico and the advantages of NAFTA. We assisted him with reviewing NAFTA requirements and determined that his products qualified. As his exports started growing, Mr. Oroza realized that he needed working capital to support the business so he attended our Export Working Capital Workshop. After the workshop, he met with our financial consultant and started working with him to find a bank to fund a SBA Working Capital Loan. This took some time and was quite a challenge because of the companies previous financial difficulties, but in October, Pacific Business Bank did pre-approve his loan, along with the SBA guarantee. So that was a \$40,000 Working Capital Loan and they have now sold \$150,000 worth of pallets to Mexico and, of course, are planning on increasing that substantially in the years to come.

My second example is a quite remarkable woman by the name of Ramona Ferguson. She has been a long-time client of the Export Small Business Development Center. In fact, she was one of our first clients way back when. We have assisted her in developing marketing materials, locating suppliers to qualifying trade leads and distributors. Ramona was proud to report that one of the trade leads that we provided her, led to her first sale of crude oil to West Africa for the amount of \$250,000. We are now under process for training her how to use a specialized web site more effectively to generate more leads and important trade information.

I think it is really important to note that Ms. Ferguson deserves special kudos for her current and past successes in markets, as she is blind. She is also an African-American. She really personifies the kind of clients that we have been privileged to work with. They work very hard for their successes.

My last example is Shay Guillardo. She works for computer motion, which is a high technology medical device manufacturer. In fact, what they produce or what their

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<sup>30</sup> Submitted witness testimony attached in the appendices.

main product is are robots that are used in open-heart surgery. If you think it is a surgeon that is in there with your heart, no, it is a machine. They had a problem with their exports to Mexico. Computer Motion was exporting \$500,000 worth of product to a hospital in Mexico, which qualifies for duty-free treatment under NAFTA. They also hope to donate another \$250,000 of medical supplies to be used for medical trials. However, they were going to be charged \$56,000 in duty on these donated items. We found out that they could qualify for duty free treatment under Mexican import law due to the fact that the hospital was registered with the Government. We thus helped Computer Motion save \$56,000 in import duty and helped them complete their \$500,000 sale. It is gratifying to know that Shay Guillard, who now handles Computer Motion's export operation, was an Export Small Business Development Center intern, who moved into this newly created position.

What is the Export Small Business Development Center and why are we around? It is based on the notion that export assistance needs to be directed to the companies with the greatest potential for growth, our nation's small and medium sized businesses. This view drives the services that we offer and our mission, which is to help these businesses increase their exports. We are a public/private partnership, hosted by the Export Managers Association of California. A 200 member, 35 year old trade association of exporters and export related companies. There are over 1,000 Small Business Development Centers in the nation.

This is a national program dedicated to growing small businesses and 30 of the Small Business Development Centers are right here in California. The Export Small Business Development Centers is the only one in the nation exclusively dedicated to helping companies increase their exports. All the other Small Business Development Centers are dedicated to small business growth in general. In addition to our head office in El Segundo, we operate a satellite office in Ventura, and outreach offices in Santa Fe Springs and the San Gabriel Valley.

We are funded by a grant from the SBA, the U.S. Department of Commerce, the State of California, as well as from donations from private corporations. Our clients range from the would-be one-person exporter to fairly sophisticated companies with export sales between \$1,000,000 or \$10,000,000, or more. Ethnically, they closely reflect the communities we serve in the Los Angeles, Ventura and Santa Barbara Counties. Our clients export to just about every nation in the world with whom the U.S. does business. Their products range from specialty graphic software to musical instruments to tortillas, and yes, the latter are exported to Mexico.

How do we serve our clients? Our primary tool is consulting, one on one direct technical assistance and we cover the gamut of industry knowledge of geographic expertise and professional expertise needed to make our clients successful.

In the world of exporting it is not enough to know how to market or move goods, which is the professional experience portion, but also, how to do it in a particular country where geographic expertise comes in, and for a particular industry whether you are



dealing with consumer goods, industrial goods or high technology products. Thus, our consultants are drawn from a large pool to meet the needs of our clients. It is the quality and depth of our consulting services that is responsible for the success of our clients. For example, our consultants may help a growing company organize their export department to be in compliance with new export laws and procedures, help secure transaction-based financing using the SBA Working Capital Guarantee Program or help the client find a more efficient freight forwarder to cut transportation and shrinkage costs. Our consultants are able to help a company pass the stage of 'let's get a marketing client together.'

We do offer a number of training programs. I am not going to go over them in detail. They range from new-to-export to a six-week program. We also have a very interesting program called Export Edge, which is sponsored by USC (University of Southern California) and is a much more in-depth advanced training program. We offer resources. We do have interns who do research for our clients on the Internet. We do offer complete packages of information to them. We operate a website and do offer many links to useful information resources.

I would like to go over a couple of the special programs that we have done over the years that illustrate the breadth of programs that are needed for the small businesses. One of them is the Ready-to-Export Program, which was funded by the U.S. Department of Commerce and is a market cooperator program. We did this program in partnership with the California Office of Export Development. We helped 400 companies go to domestic trade shows to meet foreign buyers. You have heard of a little bit about the foreign buyer program that the U.S. Department of Commerce has, but there was not the complementary services of counseling these clients before they went to the show, during the show and after the show. We have now completed this three-year program and it has been extremely successful in the areas of industries that California specializes in, such as high technology.

Export by Design, you heard from Mr. Kramer of the World Trade Association, we are partnering with them for another U.S. Department of Commerce cooperator program. The Certificate of Origin Program is an interesting one that we put together because Certificates of Origin are required by many countries if the exporters product is to get into that country they are normally issued by chambers of commerce. However, many chambers are not inclined to issue them because they are afraid of potential liability. Therefore we have put together a book that details what it takes to issue a Certificate of Origin for the chambers of commerce and to minimize their liability. There is also a table that details the requirements of every single country in the world for those Certificates of Origin. Then we put on a training program for all of the chambers of commerce in the area. That is a number of those training programs. As a result, the chambers are able to help their clients in an effective manner. They can issue those certificates without worrying about the liability because they are doing it correctly and because they came into contact with us, they are able to refer clients to us for further help. These are exporting clients.



