

White Paper on the National Export Initiative (NEI) - Making it Better

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The U.S. faces an urgent need to stimulate manufacturing and exports to create more jobs. The President's National Export Initiative (NEI) is designed for this purpose – specifically, to create 2 million new jobs by doubling exports in five years.

Achieving this ambitious goal will not be easy. Much will depend on factors not fully within our control, such as how soon world demand for U.S. exports will recover; whether key countries will agree to lower the trade barriers that most impede U.S. exports; and whether exchange rates will remain favorable. The two factors that we **can** control -- interagency agreement to simplify and relax U.S. export controls, and more effective coordination and promotion of U.S. exports -- are not easy either.

This White Paper deals solely with the NEI's strategy for export coordination and promotion. The current strategy calls for better interagency coordination and more resources for export promotion – all to the good. However, it also continues the longstanding focus on “export-ready” firms -- only 15% of total manufacturers -- to the virtual exclusion of the much larger universe of manufacturers -- roughly 85% -- that are new-to-export (NTE). This policy, first prescribed in the 1991 *US&FCS Strategic Review*, made sense as far as it went. It rightly concluded that export-ready clients could make more immediate and better use of the US&FCS' limited resources. The export-ready emphasis did not explicitly write off NTEs. Rather, in effect, it left the entire NTE sector to somebody else, whomever they might be, such as state, local and NGO trade offices, but with no cohesive strategy to connect any dots. Predictably, little happened. The 85:15 ratio is the same today as in 1991 and for decades prior, partly for lack of an overarching, coordinated strategy to mobilize the “other” organizations, and partly because the NTEs are a hard nut for anyone to crack.

This White Paper does **not** propose that the NEI redirect limited US&FCS resources from export-ready to NTE manufacturers. Rather, it proposes an ***augmented NEI strategy to add many more NTEs to the U.S. exporter base.*** This would substantially increase exports from the NTE sector that have so far eluded prior NEI-type initiatives. Also proposed, as a first step in this process, is ***a more robust, systematic federal collaboration with the non-federal trade assistance organizations best able to build export capacity at the NTE level.***

Export Development Strategy for NTEs – Client Needs that Must be Met

From a strategic standpoint, a “more bang for a limited buck” approach is short-sighted. It essentially stops at the “low-hanging fruit,” particularly those exporters in the 15% (over half) selling only to Canada and/or Mexico. That offers early promise, but does not address the more fundamental, long term need to ***fertilize the tree; i.e., increase the base of U.S. exporters that can become export ready.*** Is it possible to get many more NTE manufacturers into exporting? Yes. The NTE segment is a huge untapped potential. Not all, but many NTEs in the 85% have the potential to export, especially those with already strong domestic track records and

nationwide distribution. If they have survived and succeeded in the U.S., the world's most competitive market – the same competition they would face as exporters -- they can compete anywhere. They just haven't tried or gotten the fertilization they need – systematic encouragement and help.

Many prior studies have examined the non-exporting phenomenon in the U.S., the factors responsible, and the needs that must be met to increase exporter involvement. These studies generally found that non-exporters lack motivation, interest or confidence stemming from:

- Misconceptions -- I'm too small, can't afford it, can't compete, too complicated, too risky.
- Fear -- of the unknown, of regulations, of not getting paid, of IPR risks, of legal liability.
- Ignorance -- of their export potential, of the benefits, of the steps and procedures.

Most non-exporting firms with export potential are SMEs, just as over 95% of existing exporters are SMEs. However, the 85% NTE/SME group has not yet grasped that, by selling to only 4% of world consumers that make up the U.S. market, they are forfeiting the far larger global market to competitors (96% of the world's population and two-thirds of the world's purchasing power). They are also largely unaware of their own worldwide export potentials, of the benefits that can come from increased export sales, and of the steps involved to make it happen. They also don't realize ("the best kept secret") that federal, state and local trade assistance organizations can help them overcome their fears, get started, find promising markets and customers, comply with requirements, mitigate risks, make sales, ship the goods, get paid, and grow the business. While large firms can hire experienced export sales staff and consultants to manage their export operations, SMEs have fewer resources to invest for these purposes.

