



**United States Senate Committee on Finance
Subcommittee on International Trade, Customs,
and Global Competitiveness**

**Hearing on
“Exports’ Place on the Path of Economic Recovery”**

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Testimony by

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Thank you Chairman Wyden, Ranking Member Crapo, and distinguished members of the Senate Committee on Finance Subcommittee on International Trade, Customs, and Global Competitiveness. My name is Tamara Harney and I serve as the Chief Executive Officer of Hamilton Manufacturing Inc. Worldwide (HMIWW), based in Grandville, MI, which is the global arm of Hamilton Manufacturing Inc. (HMI), headquartered in Twin Falls, Idaho. I am testifying today on behalf of the U.S. Chamber of Commerce, which is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region.

Hamilton Manufacturing has provided insulation, hydroseeding mulch and erosion control products for more than 45 years. My parents, Gene and Gloria Hamilton, started Hamilton Manufacturing in Twin Falls, Idaho in 1962. Hamilton Manufacturing was one of the first companies to begin manufacturing cellulose insulation and hydroseeding mulch from recycled newspapers. In the late 1990's, we recognized the global demand for sustainable, environmentally-friendly technologies and with the inception of HMIWW we began exporting our products and services all over the world. Over the years, HMIWW has grown its business, created jobs, and become a global industry leader through exporting. And now, amidst a global recession, it continues to export to existing and new markets, bringing the newest technologies to customers all over the world. I am pleased to be before you today to discuss the opportunities and challenges that come with exporting.

Breaking into the International Market

My husband Herb and I purchased the Hamilton Manufacturing Idaho plant from my parents in 1987 and expanded the business. Thanks to the U.S. Foreign Commercial Service (FCS) and specifically with the Boise Export Assistance Center, we started to look at the possibility of exporting our products. In 1998, I was introduced to a company in the United Kingdom and shipped our first international load of mulch. This began a whole new undertaking filled with new markets and new potential.

During the early stages of working in the international marketplace, the Idaho Department of Commerce organized a China trade mission for businesses involved in selling construction material, in which we decided to participate. Wow, what an adventure! I spent a lot of time talking to Beijing Foreign Commercial Service office about our products and doing business in China. They were wonderful. They were there in the good times and in the bad time. Hamilton Manufacturing started to receive more inquires around the world about our products and we started expanding our exports to more countries. Little by little, we started shipping out containers. As a

result, we were creating jobs, increasing revenue and eventually exporting to over 40 countries.

In 2001, Herb and I and our two boys relocated from Idaho to Michigan to expand a local plant. Christy, my sister, and her husband Tom bought the plant in Idaho and I focused on the international businesses: finding new markets, going to trade shows, making business contacts and learning the logistics of international trade. It is great that we are still a family owned business that all work together. While most Americans tend to regard international trade as the domain of large multinationals, more than 250,000 small and medium-sized companies like ours export, and their overseas sales represent nearly a third of U.S. merchandise exports. In other words, while large companies still account for a majority of American exports, smaller companies, nonetheless, play a critical supporting role in trade and creating jobs here at home.

Trade Can Bring Growth and Prosperity

When HMIWW started selling around the world, these sales required more than our cellulose insulation and hydroseeding mulch; they required us to supply complete projects. For example, we manufacture the mulch, and then need a hydroseeding machine to apply the mulch. To do this, we worked with a local manufacturing plant to sell their equipment internationally. Later, we started contacting other U.S. manufacturing companies that complemented our product line and asked if we could sell their products internationally as well. Today, we work with 10 U.S. manufacturing plants, selling their products all over the world. It's a win-win: we have the expertise to sell internationally, and they are comfortable with us handling the international logistics. These 10 companies and HMIWW have expanded sales and are increasingly growing due to exports.

Today we are selling to over 40 countries around the world and we continue to expand our market as we develop long-term relationships within the countries and communities we service. America cannot have a growing economy or lift the wages and incomes of our citizens unless we continue to reach beyond our borders and sell products, agricultural goods, and services to the 95% of the world's population that lives outside the United States.

Trade sustains millions of American jobs. Approximately 57 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury. This sum represents about 40% of the private sector workforce. One in five factory jobs depends on exports and one in three acres on American farms is planted for hungry consumers overseas.

Despite a sharp decline in international trade during the final four months of the year, the United States set a new record for exports in 2008. U.S. exports of goods and services reached \$1.84 trillion, comprising a record 13% of U.S. GDP in 2008, up from 9.5% of GDP five years earlier (2003) and 5.3% forty years ago (1968). For the first two-thirds of 2008, trade provided a significant economic stimulus, partly countering the contraction seen in other sectors of the U.S. economy. The benefits reach every state in our nation.