Finally, I would like to mention the Quick Tip Series of documents that we put together. We all know that small businesses are very busy and very often, they just need a little bit of information. We put together Quick Tips, which is a one or two page points on how-to procedures which is to be used in often encountered export problems. For example, how to qualify a distributor overseas, how to find a freight forwarder or how to handle a Letter of Credit. These are proving very successful because we can just e-mail or fax those quick tips, the exporter can go over them and then call up our consultants for a specific problem associated with a subject covered by the Quick Tip.

In summary, the Export Small Business Development Center has focused on helping small businesses overcome, successfully, the plethora of problems associated with doing business overseas. We do it hands-on, with hands-on practical technical assistance given by professionals who are active in the global marketplace and in cooperation with other agencies.

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**Closing Remarks**

*Jenny Oropeza, Chair  
October 23, 2001*

Let me say to all the witnesses that I very much appreciate your taking the time to help inform us and to give us a great capsule from A to Z from the federal government to locally based private sector organizations. I look at the gamut of questions that exist around the issue of whether or not we are doing the job of promoting export opportunities for businesses, particularly our small and medium sized businesses, and most particularly, our ethnically owned businesses, which was the topic of this hearing.

I will say that I think there have been some very interesting ideas that have come out. I know I feel more educated that I was prior to this hearing. I think that there is room for improvement and there are places where we can do a better job. There are things that we are doing very well, but as was pointed out by one of our speakers, the key to our economic recovery in the past, has been in large part, the export industry, with all of its tentacles. Not only the actual export transaction, but all of the attendant business around that support that.

As we experience this economic dip, I think it is more important than perhaps it has been in some time, to focus and be sure that every resource that we expend as a State are dollars well spent. Indeed, as we make tough decisions, we must make sure that we are providing for economic recovery and for the long-term stability of our economy.

As Chair of the Assembly Sub-Committee on International Trade, I would like to thank everyone for their participation. This has been food for thought. I look forward to additional dialogs and perhaps some actions that we might take at the state level to help to additionally support this important component of the economic base of California.

## **VI Appendices of Submitted Testimony and Referenced Information**

1. Ken Ackbarali, Vice President and Managing Director of Economic Consulting, Los Angeles County Economic Development Corporation
2. Martin Selander, Commercial Loan Officer, International Trade Specialist, Small Business Administration
3. Maria Sobrino, President and CEO, Lulu's Desserts
4. Candace Chen, President, PowerClean 2000
5. Bernie Weiss, State Director, Center for International Trade Development
6. Gladys Moreau, Director, Export Small Business Development Center

# 1. Ken Ackbarali, Vice President and Managing Director of Economic Consulting, Los Angeles County Economic Development Corporation

## Outline of Presentation

### (1) How Big Is California's Export Trade?

- Total California exports in 2000 amounted to \$129.7 billion
- This represented an increase of 122% (more than doubling) over 1990
- 2001 export volume is virtually flat relative to 2000, reflecting the global economic slowdown/ "recession"
- The long-term forecast to 2020 is for international trade to more than double
- Export trade represents nearly 10% of California's Gross Domestic Product (GDP), estimated at \$1,330 billion in 2000.

### (2) Major Markets To Watch

- The top 10 export markets are distributed among three regions of the world—Asia, North America, and Western Europe. For 2000:

		(billions)
Mexico	\$19.0	
Japan		17.3
Canada		15.1
South Korea		9.1
Taiwan		8.0
United Kingdom	6.3	
Germany		5.6
Singapore		5.3
Netherlands		5.1
Hong Kong		4.5

### (3) Major Products/Commodities

For the year 2000, the following 10 product groups led the pack. The high technology and aerospace industries are dominant in California's export trade:

	(billions)
Electronic & Electrical equipment	\$37.8
Industrial Machinery, incl. Computers	37.6
Instruments & Related Products	11.9
Transportation Equipment	8.6
Chemicals & Allied Products	5.0
Food & Kindred Products	4.5
Agricultural Products—Crops	3.9
Misc. Manufacturing Industries	2.3
Fabricated Metal Products	2.3
Rubber & Misc. Plastic Products	1.9

(4) Employment Impact

- LAEDC estimates that international trade (exports and imports) accounted for 458,200 jobs in the 5-county Los Angeles Area in 2000. This is based on allocated shares of communications, transportation, wholesale trade, financial services, and professional services.
- Jobs in international trade have increased at an average annual rate of 4.9% over the 1980-2000 period compared with a 1.47% average growth rate for total nonfarm employment.

(5) Hurdles To Exporting Faced By Small Ethnically-Owned Businesses

- Finding markets for California products. Need to become aware of export assistance programs and resources of government organizations and trade associations. Trade missions and trade shows can also be helpful.
- Researching distribution channels in foreign countries.
- Fear of the unknown—foreign culture, languages, and business practices. Workshops and seminars.
- Financing arrangements—trade finance tools such as letters of credit; and understanding foreign exchange risks. Bankers can help.
- Arranging logistics through freight forwarders, shippers
- Complexity—customs regulations, tariffs and duties, and technical specifications. Trade Information Center, U.S. Department of Commerce, provides information in these areas.

(6) Strengths of Ethnic Businesses

- Recent immigrants (Hispanics and Asians) possess first hand knowledge and understanding of foreign markets, having functioned in multi-cultural environments.
- Entrepreneurial spirit—risk-taking.

**2. Martin Selander, Commercial Loan Officer, International Trade Specialist, Small Business Association  
California State Assembly Select Committee Hearing on International Trade**

Chair Person Oropeza and distinguished committee members, thank you for inviting me to testify today about the U.S. Small Business Administration's (SBA) international trade programs and services. Specifically, Chair Person Oropeza's staff member Jennifer Baker has asked me to comment on how ethnic businesses are receiving federal support through the SBA's Export Trade Assistance Partnership Program (ETAP).