With more strategic and concerted assistance, NTEs could likely produce far greater incremental exports than might come from the 15% export-ready firms. Our dismal 15% export participation rate is unique among industrialized countries. Most have much higher export participation rates and 20%-45% exports-to-GDP ratios, compared with our 13%. Our exporter base and exports as a share of GDP need to be much closer to our competitors' levels to double exports in 5 years.

To overcome the deterrents, NTEs need more capacity-building help at the front end – greater export encouragement; start-up support; and then seamless “enabling” and handholding assistance across all phases of the export process, from getting ready for export to getting established in target markets. The most needed services at each stage are:

- **To build export capacity**, NTEs need help to assess their export competitiveness, potential and readiness; counseling and training on how to export and where to get help; and possible financing to jump-start production for export.
- **To develop new export markets and customers**, NTEs and NTMs need help to identify best markets and market-entry strategies; promote and exhibit their products; find buyers and distributors; and obtain grants or loans to defray marketing costs.
- **To make sales and get paid**, NTEs and NTMs need help to better respond to inquiries, quote prices, negotiate sales and delivery terms; and finance and insure export sales.

- **To deliver the goods**, NTEs and NTMs need help with packaging and supply chain management.
- **To safeguard legal interests**, NTEs and NTMs need help with regulatory/documentary compliance; IPR protection; contracts and agent/distributor agreements; and possible dispute resolution.

Proposed Federal/Non Federal Collaboration to Meet NTE Needs

The traditional “national” export assistance delivery system, comprising many organizations at many levels, is largely uncoordinated, disjointed, and incapable of meeting NTE needs. There is no continuum of client assistance from the start-up phase (capacity building) through the next phases of market development, making sales, and delivering the goods. Different organizations typically specialize in one or two phases at most and leave the before and after needs to someone else. As a result, even many of the NTEs that actually start the process fall through the cracks at some point.

The key to a seamless delivery system across so many organizational lines is ***structure, coordination, and subordination of “turf.”*** The quantity of providers is not an asset if each works in isolation or worse, in competition. Currently, there is little systematic coordination between federal and non-federal providers. Non-federal providers may be asked for “advice” from time to time, but they do not have a seat at the national export policy-making table. For example, national organizations such as SIDO and NASBITE, with extensive capacity-building, training, and export assistance resources throughout the U.S., are not integral parts of the Trade Promotion Coordinating Committee (TPCC) or the TPCC process. Also not represented at the table are the many regional trade development organizations with access to NTEs and the capacity to help bridge the export-ready-NTE divide. These and other economic development agencies at state, county and city levels could add great value to a more coordinated export assistance infrastructure.

To be meaningful, the federal-non-federal collaborations cannot just be lip-service with platitudes for objectives. They must be *client-driven*, not turf-driven, with the aim to *provide seamless service to clients at each stage of the export process, from getting ready to getting established in target markets*. NTEs are not presumed to know which organization can best meet their needs. If the NTE client starts with an organization not best equipped to help them, or if that organization fails to collaborate with or refer the client to a more appropriate service provider, the client will be ill served. Thus, an effective export assistance system must not only provide the “right” help, but also deliver it in the “right” way (seamlessly). All organizations involved must know which other organizations have the needed services; they must have the collaborative mindset to jointly assist or refer the client; and the handoffs must be seamless. Otherwise, the client will likely fail for inadequate prepping or follow through.

To assure an effective collaboration, managers and staff in all the organizations should be trained on “best-practices” to make it work, including coordination of client-solicitation and intake; assessments of client export potential, readiness and assistance needs; determination of who can

best help at which point; when to hand off or refer clients; delivery of needed services; and sharing of costs, resources, and credit for export outcomes.