For HMIWW, the final four months of 2008 were very difficult. Our sales to key markets, such as Korea, Russia and Japan, dropped dramatically. We had to cut jobs and overhead in order to stay afloat. But, despite these problems, we see great opportunities in new markets such as Panama and Australia. This year, HMIWW has been blessed to have an exceptional year because our international customer base continues to grow. We have had a lot of success in Australia, a country with which the U.S. has a free trade agreement. The Australian government has implemented an energy rebate of \$1,600 for home insulation. This rebate opened a huge new market for U.S. insulation companies and our sales have doubled as a result, partly because of eliminated tariffs based on the U.S.-Australia Free Trade Agreement.

There are many seasoned exporters among America's small businesses, but there are many others that have never even considered exporting. I know first-hand that exporting can be challenging and overwhelming at times, especially for small businesses. Each country is different, and each culture is unique. Introducing U.S. products is always time consuming, challenging and expensive. But in the end, it is all worthwhile. However, small businesses need help in paving the ways to new markets.

Working with the Foreign Commercial Service

Two weeks ago I was in Dubai for the Big 5 construction show introducing our insulation and hydroseeding products into this market. HMIWW contacted the FCS office to let them know we would be at the trade show and would like to meet. We were able to introduce our products to them, discuss some of the country specific building challenges that we would have to overcome and they provided us with helpful hints to doing business in the Middle East. I believe there are opportunities for HMIWW in the Middle East, but it will take time and money to break into this market. The local Commercial Service office is knowledgeable about local products and can give us a quick assessment of our products. Without FCS, we would have to spend a lot more time researching a potential new market.

Whenever we are interested in breaking into a new market, we contact the local FCS. However, each FCS office takes a slightly different approach. For example,

when Hamilton Manufacturing started exporting to South America, we contacted every Commercial Service office through a massive approach strategy. Some FCS offices did everything they possibly could to help, while other FCS offices would not talk to us unless we purchased the U.S. Commercial Service's Gold Key Service.

We are a small company and need information from the local FSC to determine if it is even feasible to sell into a new market. Without a consultation with the FCS, we would be making a huge investment in an unfamiliar and potentially unsuccessful market. Therefore, FSC expertise can help us make decisions on if our product can be introduced and accepted into the local market, and if they can match U.S. businesses with local companies whom they trust. Then if a U.S. company wants to be matched with a local company, the Gold Key Service is worth the investment. Small business cannot justify or afford to pay for a service if we cannot sell our product into the market. Too often the FCS is more concerned about selling the Gold Key Service than taking a few minutes to discuss the opportunities or barriers that a specific product would face if the business chooses to enter the market.

My suggestion to the FCS is to always have an open door for small businesses and help them determine if they can sell their products into the country. If a company wants to find a local partner to work with, then Gold Key is a good service. The FCS is a well-run agency, with valuable assets; however, without appropriate funding, these professionals will not be able to assist companies like HMIWW. This is why we support doubling the FCS budget.

The Federal Government Should Do More to Promote Exports

If more U.S. small businesses were able to seize export opportunities, the gains could be immense. A World Bank study (*Exports Promotion Agencies: What Works and What Doesn't*) found that each one dollar increase in export promotion expenditures brought a 40-fold increase in exports. The gains were especially large for countries that spend less than the average. As it happens, the United States spends just one-sixth of the international average helping its small businesses to export.

Given the limited resources dedicated by the federal government to supporting small and medium-sized exporters, some states and even private companies have created innovative and effective programs.

Private companies are engaging in export promotion. Organizations like the Evergreen Building Products Association (EBPA), a non-profit which relies, in part, on funding from the U.S. Department of Commerce Market Development Cooperator Program (MDCP), and the Foreign Agricultural Services, have been a

great help to our business. EBPA has a number of market research assistance and trade promoting programs, including trade missions and trade shows, and foreign language directories. If the FCS could provide a similar service or could market their services more effectively, companies like mine could benefit tremendously.

There are also many successful state programs that I believe should be replicated in other states and ideally on a federal level. In Idaho, the Department of Commerce is aggressively helping Idaho companies export. The Idaho Department of Commerce encourages companies like mine to consult with trade specialists, to contact Idaho's foreign trade offices, to learn more about trade through workshops and seminars, to participate in Governor-led trade missions, and to meet with international buying delegations. In addition, the Idaho Department of Commerce offers to display company products and services at a booth in certain trade shows and to represent companies in an Idaho Product and Services brochure at no cost. Without their help over the years, we would not have found as many international opportunities nor become the global industry leader that we are today.

In Massachusetts, the Massachusetts Export Center has created a program entitled "Compliance Alliance" in an effort to encourage additional international business. This program helps companies learn to export through seminars and networking events, and ensures they are complying with regulations. Last year, their clients reported nearly \$190 million in export sales as a direct result of assistance provided by the Massachusetts Export Center and similar programs. They estimate that the return on investment is 88-1, as the companies that were assisted generated over \$1.5 billion in export sales in 2008. By one estimate, these exports sustain over 3,000 jobs in the state.