To briefly explain, for those of you who are unfamiliar, the SBA is one of three federal agencies in the U.S. Export Assistance Center partnership (USEAC). The USEAC concept was created by the Interagency Trade Promotion Coordinating Committee (TPCC), which was itself created in statute by the Export Enhancement Act of 1992 to coordinate the delivery of federal export promotion services. To carry out Congress' intent, three TPCC agencies- the SBA, the U.S. Department of Commerce Commercial Service, and U.S. Export-Import Bank, established a domestic network of "one stop shops" called U.S. Export Assistance Centers. The agencies participating in this network were to coordinate among themselves as well as with nonfederal organizations and deliver a full range of export education, promotion, and finance services to small to medium sized exporters and firms interested in becoming exporters.

I'd like to emphasize that I just mentioned NONFEDERAL organizations. Over the years the USEAC and especially the SBA has enjoyed a strong and successful partnership with our friends at the California Trade and Commerce Agency International Trade and Investment Division, particularly the Office of Export Development and



California Export Finance Office (CEFO), both coincidentally also located at the Long Beach World Trade Center. I'd like to recognize the CEFO Director Mr. Jerry Avila and his staff who have worked very closely with us at the SBA in providing trade finance services to the local banking and small business community. We in fact have an official Memorandum of Understanding between our two agencies which allows us to jointly finance eligible export transactions in excess of an amount either agency could support on its own. This leveraged program has allowed our agencies to extend over \$40 million in credit since 1994. Again my thanks and recognition to the California State Senate, California State Assembly and CEFO Director Jerry Avila and staff for their support.

The Bush Administration recognizes the critical role international trade plays in both the U.S. domestic economy and our foreign policy. President Bush has a strong commitment to "opening markets around the world for the benefit of American workers, farmers, and businesses." He has stated that "open trade is not just an economic opportunity, it is a moral imperative." His first priority this year has been to seek Trade Promotion Authority from the U.S. Congress to demonstrate to the world that the Congress and the President are united in seeking the best possible deals for U.S. business abroad. SBA has been working to support the President's efforts by educating small businesses and international trade resource providers of the importance of small business exports to the U.S. economy and the importance of open markets to sustain and support export growth.

SBA's USEAC personnel serve as the primary delivery mechanism for the Agency's export assistance programs, including marketing, counseling and processing of loan applications. Their primary focus is twofold: helping new-to-export small businesses and providing finance counseling and trade finance programs. The first Annual Report of the TPCC in 1993 identified two major needs for small businesses interested in going into international trade: access to information and access to capital. In regard to improved access to capital, SBA responded by developing its Export Working Capital Program, a much-needed, short-term, transaction-backed guarantee program. The number of SBA export loans increased from 160 Fiscal Year 1994 to 480 in Fiscal Year 2000, supporting a loan volume in FY 94 of \$77 million to that of \$202 million in FY 2000. Here in Long Beach, our lending volume has grown from 24 loans for \$7.3 million in Fiscal Year 1994 to 85 loan for \$43.6 million in Fiscal Year 2000.

In response to the "Access to information" need, the SBA developed our ETAP program. ETAP is another example of how SBA uses partners to enhance its programs for assisting small business. SBA has identified two distinct categories of small business clients for export assistance: 1) small businesses that are not currently exporting, that have products with unique market potential that require education, technical, and financial assistance; and 2) small businesses already exporting that require additional technical, risk management or financial services for expansion. Both categories of clients are welcome by the ETAP program.

The first category of small businesses – those not currently exporting -- is the most challenging group to assist. These firms require an extraordinarily high commitment of extensive training and counseling resources because most of these businesses have no knowledge about international trade. Their evolution into becoming successful exporting companies begins with teaching them the basics of exporting in addition to assisting with market identification, market entry strategies and financial counseling. The period of time from the commencement of their decision to export until the company actually enters the foreign market may extend over a period of years.

The second group requires less technical assistance as they are already familiar with the basics of exporting because they have either shipped goods to a foreign buyer and/or are already exporting to one country. Their need for assistance is generally focused on either finance counseling or financial services rather than other types of export education. SBA, through its USEAC personnel and its domestic office network of district offices and resource providers, provides trade and finance programs for these already savvy companies. These companies represent the most potential for growth and are an important focus for SBA. These very small companies—those with less than 20 employees—made up 66 percent (two-thirds) of all U.S. exporting firms in 1998 but in 1999, nearly two-thirds (64.1 percent) of small business exporters posted sales to only one foreign market.

To help firms become export-ready, and to provide additional knowledge to firms, which already are, ETAP takes small business owners through all the stages of becoming an exporter. Class curriculum typically includes seminars on international market

research, financing, global marketing tools, cultural etiquette, pricing and quotations, international agreements and contracts, insuring shipments, dealing with freight-forwarders, and much more. The seminar schedules will vary. We have just begun an ETAP series nearby in the city of Santa Ana. This class will meet approximately once a month, two hours per session, for 12 months. We have just completed a series in Riverside, which met approximately every week for six weeks, with each class lasting four hours. Many ETAP courses incorporate foreign trade events to encourage participants to begin the export process once the actual course work has been completed. Implementation of ETAP is highly dependent on SBA's partners. Partners who provide coordinated assistance include SBDCs, SCORE, U.S. Commercial Service, Ex-Im Bank, California Center for International Trade Development, CEFO, OED, city and other local trade offices, and individual freight forwarders, customs brokers, insurance brokers and international attorneys. All bring together essential export information, at little or no cost to the small business.

In regard to the recruitment process, typically databases and mailing lists from all partners are used to disseminate program information. Marketing materials on ETAP are distributed to partners who subsequently distribute them to potential prospects for the program. Interested companies are invited to the USEAC and interviewed by a panel of board members to determine the suitability of the companies' participation. In 1996 our office initiated our first ETAP class with six graduates. Our 1997 class had ten graduates. In 1998 we had eight, in 1999 we had 13, and in 2000 we had one dozen. Presently in calendar 2001 we have three ETAP sessions running concurrently, one in the city of

Ventura with approximately seven companies attending, the one I mentioned in Santa Ana with approximately 12 companies, and the just completed class in Riverside which had nine graduates. Plans are underway to initiate ETAP series in other California districts served by the Long Beach USEAC including San Diego, Fresno, Sacramento, and San Francisco. Out of state districts served by the Long Beach USEAC include Honolulu, Phoenix, and Las Vegas.

