

S M E

Internationalization
and Export
Promotion
Programs

Lessons from the
United States for Latin
America

SME Internationalization and Export Promotion Programs:
Lessons from the United States for Latin America

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ABBREVIATIONS

AC	Administrator of Country
BGG	Brooklyn Goes Global
CA	Center Administrator
CITD	Center for International Trade Development
CO-Exist	Colorado Export of Innovative and Sustainable Technologies
CA SBDC	California Small Business Development Center
CO SBDC	Colorado Small Business Development Center
DITOs	SBA District International Trade Offices
EFI	Enterprise Florida Inc.
ESD	Empire State Development
FSBDC	Florida Small Business Development
FVEC	Florida Virtual Entrepreneur Center
IDB	International Development Bank
ITA	International Trade Agency
MEP	Manufacturing Extension Partnership
MBD	Minority Business Development
NYS SBDC	New York State Small Business Development Center
OPIC	Overseas Private Investment Corporation
SA	Super Administrator
SBA	Small Business Administration
SBDC	Small Business Development Center
SBIR	Small Business Innovation Research
SME	Small and Medium Enterprises
SBNA	Small Business Network of the Americas
SBNR	Small Business National Research
TDA	Trade Development Agency
USAID	United States Agency for international Development
TSBDC	Texas Small Business Development Agency
USDA	United States Department of Agriculture
USEAC	United States Export Assistance Center
USTR	United States Trade Representative
UTSA	University of Texas San Antonio
WBC	Women Business Center

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EXECUTIVE SUMMARY



Small and medium enterprises (SMEs) represent one of the main drivers of economic growth across Latin America. However, currently their contribution to GDP is well below that of SMEs in developed countries. For example, in the United States (U.S.), SMEs contribute to 50% of GDP, whereas in Latin America, SMEs contribute to approximately 30%. Given the pivotal role that SMEs play to promote economic development in the region, it is essential to close these productivity gaps. Trade and internationalization represent important tools as they improve competitiveness, incentivize innovation and promote productivity.

As a consequence, the Inter-American Development Bank (IDB) is designing an electronic

platform, ConnectAmericas, for SME export promotion and internationalization. Given that the U.S. has vast experience in SME export promotion, learning from its policies and programs will be very valuable for the implementation of ConnectAmericas. Moreover, recently, export promotion and regional integration have been at the center of the U.S. government's efforts. President Obama launched the Small Business Network of the Americas (SBNA) to promote greater trade among SMEs throughout the Americas. Thus, ConnectAmericas will be able to generate synergies from the initiatives that stem from the SBNA and more successfully promote exports of Latin American SMEs.

Main Export Promotion Programs in the U.S.

There are a wide variety of agencies that support SME exports across the U.S. These include: the Small Business Association (SBA), the Department of Commerce, Export-Import Bank, U.S. Department of Agriculture, U.S. Trade and Development Agency, and the State Department. Their activities range from outreach, counseling and training to providing trade leads and financing.

The different programs and initiatives that these agencies support function differently according to the incentives and sources of funding they receive. Based on these differences, a two-pronged approach was used to perform the research: national level programs on the one hand and state and municipal level programs, on the other.

National-level programs receive funding from the federal government and operate equally across all states. We identified four programs that we believe most closely resemble ConnectAmerica's idea, based on their online component and export promotion services: SBDC Global, U.S. Export Assistance Centers, BusinessUSA and Export.gov.

State and municipal-level programs operate differently across states and generally receive funding from local governments. Five states were selected to better understand the interactions among the different agencies and how they collaborate with the private sector, non-profits and federal programs. The states were selected based on their ties to Latin America (California, New York, Texas, Florida and Colorado).

Challenges faced by Export Promotion Programs

Based on a thorough research we were able to analyze the main challenges that these programs have faced and are currently facing. The main challenges that we identified were divided into two categories: **organizational challenges** and **implementation challenges**.