The Nevada Commission on Economic Development has created a no-cost program for the state called the International Representatives Program. Under this program, independent voluntary representatives are selected to run international offices on behalf of the state. They receive payments from clients who are interested in these markets and work as salesmen on commission. To date, this program is now functioning in seven countries, and this has been the first time that any U.S. state has created an international representative at no cost to the state. Seven other states that have had their funding cut or eliminated are emulating this concept with some success.

In Pennsylvania, Market Access Grants (MAGs) are designed to help small and mid-sized Pennsylvania companies increase export sales. Export-ready companies in good standing are eligible for up to \$5,000 to explore new markets through trade

shows, trade missions, and by internationalizing web sites. I believe a similar MAG grant system should be created at the federal level for companies around the country.

Similarly, Enterprise Florida, a division of the Florida Governor's office, is promoting state exports through funding, programming, and partnerships. Some successful grants that it administers are Partner Trade Event Grants and Target Sector Trade Grants. The Partner Trade Event Grants are awarded to counties, partnerships or organizations across the state. They range from \$7,500 – 10,000 and cover export sales missions, in-bound buying missions and technical support. Target Sector Trade Grants are reimbursement grants of up to \$4,000 given to companies to participate in trade shows and exhibitions in target sectors.

Florida has also created a "Train the Trainer" series that teaches business executives how to navigate the international marketplace in order to feel comfortable exporting. They also offer export counseling to Florida manufacturers, export intermediaries, and services companies. Under this program, international marketing professionals evaluate the market readiness of current and potential exporters and help select target markets for a company's particular products and services, as well as identify baseline legal, tax, and logistics requirements. Lastly, the state has partnered with the Export Yellow Pages (a private company endorsed by the U.S. Department of Commerce) to create a Florida Export Directory which increases businesses international exposure and allows them to be contacted directly by overseas buyers and distributors.

State Funding for Government Programs

According to the Council of State Governments, U.S. states have spent over \$200 million in state funds for export promotion, educational exchanges, and other international programs. This money helps fund a network of more than 200 state trade offices worldwide. This, however, is an insufficient amount of funding to promote exports effectively on a federal level. To address this need, the U.S. Chamber has proposed a doubling of federal expenditures on export promotion, with a focus on small companies' exports. The federal government allocates about \$335 million annually to promote the exports of manufactured goods. (The federal government expends more than twice that sum promoting agricultural exports.)

The assistance offered by the federal government needs to be promoted more effectively. The services, expertise, and dedication of representatives of the U.S. Commercial Service, Export-Import Bank, and Small Business Administration are world class, but I know that many U.S. companies are not aware of the government services that are available to help them break into new markets. This isn't the fault of

America's small business owners, rather it reflects the inadequate resources dedicated by the federal government to export assistance and a failure to promote these services adequately.

However, the more experienced small business exporters are a different story. We are the companies that have taken advantage of their USEACs and perhaps taken advantage of Export-Import Bank or Small Business Administration Loans. Some additional successful small business exporters are members of the Department of Commerce's District Export Councils (DECs). The DECs are organizations of leaders from the local business community, appointed by the Secretary of Commerce, whose knowledge of international business provides a source of professional advice for local firms. For more than 30 years, DECs have served the United States by helping companies in their local communities export, thus promoting our country's economic growth and creating new and higher-paying jobs for their communities.

Closely affiliated with the U.S. Commercial Service's U.S. Export Assistance Centers, the 56 DECs combine the energies of more than 1,500 exporters and private and public export service providers throughout the United States. DEC members volunteer their time to sponsor and participate in numerous trade promotion activities and to supply specialized expertise to small and medium-sized businesses that are interested in exporting. We would recommend selecting an ex-officio DEC member to participate on the President's Export Council in order to represent small businesses in devising export assistance programs. As a tool for export promotion, Market Development Cooperator Program (MDCP) Grants are efficient and effective, but in recent years they have all but dried up.

Free Trade in Green Technologies

Many countries impose steep tariffs and non-tariff barriers (NTBs) on environmentally-friendly technologies and services. Eliminating these barriers could help countries adopt green technologies and reduce greenhouse gas emissions. The global market for environmental goods and services is valued at \$550 billion annually, and it is growing rapidly. However, many countries impose tariffs of up to 70% on climate-friendly goods and services, impeding access to cutting edge technologies. In 2007, the World Bank released a report entitled *International Trade and Climate Change*, which took a closer look at trade barriers affecting green technologies. The study concluded that by removing tariffs and NTBs, trade in the most climate-friendly goods and services could increase by an additional 7-14% annually. A corresponding increase in the use of these goods and services could contribute in important ways to global efforts to address climate change and energy security.