In fiscal year 2000, SBA nationwide delivered E-TAP training to 328 small business participants, resulting in projected export sales of \$138 million. Let me conclude by saying that the SBA is excited about prospects for U.S. small business in the global marketplace and we recognize that we need to continue to adapt and create programs to keep relevant to the needs of these businesses. We are committed to expanding our tradition of building relationships within the public and private sectors and will continue to work under the auspices of the TPCC to coordinate and enhance our delivery of export programs to the small business community. Thank you for allowing me to testify on behalf of the Small Business Administration and we look forward to working with you to better equip our small business exporters for global markets. I would be happy to try to answer any questions you might have.

END OF COMMENTS

### **3. Maria Sobrino, President and CEO, Lulu's Desserts**

#### **INTRODUCTION**

My life as an entrepreneur began in 1976 when I was living in Mexico City. My first business was in the tourism industry with an initial focus on organizing conventions and events. My initial strategy was to develop a client base from among the large American corporations based in Mexico that regularly had conventions and seminars in Mexico. I added a travel agency and eventually began to arrange conventions in the United States for my Mexican clientele. I soon expanded our conventions business in the U.S. to a full service holiday package service, including airline tickets, hotels and entertainment. My business grew so well that by 1982, I decided to expand and open an office in Los Angeles at the Sheraton Plaza La Reina near the Los Angeles airport. At this time, the export business found me and I immediately saw the potential for penetrating the U.S. market.

By 1983, my business faced a major crisis – the Mexican peso devalued and the Mexican economy went into recession. My clientele could no longer afford to travel to the United States for their conventions, so I closed my business.

I decided to stay and live in the U.S.; it was part of my dream and I had to figure out my next steps. The first question I asked myself was, “What do you do when you do not know anyone in town and you do not have a network of any kind?”

With strong determination and ambition, I developed a list of different businesses to embark on:

- 1.) The first thing I thought of was along the lines of my last business, but this time organizing tours from the U.S. to Mexico. I found that the timing was not right; the peso was not established and hotels could not find guarantees.
- 2.) My second idea was to import fine arts and crafts from Mexico. I took a trip to meet the best craftsmen in the Republic, buying samples, taking pictures and preparing a catalog. I also tried to represent some Mexican companies in the U.S., but both projects failed for several reasons. I did not have the proper connections with distributors in the U.S., my volume was not enough, and I lacked the right amount of capital.

Through my ventures, I discovered other obstacles. For example, one always thinks of going to one's embassy or consulate for help, but I found that this is the last place from which you can get help, at least in those days. Another obstacle was not knowing the right people or minority business groups or associations that could guide me in the right direction. Lastly, my language was an obstacle.



**LULU'S DESSERT/ FANCY FRUIT CORPORATION**

My desire to get into another business was satisfied when I was led to my current business of making and selling ready-to-eat gelatin desserts. This came about because I could not find my favorite dessert as a consumer in any supermarket. I decided to start Lulu's Dessert Corporation in 1983. I didn't know anything about food processing, packaging, shelf life or many of the other requisites for the food industry. All I had was my mother's recipe that she taught me when I was young, and the desire to be successful in America.

After six years, I decided to expand my business and start another company: Fancy Fruit Corporation. At this point, I was ready to break into the global market place. My all-natural frozen fruit bars opened new doors and I began exporting internationally to countries such as New Zealand, England, Koreas, Chile and Mexico among others.

The idea of exporting my product came from a customer who bought a frozen fruit bar in New York and called us to say that he wanted to be a distributor in the United Kingdom. He flew over to meet with us and we began doing business. Soon after, we shipped him our product, but we did not see any payment for six months. A similar scenario occurred with regard to shipments to Chile and New Zealand. I continued doing business this way with different customers until 1998 when I put a stop after losing almost \$1 million dollars in bad debt, packaging materials in different languages, and trade shows.

Overall, my export business failed for two reasons: first, we did not engage in the proper planning and secondly, we did not know enough about export financing. Specifically, we did not operate on the basis of confirmed Letters of Credit; instead we shipped on open accounts and were cheated out of money on a number of occasions.

One day, I was featured in an article by The Orange County Register and received a call from Tony Michalski of the Export Assistance Center, U.S. Commercial Service in Newport Beach. He called to schedule an appointment because he wanted to explain how his office could help in increasing my export business. Once he explained everything, I asked him, "Where were you all these years that I needed to know more about the Department of Commerce?" He later explained various aspects of the export industry and put me in contact with buyers from Mexico and many other countries. He also told me about trade missions - we attended one this year in Mexico City where we met with President Fox. Mr. Michalski has been very instrumental in recommending new avenues for growth and knowledge in the export industry.

Exporting is not easy, especially the paperwork that needs to be filled and all the information needed per country. I've done everything from hiring consultants to attorneys in every country. I've insisted in continuing my export efforts because I see the potential, especially when my product has been accepted so well and my prices can compete with the local markets.

## RECOMMENDATIONS

I have learned a tremendous amount from the successes and failures of my export business. I would like to share with you some overall comments and recommendations I have for future export strategies:

The government wants to promote exports but they have to understand that corporations interested in exporting have to invest a considerable amount of money and time for research, and this involves a great deal of risk. It's easy to say, "ask for a letter of credit" to the customer, when you are a small company selling to another small company overseas. But it's expensive to generate this type of documentation, and the investment in creating different packaging is considerable. That's why you can only do one country at a time - because of the cost of shows, promotions and travel expenses. I am aware of WUSATA and some of the benefits, but in order to understand these types of programs and use them properly, you need a full time person dedicated to handle paperwork and follow up with refunds. Unfortunately, every agency works separately – USDA, SBA, and Department of Commerce, and this needs to change. All agencies need to work together to understand the exporters needs per country.

My recommendation is to maximize the potential of small businesses and prepare an "Easy Step Export Procedure Manual" according to each industry and to eliminate the bureaucracy involved in every transaction. Trade is an engine of economic growth and job creation. Exports have accounted for almost one quarter of U.S. economic growth during the past decade. 20 million new jobs have been created since the early 1990's supported by exports, which represent 15 percent of all private sector U.S. jobs. If global trade barriers were cut by one third, the world economy would increase by more than \$600 billion a year.