Organizational challenges refer to obstacles within the organization—these include: **program continuity, knowledge sharing and process systematization, training staff on the use of online resource, and customer acquisition and retention**. Implementation challenges, on the other hand, refer to challenges outside the scope of the organization but that have a direct impact on its performance. The main implementation challenges that agencies working with SME owners in the U.S. are **lack of a coherent and focused export strategy** –SME owners just know they want to export but have not thought about everything it entails – and **lack of funding**.

Agencies that have expanded to Latin America, namely SBDCGlobal, face different implementation challenges. These include **differences in working cultures, differences in firm-size distribution**—most Latin American countries mainly have micro- and large-size companies and few small and medium-size companies, and a **weak legal framework**—very few Latin American countries have enacted small business acts (regulation), threatening the continuity of SME programs and making it difficult for policymakers to maintain sustainable SME policies.

Best Practices Followed by Export Promotion Programs

As these agencies continue to face some of these challenges, they are also following important best practices that ConnectAmericas should consider when implementing its platform. Best practices were categorized into 4 major categories that we believe will be particularly useful for the implementation of ConnectAmericas: ***cross-institutional coordination, internal coordination and processes, online resources, and export promotion programs.***

Cross-institutional coordination includes practices that have helped avoid duplicate efforts and generate synergies among the different programs that support SMEs. Programs in the U.S. have learned to work in collaboration by reaching a ***high level of specialization*** within each agency in terms of industry, foreign markets, and stages of the business. The government encourages the division of labor by aligning the budget system with incentives for specialization. ***Sound communication among agencies*** has reinforced coordination and ensured a comprehensive service is delivered to their clients. Moreover, agencies have learned to clearly communicate with clients and convey what each agency does so they are viewed as partners, as opposed to competitors.

In terms of internal processes, the two main best practices include: ***personal interaction and clearly defined roles.*** The former entails building a relationship of trust—personalized attention via face-to-face meetings or email/telephone communications with the client are key. The latter refers to specialization within agencies—each consultant and trade specialist has clear roles, specializes in a specific area (industry, region, stage of the business, etc.), and is measured against clearly defined performance measures.

In relation to online resources, the ***programs' websites must be as user friendly as possible*** to allow clients to readily find the information and forms they need. Large and clear icons that link the user to the relevant information based on their needs, going from

broader needs to very specific needs are very useful. ***BusinessUSA***, ***New.export.gov*** and ***SBDCGlobal*** are the best examples of user-friendly websites. Other tools such as ***webinars*** and ***interactive chat spaces*** have also proven to be successful.

Finally, best practices specific to export promotion programs include ***export readiness assessment, presence abroad and trade missions***. The most important tool all export promotion programs use is an export readiness assessment. This is essential as it helps agencies determine which clients should be directed to which program. The main aspects assessed are years of operation, annual revenues, capacity, and product competitiveness. Presence abroad is another aspect that has led the success of export promotion programs—it allows agencies to more easily access local contacts and better assess opportunities in foreign markets. Moreover, presence abroad facilitates the organization of trade missions, which represent the most effective way through which entrepreneurs may establish contact with international partners and distributors.

Recommendations for the implementation of ConnectAmericas

Recognizing that the SME sector in the U.S. significantly differs from the SME sector in Latin America, recommendations for ConnectAmericas were formulated keeping these differences in mind. Special consideration was paid to the main areas of opportunity that ConnectAmericas could tap into in the SME sector in Latin America. These include innovation in processes through managerial and human resources training, building an entrepreneurial culture of cooperation among SMEs, developing capacities for internationalization, and improving the visibility and dissemination of existing support programs to coordinate local, national and international agencies' initiatives.

Recommendation 1: Foster SMEs' understanding of export promotion policies and programs through a user-friendly on-line platform. ConnectAmericas can help SME owners understand the

whole policy process –the programs, services and products that each agency offers – so that they can directly contact the relevant organization. It is important for ConnectAmericas to design its online resources in such way that they are as user-friendly as possible. Following the example of BusinessUSA.gov, ConnectAmericas could serve as a one-stop point for entrepreneurs to find policy information on all programs available, according to the stage of the business and location they are in. Moreover, working with Google would allow ConnectAmericas to build a customized, interactive on-line policy-searching system.