Factors to consider in starting points, handoffs, or referrals are:

- The organization's ability to meet the need alone or in collaboration, based on programs offered, industry/country specialization, etc.
- Organizational policies favoring assistance to priority clients (e.g., export-ready, or NTEs, and/or dues-paying members).
- The client's ability to pay for services that other partners could provide at less or no cost

Attachments

1. **7-step *Export Enabler Program (EEP)*** illustrates how NTE needs can be met collaboratively through a holistic, continuum of services.
2. **Export Flow Chart** identifies four stages of the export process and what companies must do at each stage to advance to the next.
3. **Matrix 1 identifies** NTE/SME export assistance needs at each of the four developmental stages. Matrix 1 further describes the purpose and nature of the needed assistance at each stage (column 2); the resources and tools available to meet the need (column 3); and the export assistance providers best equipped to meet each need in whole or in part (column 4). This matrix also provides a framework for gap analysis – to identify other priority export needs; other services that might better meet the needs; and other organizations with relevant services.
4. **Matrix 2** provides a suggested mechanism for seamlessly directing clients to the most appropriate partners, no matter where they start. Matrix 2 also identifies issues/tasks that need to be addressed to promote compatibility and standardization across organizations and programs, without which "seamless" service will be hampered.

Attachment 1

7-step *Export Enabler Program* (EEP) An Illustrative Export Assistance Model for NTEs

The 7-step *Export Enabler Program* (EEP) pioneered by the El Camino College Center for International Trade Development (ECC/CITD) is offered here as an illustrative holistic approach to NTE assistance. The EEP is a recognized model supported by \$950,000 in federal and state grants, including \$392,000 from the USDOC Market Development Cooperator Program (MDCP) in 2009, \$400,000 from a California Industry Driven Regional Collaborative (IDRC) grant in 2010, and \$157,000 from a Department of Education Title VI B grant in 2003.

The 7-Step EEP combines client assessment, advice and training (steps 1-3) with the enabling steps of market identification and entry planning (steps 4-5); marketing and promotional assistance (step 6); matchmaking assistance (step 7); involvement of export financing, legal and freight forwarding partners at appropriate points; and reinforcement and follow-up from beginning to end. The local USEACs are partners throughout the process. This model can be replicated with comparable partners in any locality.

EEP Step 1 – Competitiveness audit: SMEs will not fully succeed as exporters unless they have fundamentally sound operations, facilities, processes and financing. A CITD/MEP team meets on-site with key managers to assess operations and recommend possible improvements to increase efficiency and competitiveness. SMEs get a customized report on the findings, plus four additional hours of professional consulting to help implement recommendations.

EEP Step 2 - Export readiness assessment: SMEs may have fundamentally sound manufacturing and business processes, but still not be export ready. Export readiness is more a function of product potential and willingness to commit resources, be patient, and adapt to the exigencies of diverse foreign markets. Maurice Kogon's Web-based, [Export Readiness Assessment System](#) (ERAS) asks 23 questions about a potential exporter's present resources, management attitudes, operating methods, and products. Based on their answers, they get an immediate, point-by-point assessment of their export strengths and weaknesses, with tips on how to overcome weaknesses.

EEP Step 3 - Export training: Many SMEs with export potential don't export for misconceived reasons – e.g., I'm too small, can't compete internationally, too costly, too complicated, too risky, don't know how or where to export, etc. They fear the worst and therefore assume exporting is not for them. The training step is designed to overcome resistance, instill confidence and develop the knowledge and skills needed to export successfully. SMEs get up to 24 hours of practical training to increase competency in export analysis, planning, distribution, pricing, promotion, compliance, logistics, finance, and intercultural communication.

EEP Step 4 - Customized market research: Misdirected efforts are often a prime factor in export failure. Without good information, even experienced companies can waste resources on low potential markets or make costly cultural blunders. Available Web-based market research, such as the extensive [Trade Information Database](#) (TID) developed for the [International Trade](#)

[Compliance Institute](#) (ITCI), provides the analytical foundation for sound planning and decision making, particularly as to target markets and market entry strategies. SMEs get a package of market research tailored to their product lines, including relevant trade statistics, product and country market surveys, and applicable trade regulations.