President Bush has asked Congress to grant him Trade Promotion Authority (TPA) because the U.S. is losing opportunities in world markets due to lack of participation in trade agreements. There are 130 Free Trade agreements and the U.S. only participates in two – U.S./Canada NAFTA and U.S./Israel FTA. The European Union has negotiated 20 free trade agreements since 1990. TPA is a critical part of the President's ability to negotiate good trade deals that will open markets, increase choices and lower costs for American farmers, workers, consumers and businesses.

I recommend the following tactics for increasing export opportunities:

- 1) The time is right, and I recommend an increase in promoting export opportunities to women-owned businesses. According to the Office of Advocacy of the Small Business Administration, in 1997, the number of women-owned businesses increased 89% over the last decade to an estimated 8.5 million. Women-owned businesses generated 3.1 trillion in revenue, an increase of 209 percent between 1987-1997.

- 2) I recommend creating a directory of free trade available from the USDA, DC, SBA and every export entity. We must identify key women's organizations and groups that would most likely benefit from specified export programs and increase information exchange regarding opportunities and stimulate interest in exports.
- 3) I recommend establishing links between government agency websites and women organizations.
- 4) I recommend developing an Immigrant Entrepreneurship Program. Given the entrepreneurial propensity of immigrants, it is time to ensure that they are fully integrated into the nation's network of small business development services in order to grow and to make an even larger contribution to the U.S. economy. As many immigrants, it took me about 10 years to understand the system and to start thinking about exporting a food product. Promoting export among immigrants should be a priority. As more than two thirds of all immigrants reside in California, New York, Florida, Texas and Illinois, opportunity exists to identify and develop best -case practices and programs to promote export among entrepreneurs.
- 5) I recommend increasing research on the following:
  - a) Identifying immigrant exporters among Mexican and Asian-Americans
  - b) Identifying current practices among California State agencies in reaching out to and servicing this segment of the population
  - c) Providing information that is language-specific such as Spanish and Chinese
  - d) Creating a focus group with business leaders among the target constituency to gather their input of new initiatives that can be undertaken to improve the effectiveness of programs that promote exporting among immigrants in the state

## CONCLUSION

I would like to conclude by saying times are changing and information and technology for exporters needs to be easier so that corporations can invest time and effort in export business. Thank you for inviting me, and I hope my comments can help you to make proper changes in our export strategy.

#### **4. Candace Chen, President, PowerClean 2000**

##### How Power Clean 2000 Entered the International Trade Market

- I. Market Research
  - A. Determine whether export market exists for products
  - B. General knowledge/Networking Opportunities/Trade Seminars
  - C. US Department of Commerce market research reports
- II. US Department of Commerce Tools –
  - A. Agent Distributor Matching Services
  - B. Trade Shows – government assisted matchmaker events at industry shows
  - C. Trade Missions – horizontal/matchmakers
- III. Media Advertisements
  - A. Trade Magazines – industry (domestic/foreign)
  - B. News Releases
- IV. Internet Sites
  - A. Company Website
  - B. B2B sites – e.g. Internet based matching programs coupled with Trade Shows – government assisted matchmaker events at industry shows
- V. Personal Contacts
  - A. Networking opportunities – e.g. Regional Trade Conferences, Trade Association Seminars.
  - B. Export Management Companies
- VI. The Interview Process
  - A. Relevance to product/industry
  - B. Company's reputation/background
  - C. Commitment/Payment
- VII. Qualifying & Choosing a Distributor
  - A. Define Roles/Responsibilities/Relationship
  - B. Sales vs. Joint Venture
  - C. Legal Aspects/Contracts
- VIII. Follow-Up/Identifying Trade Barriers

## Partial List of Power Clean 2000's Priority Trade Barriers:

I think it goes without saying that SME's (Small Medium Size Enterprise) need help not only with trade promotion, but also with participating in the trade policy developing and other regulatory functions. Many SME's are very focused on business opportunities and administrative duties, but often do not think about actively contributing to policy development until they themselves have been adversely affected by certain barriers. I would encourage state and federal governments to utilize outreach programs for trade promotions and use these venues to keep its SME's informed of proposed regulations and to give them the opportunity to actively participate.

1. **Fast Track Technology Verification program.** Many foreign governments require that SME's whose products/services are based upon innovative technologies provide proof (certificate) that its technology has been certified by either the SME's own relevant government agency or one of an equivalent government. However, there is currently no such program in place in the US. Therefore, it has been very difficult for US SME makers of technology based products to fully realize the market potential of their products or successfully bid on foreign government contracts. This is a major stumbling block for technology based SME's.
2. **China: Mechanism for enforcing WTO obligations, i.e. establishment of an effective enforcement mechanism/structure in the PRC, which is reliable, predictable and economically accessible by US SME's.** Alternative Dispute Resolution/Arbitration are not feasible alternatives for SME's in matters involving Chinese counterparts. From a private sector standpoint, I am also concerned that government statistics showing phenomenal increase in trade activities between American SME's and China take into account a possible "churning" process. For example, US SME's that export to China only once because of trade barriers, but whose decline in exports are overcome statistically by other new to the market SME's.
3. **Harmonization of technical standards.** Exploring Internet based mechanism allowing more SME's to participate in standards setting activities and improved contact points for standards and conformity assessment information. The costs of complying with standards and conformity assessment requirements tends to be a fixed cost - i.e., the cost of testing a machine for conformity assessment is as expensive to a small company selling a few machines as it is to a large firm selling considerably more. The cost of understanding different standards, modifying products to comport to the different requirements in the US and overseas, and of testing (and re-testing each time a product is modified) limits SME business and in many cases is a prohibitive entry barrier preventing SMEs from even engaging in trade.
4. **In addition to procurement opportunities being available on the web, government procurement contracts should be broken up into manageable and realistic portions for SMEs.** Big business should be given credit for employing SME contractors as a condition of its proposal. There is also the problem of whether bid proposals can be written in English. It is very expensive and time consuming for an SME to hire an

outside contractor to write its bid proposal in the procuring government's native language as is often required.

5. Global Patent - Approval process utilizing a single application procedure because the cost of intellectual property protection is a widespread concern for SME's.