Recommendation 2: *Align with local governments with strong political support for export promotion.* ConnectAmericas could start a pilot program with municipal/state level organizations to be able to offer more personalized service. Additionally, establishing coalitions with entities that can garner long-lasting political support for export promotion programs will be vital to guarantee program continuity.

Recommendation 3: *Devote available resources to export-ready SMEs, rather than to new-to-export SMEs.* Considering that ConnectAmericas is a new program, during its pilot stage it should mainly focus on export-ready SMEs to maximize impact.

Recommendation 4: *Promote trade missions among SMEs in alignment with local policy institutions.* Trade missions generally help SMEs obtain meaningful trade leads with foreign markets and meet prospective distributors and partners overseas. ConnectAmericas could participate in such missions by helping prepare market studies on-site in the countries where it has offices in.

Recommendation 5: *SBDC Global as a potential partner for ConnectAmericas.* Establishing a partnership with SBDC Global.com and the International SBDC Expansion Initiative (ISBDCEI) will help ConnectAmericas fast track the learning process and successful outcomes. These programs not only offer an online marketplace that links SMEs across the Americas, but they already have presence in Latin America.

CHAPTER 1

Introduction

The crucial role that Small and Medium Enterprises (SMEs) play in the economy in both the United States and in Latin America call for programs and policies to promote them. Trade represents a key opportunity for business growth that very few SMEs in Latin America have explored. Thus, the Inter-American Development Bank (IDB) has undertaken an initiative to promote exports and internationalization through an online platform, ConnectAmericas.

In this report we explore how the experience of the U.S. in export promotion and SME internationalization programs can serve the IDB to implement ConnectAmericas. To achieve this, we first provide a broader definition of the problem.

We then present a general overview of the SME export promotion programs and available to SMEs in the U.S. In the next section, we describe the methodology used to select the programs researched, followed by a section with the main findings of the research.

In the next part of the report we analyze the main findings. The analysis is divided into two main sections: common challenges faced by the selected programs and best practices.

The final part of the report examines which best practices would be applicable to ConnectAmericas. To do so, the following section provides a general overview of the SME sector in Latin America to ensure that the recommendations are applicable to the region. The last section includes the recommendations for the ConnectAmericas based on the identified challenges and best practices, taking into account the context in which it will operate.

Trade represents a key opportunity for business growth that very few SMEs in Latin America have explored.

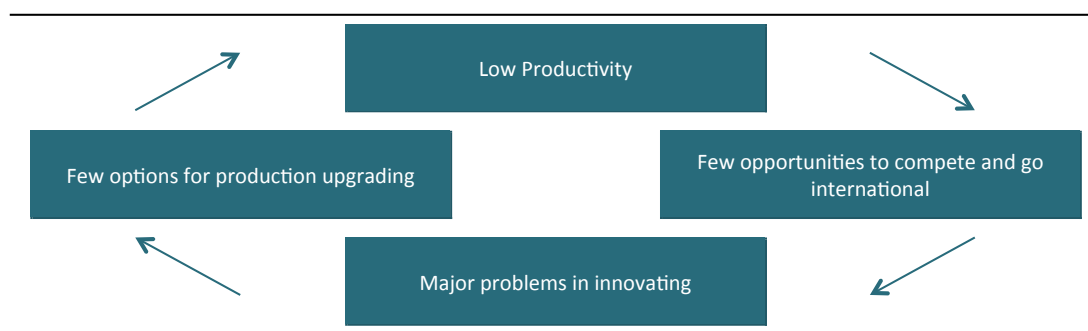
Definition of the Problem

The lower productivity level of SMEs as a major economic challenge in Latin America: In Latin American countries, one of the biggest economic challenges is the productivity gap between SMEs and large companies. Whereas European SMEs perform almost at the same level as European large companies, Latin American SMEs have only a fraction of the productivity than that of large companies, respectively 13% in micro, 32% in small, and 43% in medium firms against large corporations.¹ As a result, Latin American SMEs only contribute to approximately 30% of GDP, while U.S. SMEs contribute to 50% of GDP¹, on average, and European SMEs contribute to around 60% of GDP. This is of significant concern given that SMEs in both regions represent 99% of the total companies.¹ As evidence confirms, productivity represents a key driver of a country's economic growth.¹ Thus, creating SME support and development infrastructure is critical for Latin American economic development.