EEP Step 5 - Customized export market plan: Systematic market planning is essential to exporting and can be instrumental in avoiding costly mistakes. Exporters face different income levels and demand cycles; different product preferences; different languages, cultures and environments; different laws and regulations; different ways of doing business; and different risks. The CITD helps SMEs develop an Export Market Plan (EMP) that fits their budgets, capabilities and potentials. The EMP provides specific recommendations on target markets, market entry strategies, and a step-by-step action plan to keep the client on track.

EEP Step 6 - Export promotion: Marketing and promotion are necessary means to attract export inquiries and orders, particularly for companies not well known abroad. SMEs get help to increase their overseas market exposure, improve their international Web presence, market more effectively on the Internet, post "sell" leads in trade lead systems, and meet face-to-face with foreign buyers at trade shows, missions and other promotional events.

EEP Step 7 - Matchmaking: Appointing a good distributor is often the best way to penetrate new markets. In-country distributors know their markets best, including the buyers, import requirements, and business practices. Finding the "right" distributor is crucial. A poor performer could seriously jeopardize an otherwise lucrative market. The CITD and Partner US&FCS help SMEs find, screen and select qualified overseas buyers and distributors.

Transaction support: As the promotion and matchmaking steps take effect, SMEs should start getting leads and ultimately purchase orders. Even with all prior help, first-time exporters may feel some uncertainty about what to do. To ease initial anxieties and assure prompt, seamless response to potential export transactions, the CITD guides SMEs through their initial export transactions. The CITD also connects them with services that can finance, insure and ship the goods and protect their legal interests.

Attachment 2: Four Stages of Export Development for New-to-Export SMEs
Client Needs for Assistance at Each Stage

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Attachment 3: Matrix 1

Export Need	Purpose/Nature of Assistance	Assistance Tools/Resources	Team Partners
Build Export Capacity			
Improve Competitiveness			
Situation analysis/SWOT	Assess client production processes, management systems/controls, and business practices. Identify structural strengths and weaknesses. Recommend improvements to increase global competitiveness.	Needs/competitiveness assessments	SIDO, ITACs, MEP, SBDCs, SCORE
Solidify Fundamentals			
Production processes	Provide advice//training/technical assistance to increase productivity.	Advice/training in continuous improvement (lean manufacturing, Six Sigma, TQM, etc.)	MEP, SCORE
Business practices	Provide entrepreneurial advice/training to improve/adapt business practices for export.	Advice/training in SWOT analysis, business planning, best entrepreneurial practices	DECs, SBDCs, SCORE
Operating capital	Provide or guarantee loans to commercialize high-tech prototypes for export and for pre-export working capital.	Export development loans, pre-export loans/guarantees.	VCs/Angels, SBA, Exim, FAS
Develop Export Readiness			
Assess export potential & readiness	Assess export market potential for client products and adequacy of company's commitment, resources, know-how, and marketing methods. Identify strengths and weaknesses and recommend improvements to increase export potential and readiness.	ECC/CITD Export Readiness Assessment, CORE, Others?	SIDO, ITACs USEACs, FAS
Enhance export potential & readiness	Provide advice/training to increase product competitiveness/receptivity abroad (pricing, quality, branding, adaptability, etc.). Provide advice/training to increase company's export motivation, confidence, and competency (knowledge, skills and abilities).	How-to-export counseling; export guides, seminars and courses	SIDO, USEACs, ITACs, DECs, colleges, training organizations
Get/Use Help			
Trade assistance network	Provide seamless client service through collaborative export assistance network at all levels (governmental, academic, NGO, private, etc.). Refer clients to partner services as needed.	Partner/collaboration agreements defining roles, available services, and client entry and handoff points.	USEACs, FAS, Exim, SBA, SIDO, ITACs, WTCs
Trade assistance resources	Provide seamless access to needed sources of trade funding, information, contacts, etc. Refer clients to sources as needed.	Compatible client databases & directories; shared access to partner Web sites.	USEACs, FAS, Exim, SBA, SIDO, ITACs, WTCs