#### Other Suggestions:

1. Overcome the perception that government is bureaucratic and not business friendly.
2. Better-coordinated effort to disseminate information on programs available to the SME community at large. Governments (both State and Federal) could consider data sharing between departments that serve similar clientele, rather than rely heavily upon private sector multipliers (e.g. trade associations).
3. Need for efficient and low cost programs aimed at helping SMEs find agents, distributors and partners overseas, such as government assisted partnering/trade promotion programs at major industry trade shows held in the US and internationally.
4. US Embassies/Commercial Service Section or State Trade Development Offices in developing economies especially, could consider holding seminars on regular basis for local businesses on doing business with US firms, covering topics such as expectations, customs, laws, labeling/technical requirements specific to sectors, or even something as basic as common forms of Letter of Credits, contractual obligations, etc.



## **5. Bernie Weiss, State Director, Center for International Trade Development**

- **Good Morning. My name is Bernie Weiss. Over the past 20 years I have worked with the Xerox Corporation and General Electric in Mexico, and with USAID in Afghanistan. I have been involved with college-based Trade Centers for the past 9 years and currently serve as a the Statewide Director for our network of 18 Centers for International Trade Development (CITDs) and California-Mexico Trade Assistance Centers (CMTACs). Frankly, I believe our Centers are extraordinary delivery platforms for overcoming the barriers to international trade facing small ethnically owned businesses throughout the state.**
- **I want to thank the committee for the opportunity for inviting me to present information about our program and the key issue of how we assist ethnic minority businesses to enter, compete and expand in today's global marketplace. We serve a number of ethnic minority communities in Fresno, Oakland, San Jose, San Francisco, Los Angeles, San Diego and Orange County. In point of fact and by design, the two Centers just opened in Los Angeles - at L.A. Trade Tech and L.A. Southwest Colleges - are positioned to serve precisely those ethnic business clients and constituents who most need our assistance in overcoming obstacles to trade.**
- **By way of background, our Centers are part of a highly successful community college program called ED>Net, the Economic Development Network. Our most conservative calculation is that the Return on Investment or Cost Benefit Ratio of our ED>Net programs was over 12 to 1 in 1999 dollars. Return on Investment numbers for our CITD/CMATC Initiatives are even more impressive.**
- **It may be helpful to briefly describe how our Initiative fits into the overall economic development activities of the State of California. The Economic Development Network (ED>Net) encompasses 10 separate Initiatives that are funded by the Legislature and delivered via competitive grants through the Chancellor's Office of the California Community Colleges. These 10 different Ed>Net Initiatives provide job-related education and services to businesses and organizations of all sizes in the private, public and not-for-profit sectors.**
- **By strengthening on-the-job performance and global competitiveness, ED>Net advances the state's economic growth. I have included a brief description of ED>Net and all its component initiatives in your handouts.**
- **Recognizing the key role of international trade in California's economy, the California Community College Chancellor's Office (CCCCO) established the first Centers for International Trade Development some 12 years ago. In late 1999, Governor Davis added a specific California-Mexico Trade Assistance Center - or CMTAC - function to the CITDs, to expand trade between California and Mexico. Placing the CMTACs in the college-based CITD program leveraged our grass-**

roots proximity to small businesses and capitalized on our special relationship and strong ethnic links to create additional trade opportunities with Mexico.

- A key partner with our CITDs and CMTACs in addressing the special concerns and issues of small business, especially those of ethnic small business, is another major joint Initiative of ED>Net and the California Technology, Trade & Commerce Agency. These are the 29 Small Business Development Centers, (a map with their locations is included in your package) which are often co-located with our Centers but in all cases work together to counsel, train and assist small businesses. For example, a business may need to change its internal management or production practices as it begins to participate in export sales. Many of clients have never included international trade in their business plans and need this kind of help as well as market research and technical trade and financing information.
- Our college-based platform also facilitates collaboration between our Centers and a broad range of cooperating service organizations. Last fiscal year our Centers reported 838 strategic partnerships with 298 separate organizations, of which 64% were in the public sector. A number our workshop programs are cosponsored among Centers and partners to provide an array of delivery and entry points throughout the community. CITD consultants from most Centers deliver services to clients at diverse locations which include U.S. Department of Commerce offices, local and regional EDCs, the Small Business Administration, World Trade Centers, ethnic chambers of commerce and professional and trade associations. In mounting trade missions, we work hand-in hand with partners such as the USDOC, California and U.S. Foreign Agriculture Departments, the California Technology, Trade & Commerce Agency and the World Trade Centers.
- Our specific methods of operation at all our CTID and CMTAC Centers support small and medium size businesses (with special attention to ethnic and cultural interests and challenges - and opportunities) in following ways:
  - One-on-one, face-to-face counseling with the client on the process of opening new foreign markets or importing from foreign suppliers. These counselors are experienced practitioners, who have both “been-there” and “done that” in a broad range of domestic and international markets.
  - Information seminars and training workshops on specific business procedures and skills, from the 3-hour ABC’s of Exporting to a 30-hour 10-part series called Trade Secrets. Subjects include: international logistics and distribution, finding the right foreign distributor and export financing. Several programs are delivered in Spanish as well as English and have been translated into Vietnamese. We partner with a broad spectrum of businesses associations, ethnic chambers, EDCs, World Trade Centers and college career centers in presenting our services, often on their premises and in jointly -sponsored and funded programs.