Creating SME support and development infrastructure is critical for Latin American economic development.

Internationalization of SMEs improves productivity: One of the major reasons for lower productivity in Latin American SMEs is the low degree of internationalization (see Figure 1). According to the World Bank enterprise survey (2009-10), production growth rates are higher in businesses that export directly or indirectly than in businesses run exclusively domestically.¹ Previous studies find that there are immediate productivity gains by starting to export.¹ Indeed, competing in the international markets requires SMEs to be more creative and innovative, and would provide SMEs with positive effects such as economies of scale. Thus, promoting SME-internationalization would eventually help improve macroeconomic productivity in Latin American countries.

Figure 1. The Vicious Cycle of SME Internationalization



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Mechanisms to promote internationalization. There are two economic channels to improve productivity through internationalization. First, exporting facilitates resource reallocation within industries and a nation. During 1983-1992, high-productivity exporters in the U.S. grew faster than lower-productivity non-exporters in terms of the output shares and employment, which accounts for 40% of total factor productivity (TFP) growth in manufacturing in the U.S.¹

Second, exporting improves intra-firm productivity (***learning-by-exporting***). Although scholars have not reached a consensus on the causality of whether firms with higher productivity start exporting (***Self-selection***) and/or whether exporting improves a firm’s productivity (Learning-by-exporting), a growing body of evidence documents that exporting provides firms with continuous productivity gains. A panel-data analysis of Chilean firms confirms a learning-by-exporting effect.² Studies on U.K., Slovenian, and Korean manufacturing firms concluded that the productivity of exporters grew faster than that of non-exporters.³

Much room for policy-improvement remains in Latin America: There are multiple hurdles policymakers must face to implement policies to internationalize SMEs. Although there have been a number of export-promotion initiatives by governments in the region, less than 5% of SMEs in most Latin American countries exported in 2012⁴, compared to 10.4% in the U.S.⁵ The levels of direct and indirect exports of SMEs in Latin America is only a half of those of SMEs in Europe, less than one

Less than 5% of SMEs in most Latin American countries exported in 2012

half of SME exports in the U.S. and one-third less than those of SMEs in East Asia.⁶ This indicates a large room to improve existing programs.

From this perspective, lessons learned from existing U.S. export initiatives for SMEs would be very profitable for Latin American countries in formulating export promotion policies. Moreover, by evaluating current U.S. programs in states that have the closest linkages with Latin America, we will be able to use SMEs in those states as a proxy for Latin American companies and determine which policies and programs would be most suitable for them.

While, careful consideration should still be given to the differences in the political, economic, legal, and cultural backgrounds between the U.S. and Latin America, select U.S. best practices should be applicable to ConnectAmericas. Thus, by evaluating the implementation and organizational challenges that U.S. export promotion have faced, as well as the best practices that have derived from these, ConnectAmericas will foster SME internationalization and help close the productivity gap between SMEs and larger companies in Latin America. Moreover, this research will help identify possible synergies between ConnectAmericas and existing U.S. export-promotion programs by finding niches that ConnectAmericas can exploit and maximize its impact.

Careful consideration should still be given to the differences in the political, economic, legal, and cultural backgrounds between the U.S. and Latin America.

SMEs and Export Promotion Policies in the U.S.