Matrix 1

Export Need	Purpose/Nature of Assistance	Assistance Tools/Resources	Team Partners
Develop Export Markets			
Identify Best Markets			
Market research/analysis	Conduct research to identify/assess best markets, market segments, and market dynamics (business customs/practices, competition, market access, etc.).	CITD/BMRs. Flexible Market Research. Partner Web sites and other sources of market targeting data (trade statistics, market surveys).	USEACs, SIDO, ITACs
Develop Entry Strategies			
Market Strategy Planning	Assist clients to develop export market plans (EMPs) that include recommended strategies, actions and budgets for distribution, pricing, promotion, and product adaptation in each target market.	EMP templates. Partner Web sites and other sources of market entry/marketing mix data (CCGs, market surveys).	USEACs, SIDO, ITACs
Implement Entry Strategies			
Find Partners (Buyers/Distributors)	Disseminate trade leads; refer clients to on-line trade lead systems. Help clients find interested and qualified overseas agents/distributors/other partners. Help clients screen buyers and agent/distributor prospects and protect themselves in partner agreements.	TOP, FAS & other trade-lead sources. IPS, Gold Key, SIDO, & other refind services. ICP & commercial credit reporting services. Qualifications checklists & sample partner agreements.	USEACs, FAS, SIDO, ITACs, WTCs
Promote Export Sales	Assist clients to increase global and/or target market exposure for their company and products by helping them develop/globalize their Web sites; list in export directories/databases, and take part in trade events that reach foreign buyers/distributors.	CNUSA, Export Yellow Pages & other exporter databases/directories. Overseas & IBP trade shows. Outbound & inbound trade missions, catalog shows, FUSE, single company promotions, etc.	USEACs, FAS, SIDO ITACs.
Market Promotion Financing	Provide access to financing for market development, promotion, business travel, trade shows, etc.	FAS programs (MAP); SBA Export Express. Others?	FAS, SBA. Others?

Matrix 1

Export Need	Purpose/Nature of Assistance	Assistance Tools/Resources	Team Partners
Make Sales/Get Paid			
Close the Deal			
Respond to inquiries	Assist clients to develop materials for timely/professional response to export inquiries	Export counseling/seminars & workshops. Sample response letters.	USEACs, SIDO, ITACs
Quote prices (INCOTERMS)	Advise clients on techniques and proper use of INCOTERMS to quote prices.	Export counseling/seminars & workshops. Sample price calculation/quote sheets. Sample Proforma invoices.	USEACs, SIDO, ITACs
Negotiate sales terms	Advise clients on options & pros/cons of possible price, credit, payment & delivery terms to meet the competition. Advise clients on techniques for negotiating terms and closing deals.	Export counseling/seminars & workshops.	USEACs, SIDO, ITACs
Finance Sales/Get Paid			
Payment methods/services	Advise clients on the range and pros & cons of export payment options, from cash in advance to open account. Advise clients on range of export financing options, including pre-export, transaction and post-transaction financing. Advise clients on risk mitigation options and services, including export credit insurance and factoring.	Export counseling/seminars & workshops. Export finance guides.	USEACs, SIDO, ITACs, SBA, SBDCs, Exim, commercial banks
Payment sources/aids	Refer clients to sources of export finance and risk mitigation services. Assist clients to prepare applications for export financing. Work to simplify procedures and expedite processing of export financing applications.	Export Working Capital Guaranty Programs, Medium-and long-term export financing. SME and environmental export financing, Export credit insurance. Foreign buyer financing. Countertrade. Factoring & forfaiting	Exim, SBA, OPIC, Commercial banks, export credit insurance brokers, factors/forfaiters