- Foreign market research to identify the foreign markets with the highest sales potential and to locate distributor or agent contacts and leads that make it easier for companies to work with the right prospects and partners.
  - Assist with participation in domestic trade shows where foreign buyers come looking for product representation, agencies and distributorships. Prepare and coach clients for attending and exhibiting at overseas trade shows. We work closely with and support many of the California Technology, Trade & Commerce Agency's key foreign trade missions, such as the two recent Mexico Trade missions, both of which were quite successful and included a number of ethnic business owners and managers. A copy of one such report is included in your binder.
  - Collaborate in training, sponsorship and presentations with colleges, universities, foundations, professional associations, chambers of commerce, industry groups and other federal, state, county and local trade promotion organizations, with special emphasis on organizations such as ethnic Chambers of Commerce, Latin Business Association and Asian Business Associations.
- A primary principle of our program is that our assistance is transaction-based, meaning focus on getting the actual business opportunity completed, rather than simply referring clients to other agencies or offering contact lists. Our services are geared and adjusted for direct continuing support of clients as they progress through the initial theory of exporting or importing, to the actual process of doing business overseas with foreign customers, suppliers and partners.
  - Against this background, let me offer you some specific information on the characteristics of our client base and some examples of recent CITD the activities and services involving ethnic businesses throughout the state. During the most recent fiscal year, the Centers served 3,659 active clients, with 34,809 hours of training and 10,084 hours of one-on-one counseling. Our clients reported assisted trade transactions of almost \$396 million. That is right, almost \$400 million dollars in actual or projected transactions in a 12 month period.
  - Some of the relevant demographics of our client activity that may address the specific interests of today's hearing are as follows:
    - Of those clients reporting ethnicity, 44.9% identified themselves as White, 21.4 as Hispanic, 13.5% as Asian and 11.2% as African-American. In other words over 50% of our clients served were ethnic populations, for the state as a whole.
    - Not incidentally, at our 18 CITDs and CMTACs, one-half of our Directors or Managers are themselves members of ethnic groups that are particularly well qualified to inter-face and advise small

ethnically owned businesses. The number of ethnic assistants and consultants at the Centers exceed even that ratio, which facilitates the communication process and provides opportunities for diverse Californians to achieve success.

- At a number of Centers, well over two-thirds of the total clients are ethnically owned small businesses. As an example, Citrus College reports that 71 percent (on average) of all clients are from ethnic populations.
  - For these populations, the fact that many CITD/CMTAC services are free - that is "pre-paid" through the tax dollars funding the program - increases the accessibility and use significantly.
  - The familiar community college setting of the CITD/CMTAC programs also attracts an ethnic population that has experience and confidence with the educational nature of these host institutions.
- The packets that I have distributed have several examples of ethnically owned small businesses that we have helped break through barriers to international trade. These include:
    - Marianela Yates, owner of the Merlin Group, an importer and exporter of specialty produce, received counseling and training from the Long Beach CITD and in a letter stated " From just three seminars, and only having part of my time to devote to my business, we have \$60,000 in new business through the year 2002. Just think of how much more business we could have if I was doing this full-time and could use all of the CITD services"
    - Mario Fuentes, a client of the Fresno CITD and International Marketing Manager for Domries Enterprises of Madera, California reported sales of \$40,000 and serious inquiries from a Mexican company wanting to become a distributor, at the "Expo Agro Sinaloa 2001".
    - David and Martha Thomas who manufacture Churritos El Tony, a Mexican snack food for children, that contains a full dose of daily required vitamins and lower fat. With the help of Southwestern College CITD/CMTAC, the company was able to expand production and supply school districts in California, Arizona, Texas, Colorado, Utah, and Nevada. And on a weekly basis they donate product to orphanages in Tijuana so the kids can get a nutritious snack and are simultaneously exploring the potential for their products in Mexico and other Latin-American markets.

- Rancho Santiago College District just completed an agreement with NAFIN, the Mexican equivalent to the SBA, to train their small business counselors. NAFIN is also establishing a \$50 million Hispanic Private Equity Fund to finance businesses on both sides of the border (see the October 11, 2001 story in the L.A. Times)
- I would like to direct your attention to several of the handouts in your packets that illustrate some of these other examples of our on-going work and progress.
- The effectiveness of our “grass roots” hand-in-hand outreach, as well as our collaboration with other state and federal service providers is what makes the CITD/CMTAC initiative a success. Even more impressive, in my opinion, is the fact the funding for the Centers has remained at the same absolute dollars levels over the past four years. Obviously operational and personnel cost increases have eroded our capability to grow our services and training in proportion to demand. We estimate that an increase in CITD/CMTAC funding of \$800,000 will allow us to reach 1000 more companies and increase jobs and incomes in the underemployed - and largely ethnic - communities of Los Angeles, Imperial County, Kern County, and Monterey County. As we face the prospect of renewed recession throughout the state, our CITD/CMTAC programs offer an inexpensive, highly leveraged return on investment that can and have made a significant positive difference in the lives and businesses of average citizens, especially those in ethnic neighborhoods and communities.
- Finally, I would be remiss if I did not ask for the support of this committee for upcoming legislation reauthorizing the Ed>Net program and funding. My hope is that you will agree that our record of success merits your continuing support for this initiative.
- Thank you for your attention and interest and I would be pleased to respond to your questions and comments.

**6. Gladys Moreau, Director, Export Small Business Development Center**

**Thank you very much for inviting me to testify on behalf of the Export Small Business Development Center. The timing of this hearing is especially apt as October marks the tenth anniversary of the Export SBDC's efforts to help small and medium sized businesses increase their sales overseas.**

They say that a picture is worth a thousand words and I would like, if I may, to paint you a picture of the obstacles encountered every day by our small businesses and the work we do to help them overcome these obstacles through three case histories that exemplify the need for the Export SBDC's services and the unique methods the Center has used over the years to ensure small business' success in the global marketplace.

**Contact:** Jorge Eroza  
**Company:** San Fernando Valley Pallet Company  
**Product:** Wooden Pallets  
**Exports:** \$151,000 plus \$40,000 Export Working Capital Loan  
**Issue:** Training, NAFTA and Working Capital

San Fernando Valley Pallet Company's success shows how much progress can be made in a year's time with the assistance of the Export SBDC and a diligent client. We started working with Jorge Eroza in January 2000; this family-owned company had never exported but had a good opportunity to sell pallets to a company in Mexico. We assisted Mr. Eroza in reviewing the requirements of exporting wooden pallets to Mexico and the advantages of NAFTA. We assisted him with reviewing the NAFTA requirements and determined their products qualified.

*As exports started growing, Mr. Eroza realized that he needed working capital to support this business. So he attended our Export Working Capital Workshop. After the workshop, we had Ed Bretz, our Finance Consultant, start working with him to find a bank to fund a SBA Export Working Capital loan. This took some time because of the company's previous financial difficulties. In October, Pacific Business Bank pre-approved their loan along with SBA.*

This has allowed San Fernando Valley Pallet Company's business to grow in the US and Mexico. They have now sold \$151,000 to Mexico and want to increase this business next year.