The World Bank report also concluded that liberalizing trade in these technologies could facilitate investment. Not surprisingly, countries that trade more in environmental goods and services either pollute less or consume energy more efficiently, or both, according to separate data on environmental indicators available from the World Bank and the World Resources Institute.

To reap these gains, the United States and the European Union submitted a proposal as part of the Doha Round of WTO negotiations to lower barriers to trade in environmental goods and services. The proposal seeks to liberalize trade in technologies directly linked to addressing climate change. According to the Office of the U.S. Trade Representative, the U.S.-EU initiative proposes to eliminate tariffs and NTBs on environmental technologies and services through a two-tiered approach: 1) it proposes the first-ever WTO agreement on worldwide elimination of tariffs on a specific list of climate-friendly technologies recently identified by the World Bank; and 2) it envisions a higher level of commitment on the part of developed and advanced developing countries to eliminate barriers to trade on green goods and services.

Enacting this proposal would be of great help to small businesses like mine, which specialize in environmental products and services. HMIWW offers green products that use recycled waste such as newspaper as raw material in making our insulation. We also work to improve the environment through vegetation and erosion control, and energy conservation. Eliminating barriers on climate friendly technologies would expand export opportunities for HMIWW, as well as other U.S. companies.

This proposal could contribute in a meaningful way to efforts to combat climate change by eliminating the often steep tariffs and other trade barriers on climate-friendly technologies and services. This proposal should remain a top priority for the Obama Administration and be pursued either within the Doha Round framework or as a separate global accord under the WTO.

Pending Free Trade Agreements Would Boost Exports

Another efficient way to promote U.S. exports would be for Congress to pass the pending trade agreements with Colombia, Panama, and South Korea. A recent analysis by the U.S. Chamber determined that these accords would provide an immediate boost for American workers, farmers, and companies worth an estimated \$42 billion over five years.

Most importantly, these are “fair trade” agreements that promise a level playing field for American workers and farmers. Many Americans don’t know that the U.S.

market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits, limiting our competitiveness overseas.

Importantly, according to the most recent U.S. Census data, tens of thousands of small and medium-sized companies are already exporting to Colombia, Panama and South Korea. This number could rise sharply with implementation of these trade agreements and U.S. businesses could sell much more. Passing these trade agreements would reduce tariffs and allow US companies to compete on an even footing with those countries domestic suppliers, just like they already experience here in the US.

HMIWW is one of the many companies trying to break into these lucrative markets. We have been trying to export insulation to South Korea and lower tariffs would make it more affordable for customers in South Korea to buy our products. When we tried to introduce our products in South Korea seven years ago, it was not cost effective for us to sell there, but I will be attending a trade show in February 2010 to try to break into the market once more. I'm able to attend this trade show with the gracious financial support of EBPA, mentioned earlier. Passing the free trade agreement with South Korea would greatly level the playing field for our business and would make it easier for our products to compete.

We are also working hard to get our materials to the Panama Canal Expansion project. Passing the Panama Trade Promotion Agreement could pave the way for our business. The Panama Canal Authority is undertaking an expansion of the canal at a cost of more than \$5 billion — one of the largest public works projects in the world today. Our company will be holding an education seminar on vegetation, erosion control and new technology to revegetate areas along the Canal, in Panama in February 2010 for the Panama Canal authorities and contractors. If approved, the trade agreement with Panama will grant U.S. firms ready access to the Panamanian market and the chance to compete in selling everything from heavy equipment and engineering services, to green products in a market that has reached annual growth rates near 10% in recent years.

A recent study by the U.S. Chamber entitled ***Trade Action—Or Inaction: The Cost for American Workers and Companies*** found the United States could suffer a net loss of more than 380,000 jobs and \$40 billion in lost export sales if it fails to implement its pending trade agreements with Colombia and Korea while the European Union and Canada move ahead with their own agreements with the two countries. If the U.S. agreements are not implemented, American workers and farmers will be put at a competitive disadvantage in Colombia and Korea. For example,

Canadian wheat farmers will be able to sell their crop to Colombians at a steep discount, and European manufacturers will easily undercut their American competitors in the Korean market. (See www.uschamber.com/trade)

Delaying approval of these agreements means American workers and farmers will continue to face steep tariffs in these important markets—taxes that, in fact, paid into those countries' treasuries. These agreements are a potentially critical tool for boosting exports by America's small businesses.

Conclusion

Investing in the export potential of America's small and medium-sized businesses could bring dramatic gains and stimulate the economy. Showing how smaller companies can gain from trade would also help build political support for international trade. By adding to the ranks of small businesses that see direct benefit in exporting, Americans will be able to see more clearly the possibilities offered by worldwide trade and how those possibilities create jobs.

Once again, I greatly appreciate the opportunity to testify today on behalf of the U.S. Chamber of Commerce. Thank you very much.