Matrix 1

Export Need	Purpose/Nature of Assistance	Assistance Tools/Resources	Team Partners
Deliver the Goods			
Regulatory Compliance			
U.S. regulatory compliance	Assist clients to identify/comply with applicable export requirements (EAR, ITAR, USDA, FDA, etc). Refer clients to U.S. regulatory information, agencies, freight forwarders and compliance attorneys.	Export counseling/seminars & workshops. ITCI Website.	USEACs, SIDO, ITACs, U.S. regulatory agencies, freight forwarders, compliance attorneys
Foreign regulatory compliance	Assist clients to identify/comply with applicable foreign tariff and non-tariff barriers. Refer clients to foreign regulatory information and agencies, freight forwarders and compliance attorneys.	Export counseling/seminars & workshops. ITCI Website.	USEACs, SIDO, ITACs, foreign regulatory agencies, freight forwarders, compliance attorneys, consulates
Documentary Compliance			
U.S. documentary compliance	Assist clients to identify/comply with required U.S. export documents. Refer clients to freight forwarders.	Export counseling/seminars & workshops. ITCI Website.	USEACs, SIDO, ITACs, freight forwarders
Foreign documentary compliance	Assist clients to identify/comply with required foreign import documents. Refer clients to freight forwarders, foreign trade agencies.	Export counseling/seminars & workshops. ITCI Website.	USEACs, SIDO, ITACs, freight forwarders, consulates.
Transport the Goods			
Manage the Supply Chain	Advise clients on methods, systems/software, and services to manage freight and logistics..	Export counseling/seminars & workshops. Logistics software	USEACs, SIDO, ITACs, freight forwarders
Prepare Goods for Delivery	Advise clients on packing/ packaging methods and requirements for export.	Export counseling/seminars & workshops	USEACs, SIDO, ITACs, freight forwarders
Book Cargo/Ship the Goods	Advise clients on transportation options, terms, procedures and liabilities. Refer clients to freight forwarders, carriers, cargo insurance agents.	Export counseling/seminars & workshops	USEACs, SIDO, ITACs, freight forwarders, carriers

Team Members:

State/Local Government: State International Development Offices (SIDO); International Trade Assistance Centers (ITACs)

Federal: DOC/USEACs, USDA/FAS, Eximbank , SBA/SBDCs, SCORE, Regulatory Agencies (BIS, CBP, FDA, others

NGO/Private: World Trade Centers (WTCs) Chambers. Trade/Industry Associations

Attachment 4: Matrix 2

Illustrative Seamless Service Flow

1	2	3	
Export Assistance Activity	Coordination Facilitators	Start Point	Hand-Offs/Referrals To
Initial client intake	Common or compatible intake forms	Any partner	Other appropriate partner(s)
Create client files/databases	Common or compatible databases	Any partner	Other appropriate partner(s)
Assess needs for assistance	Compatible/shared surveys	Any partner	Other appropriate partner(s)
Competitiveness assessments	Standard outline	Client's choice or as partners may agree	MEP –type organizations
Export readiness assessments	Standard diagnostic tool	Client's choice or as partners may agree	CITD/ERA
Export counseling/consulting	Complementary topics covered	Client's choice or as partners may agree	CITDs, USEACs, SIDOs, ITACs, ISBDCs
Export training	Complementary training	Client's choice or as partners may agree	USEACs, SIDOs, ITACs, ISBDCs
Market research	Access to partner databases	Client's choice or as partners may agree	USEACs, SIDOs, ITACs, ISBDCs
Market planning	Standard template	Client's choice or as partners may agree	USEACs, SIDOs, ITACs, ISBDCs
Marketing & promotion	Joint planning/marketing	Client's choice or as partners may agree	USEACs, FAS, SIDOs, ITACs
Trade leads	Shared access to leads	Client's choice or as partners may agree	USEACs, FAS, SIDOs, WTCs
Matchmaking/partnering	Based on markets covered & costs	Client's choice or as partners may agree	USEACs, SIDOs, ITACs, WTCs
Business travel facilitation	Based on markets covered & costs	Client's choice or as partners may agree	USEACs, SIDOs, ITACs, WTCs
Regulatory compliance			Enforcement agencies, Int'l lawyers
Documentary compliance			Freight forwarders
Cargo delivery			Freight forwarders, carriers
Marketing financing			SBA/SBDCs, USEACs, FAS,
Financial assistance			SBA/SBDCs. Others?
Pre-export working capital			Exim, SBA, commercial banks
Transaction financing			Exim,
Export credit insurance			Exim Credit insurance agencies