**Contact:** Ramona Ferguson  
**Company:** Ferguson  
**Product:** Crude Oil  
**Exports:** \$250,000  
**Issue:** Quality Trade Leads

Ramona Ferguson has been a long time client of the Export SBDC. We have assisted her in developing marketing materials, locating suppliers to qualifying trade lead/distributors. Ramona was pleased to report that one of the trade leads we provided her led to her first sale of crude oil to West Africa for the amount of \$250,000. We are in the process of training her on how to use the ITDN web site more effectively to generate additional leads and important trade information.

*Note: Ms Ferguson deserves special kudos for her current and past successes in foreign markets, as she is blind.*

**Contact:** Shea Gallardo  
**Company:** Computer Motion  
**Product:** High Technology Medical Devices  
**Exports:** \$500,000 in sales, saved \$56,000 in duties  
**Issue:** Mexico Import duties

Computer Motion is a producer and exporter of high-tech medical devices, notably robots used in open-heart surgery. They had a problem with their exports to Mexico.

*Computer Motion was exporting \$500,000 of product to a hospital in Mexico, which qualifies for duty-free treatment under NAFTA. They also hoped to donate another \$250,000 of medical supplies to be used for medical trials. However, they were going to be charged \$56,000 of duty on these donated items. Export SBDC discovered that they could qualify for duty-free treatment under Mexican import law due to the fact that the hospital was registered with the government. Export SBDC saved Computer Motion \$56,000 and they were able to make the sale of \$500,000.*

*It is gratifying to note that Shea Gallardo, who now handles Computer Motion's export operations, was an Export SBDC intern who moved into this newly-created position.*

## THE EXPORT SMALL BUSINESS DEVELOPMENT CENTER

Export assistance needs to be directed to the companies with the greatest potential for growth – our nation’s small and medium-sized businesses. This view drives the services offered by the Export SBDC whose mission is to help these businesses increase their exports.

**WHO WE ARE:** The Export SBDC is public-private partnership hosted by the Export Managers Association of California, a 200-member, 35-year old trade association of exporters and export related companies. There are over 1,000 small business development centers in the nation dedicated to growing small businesses and 30 of them are located in California. The Export SBDC is the only SBDC in the nation exclusively dedicated to helping companies increase their exports. In addition to our head office in El Segundo, we operate a satellite office in Ventura and outreach offices in Santa Fe Springs and the San Gabriel Valley. We are funded by a grant from the SBA, the US Department of Commerce, the state of California, and private corporations.

**WHO DO WE SERVE --** Our clients range from the would-be-one-person exporter to fairly sophisticated companies with export sales of \$1 to \$10 million plus. Ethnically, they closely reflect the communities we serve in Los Angeles, Ventura and Santa Barbara counties. Our clients export to just about every nation in the world with who the United States does business and their products range from specialty graphic software to musical instruments to tortillas, and yes, the latter are exported to Mexico!

**HOW DO WE SERVE -- CONSULTING –** our one-on-one direct technical assistance covers the gamut of industry knowledge, geographic expertise and professional experience. In the world of exporting, it is not enough to know how to market or move goods (professional experience) but also how to do it in a particular country (geographic expertise) and for a particular industry (consumer goods, industrial, hi-tech for example). Thus our consultants are drawn from a large pool to meet the needs of our clients.

It is the quality and depth of our consulting services that is responsible for the success of our clients. For example, our consultants may help a growing company organize their export department to be in compliance with new export laws and procedures, help secure transaction-based financing using the SBA working capital guarantee program, or help the client find a more efficient freight forwarder to cut transportation and shrinkage costs. Our consultants are able to help a company past the stage of “let’s get a marketing plan together”.

**TRAINING –** We offer: “New-to-Export” seminars for start-ups, a basic introduction to the world of exporting; Exportwise™ certificate program. a six-week program

that covers each essential step of an export transaction and requires the participant to complete a transaction in order to obtain the certificate; Exportedge a group of six seminars focused on advanced export topics such as duty drawbacks, NAFTA, and Using your web page for export sales. The USC Cibear program sponsors this series

**RESOURCE CENTER – Our print and electronic selections are geared to providing up-to-date reference materials for the exporters. Our website [www.ExportSBDC.org](http://www.ExportSBDC.org) features a unique links page, which categorizes other export sites into easy-to-use groupings such as marketing and legal. In addition, each link has 2-line description to minimize useless “surfing”.**

#### **SPECIAL PROGRAMS –**

- The *Ready to Export!*<sup>TM</sup> program helps California companies exhibiting at domestic trade shows increase their sales to foreign buyers – it is the first national program to specifically focus on this aspect of exporting. The Export SBDC and the California Office of Export Development partnered to obtain and implement the program, which is made possible by a grant from the U.S. Department of Commerce. We have now completed the three-year \$1.2 million program and have counseled and trained over 400 companies through 12 trade shows.
- *Export by Design* is another US Department of Commerce market cooperator program that was awarded to the World Trade Center Association to help the apparel industry increase their exports. The Export SBDC will be providing the bulk of the consulting services under that program.
- *The Certificate of Origin* program was designed to obliterate a substantial, little-publicized barrier to exports. Chambers of commerce are often loath to issue certificates of origin because of potential liability issues. This is a major barrier to exporting, as many countries require one. The Export SBDC developed a “how-to-manual” complete with the certificate of origin requirements for every country in the world. In addition, we developed special seminars for the chambers to train their staff in the issuance of the certificates and the proper procedure to use in order to minimize the chamber’s liability.
- *Quick Tips* are a series of one to two page how-to procedures to be used in often-encountered export problems. For example, how to qualify a distributor overseas, how to find a freight forwarder, how to handle a letter of credit.

#### **SUMMARY**

In summary the Export SBDC has focused on helping small businesses overcome successfully the plethora of problems associated with doing business overseas. We do it with hands-on, practical technical assistance given by professionals who are active in the global marketplace and in cooperation with other agencies. The success of our clients is entirely due to the practical know-how of our consultants.

Thank you for giving me the opportunity to highlight the needs of our exporters and some of the solutions we have developed.