



Your Tax Dollars at Work

U.S. COMMERCE DEPARTMENT: YOUR BOOTS ON THE GROUND OVERSEAS

Jack McGuinn, Senior Editor

Easily one of the central issues affecting U.S. manufacturing is what one might call the exports deficit—the inability of American companies to sell products to, for instance, Asian markets, developing countries and other ports of call—due to what

they perceive to be unfair trade agreements and or policies. Once trusted trading partners such as Mexico, Canada and the United Kingdom are accounted for, the going gets rough for selling to—much less opening—overseas markets. The U.S. Commercial

Service (USCS), a branch of the U.S. Commerce Department's International Trade Administration, provides perspective: fifty-eight percent of all U.S. businesses sell to only one country (all, as noted, in North America).

Perhaps that is why, again citing

USCS figures, less than *one percent* of this country's businesses export their products. And that's something that has to change.

"In today's global economy, businesses can't afford to miss out on international opportunities," says Joseph J. English, senior international trade specialist/global trade programs, for the U.S. Foreign Commercial Service. "Ninety-five percent of the world's population and nearly 70 percent of the world's purchasing power is outside of the U.S. If you're not exporting, it's highly likely that your competitors are or will be selling internationally.

"One of the most important things about exporting is that it enables firms to diversify their portfolios and help weather changes in the domestic and world economies. So, by spreading the risk, it helps them boost their competitiveness and bottom line."

And while it may be something of a well-kept secret, the USCS—through its International Partners Search (IPS) program and other efforts—is here to help.

In essence, the program has access

to a number of overseas "trade specialists" charged with finding "suitable partners" for existing and would-be U.S. exporters. But there's much more.

"Using client-provided marketing materials and background on the client's company, we use our strong network of international contacts to interview potential partners and provide the client with a list of up to five pre-screened partners in the overseas market of its choice," says English. "IPS is used to determine the marketability and sales potential for a client's products and services in that market and provides complete contact information on key USCS officers; potential partners interested in the client's product—along with information on their size, sales, years in business and number of employees; and a statement from each potential partner on the marketability of the client's product or service. The IPS is normally delivered in about 30 business days, or as negotiated with the overseas office."

How effective is the program?

It and the USCS "team" include a network of offices around the world

hooking up U.S. businesses with international buyers—109 offices across the United States and locations in American embassies and consulates in more than 77 countries.

"Different companies have different needs, and the value of our assistance is tailoring to the individual needs of that company," says English. "Commercial specialists at post are assigned responsibilities by industry sectors, and the specialist working on a service will be responsible for the industry sector appropriate to the client's company. As such, the specialist is familiar with industry trends and practices, potential buyers, ways of doing business in that home country and relevant industry trade events. For a gear manufacturer, the commercial specialist would be the person at the overseas post responsible for the machine tools and metalworking equipment industry sector.

"Last year, the (USCS) facilitated more than 12,000 export successes worth billions of dollars in U.S. export sales."

continued

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According to English, there is a wealth of untapped opportunities overseas for U.S. companies—and that includes the gear industry. Citing figures from the Freedonia Group consultancy, English states that worldwide demand for gears and gear assemblies is forecast to climb by 4.7 percent annually through 2013, to \$169.5 billion, with gains driven by rising motor vehicle production, greater manufacturing output and the potential for wind

and solar energy. The report goes on to say that demand for gears used in all other applications will also grow—including aerospace, ships, motorcycles and energy systems.

The report also states:

- Demand in developing parts of the Asia/Pacific, Eastern Europe, Africa/Mideast and Americas regions will outpace product sales in the United States, Western Europe and

Japan.

- China is expected to account for one-third of all additional gear demand through 2013 and will surpass Japan to become the second largest national market behind the United States. By 2018, total gear sales in China will exceed product demand in the U.S.
- Market growth is also expected to be healthy in Indonesia, Thailand, Iran and Russia.
- Although advances will be less robust than in developing countries, gear product demand in the U.S. and Western Europe will increase as well, spurred by renewed strength in motor vehicle output following a period of decline.

Even for those gear companies just dipping their toes in the trade waters, the IPS/USCS has a plan.

“For many U.S. new-to-export companies, Canada and Mexico are good first-time destinations,” says English. “Businesses are also encouraged to take advantage of countries where the U.S. has free trade agreements.” (For more information, visit www.export.gov/FTA/index.asp.)

And for those trepidacious export newbies, the USCS/IPS is there to bring them in off the ledge.

“First, let me emphasize that the exporting process may seem daunting for a new-to-export business, but there are ways these companies can overcome the initial challenges,” English explains. “For many businesses, free trade, ease of transportation, the Internet and a range of government export programs have really helped to simplify the export process—that’s true for even the smallest businesses. Many smaller companies mistakenly believe that exporting is too complicated, is just for larger firms or aren’t aware of all the export and financing resources available to them.

“If a U.S. company can sell in the United States—one of the world’s most open and competitive economies—it’s a good potential candidate for selling internationally. This also applies to new startups that have a solid business plan. An export strategy is important, and we can help you develop one.”

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And that strategy will be executed dependent on a client's experience. Companies who have not exported or have infrequently exported in response to orders received from overseas buyers are recommended to consult the USCS publication, *A Basic Guide to Exporting*. The book, says English, treats exporting as a process, addressing export planning, shipping and documentation, and also includes case studies about small companies the USCS/IPS has helped, allowing them to systematically pursue and generate new sales. Another resource for companies starting out, or those with technical questions, is the USCS Trade Information Center (1-800-USA-TRADE).

There also exists within the USCS network a Manufacturing Team dedicated to meeting the key needs of U.S. manufacturers in their exporting efforts. This team works closely with the DOC's official liaison to the National Association of Manufacturers (NAM) to address the export needs of a variety of manufacturing groups. They develop programs for manufacturing trade shows, webinars for and with manufacturing associations (e.g., a recent program on the EU Machinery Safety Directive) and other activities to reach smaller U.S. manufacturers with the potential to sell internationally. (For more information, contact Debbie Dirr at Deborah.Dirr@trade.gov or go to www.buyusa.gov/manufacturing.)

Last, but certainly of great import and potential benefit to the USCS and U.S. manufacturing, is another new "government program"—the National Export Initiative (NEI). The program's goals are challenging, but English believes they are realistic, if not long overdue.

"President Obama's National Export Initiative (NEI) announced a goal of doubling exports over the next five years to support two million jobs in America," he says. "The NEI will help the country reach that goal—providing more funding, more focus and more cabinet-level coordination to grow U.S. exports. The NEI represents the first time the United States will have a government-wide, export-promotion strategy with focused attention from the president and his

cabinet."

According to the USCS, the initiative is focused on three key areas:

1. A more robust effort by the Obama administration to expand its trade advocacy in all its forms, especially for small- and medium-sized enterprises. This effort includes educating U.S. companies about opportunities overseas, directly connecting them with
2. Improving access to credit with a focus on small- and medium-sized businesses that want to export.
3. Continuing the rigorous enforcement of international trade laws to help remove barriers that prevent U.S. companies from getting free and fair access to foreign markets.

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English provides a brief summation for U.S. companies looking to export.

“Develop an export plan, and we’ll help. It doesn’t have to be lengthy but should include: a process for highlighting the business’s strengths and why they may have a competitive edge; assessing and selecting best markets; pricing considerations; and how best to find qualified buyers.

“Since many U.S. businesses sell through their websites, the site should

be international in scope and buyer-friendly, and we can help with that.

“Also, why limit your export business to web sales when, with some additional effort, you can move into other sales channels?” ⚙️

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