SMEs have played an important role in the U.S. economy because of their contribution in terms of employment, share of firms and contribution to GDP. Even if there is no international consensus on the definition of SMEs, in the case of the U.S., the Small Business Administration (SBA) defines an SME as an enterprise with less than 500 employees. In 2010 the U.S. Census Bureau reported 5,734,538 total firms, out of which 5,717,302 are SMEs, which means that more than 99% of firms in the U.S. have less than 500 employees.⁷ SMEs are present in every economic sector. For example, in manufacturing, 87% of total establishments are SMEs.⁸ However, employment contribution varies substantially across economic sectors; despite this fact, on average, 85%⁹ of new jobs in the U.S. are created by small businesses.

More than 99% of firms in the U.S. are SMEs

The U.S. Government has adopted several policies to promote SMEs. One of the most prominent policies has been the Small Business Innovation Research (SBIR) program. The U.S. Congress enacted the SBIR in 1984. This policy mandated that major federal agencies such as the Department of Defense, the National Institutes of Health, the National Science Foundation, Department of Energy and the National Aeronautics and Space Administration, devote a share of their research budget on contracts to small firms.

Lately, government policies have been focusing on promoting SMEs exports since international trade has become central to economic activity worldwide. Globalization and telecommunications have transformed the way of doing business, contributing to a cost reduction of transportation and greater access to information across the world. These two factors have favored the incursion of SMEs in the export market. In 2009, OECD countries had, on average, an export-to-GDP

ratio of 24.7% and an import-to-GDP ratio of 25%.¹⁰ These figures reflect the importance of designing adequate policies to promote and strengthen the incursion of SMEs in this area.

Consequently, President Obama recently launched the Small Business Network of the Americas (SBNA). According to the White House, the “*SBNA aims to expand the pool of available resources for business development, enhance access to business counseling services for entrepreneurs, and foster SME growth by providing a framework to connect businesses across the hemisphere*”.¹¹ To achieve these goals the SBNA is: i) promoting the expansion of the SBDC model to other countries; ii) encouraging matchmaking services and export counseling through USEAC; and iii) enhancing the use of virtual trade platforms like SBDCglobal.com.

Specifically in Latin America, the U.S. Federal government has strengthened its network with organizations that have a Latin American focus. Some of these organizations have committed to leverage the diaspora communities through the Latino American Idea Partnership (La Idea) and the Caribbean Idea Marketplace (CIM) business competition platforms. The Federal government will achieve its goals by providing working capital grants, and loan guarantees to incentivize the private sector’s participation in the region.

Approximately 20 federal government agencies are involved in supporting U.S. exports directly or indirectly.

In terms of export promotion policies, approximately 20 federal government agencies are involved in supporting U.S. exports directly or indirectly. There are nine key agencies with programs or activity directly related to export promotion are the U.S. Department of Agriculture (USDA), U.S. Department of Commerce (DOC), Export-Import Bank (Ex-Im Bank), Overseas Private Investment Corporation (OPIC), Small Business Administration (SBA), U.S. Department of State, U.S. Trade and Development Agency (USTDA), U.S. Trade Representative (USTR), and U.S. Department of the Treasury. The USDA has the largest level of export promotion funding, followed by the Department of Commerce.

Six agencies have specific programs for SME exports: SBA, DOC, Ex-Im Bank, USDA, USTDA and the Department of State. The following Tables 1 and 2 illustrate the services available at each agency.

Table 1. U.S. Agencies' Activities to Support Small Business Exports

Agency or partner entity	Outreach	Counseling and training	Trade leads	Financing
SBA				
OIT ^a	✓			✓
SBDC	✓	✓		
Commerce	✓	✓	✓	
Ex - Im ^a	✓			✓
USDA	✓	✓	✓	✓
USTDA	✓		✓	
State Department	✓		✓	

^a Both OIT and Ex - Im provide counseling and training to lenders of small business on federal export finance products. However, for the purposes of this report, we considered the counseling and training provided by OIT and Ex - Im to be a part of both agencies' provision of financing assistance to exporters, rather than an independent service like the counseling and training provided by Commerce, SBDCs and USDA.

Source: Government Accountability Office's analysis of agency documents, United States Government Accountability Office, 2013, p. 9

Table 2. Description of Export Assistance Resources in the U.S.

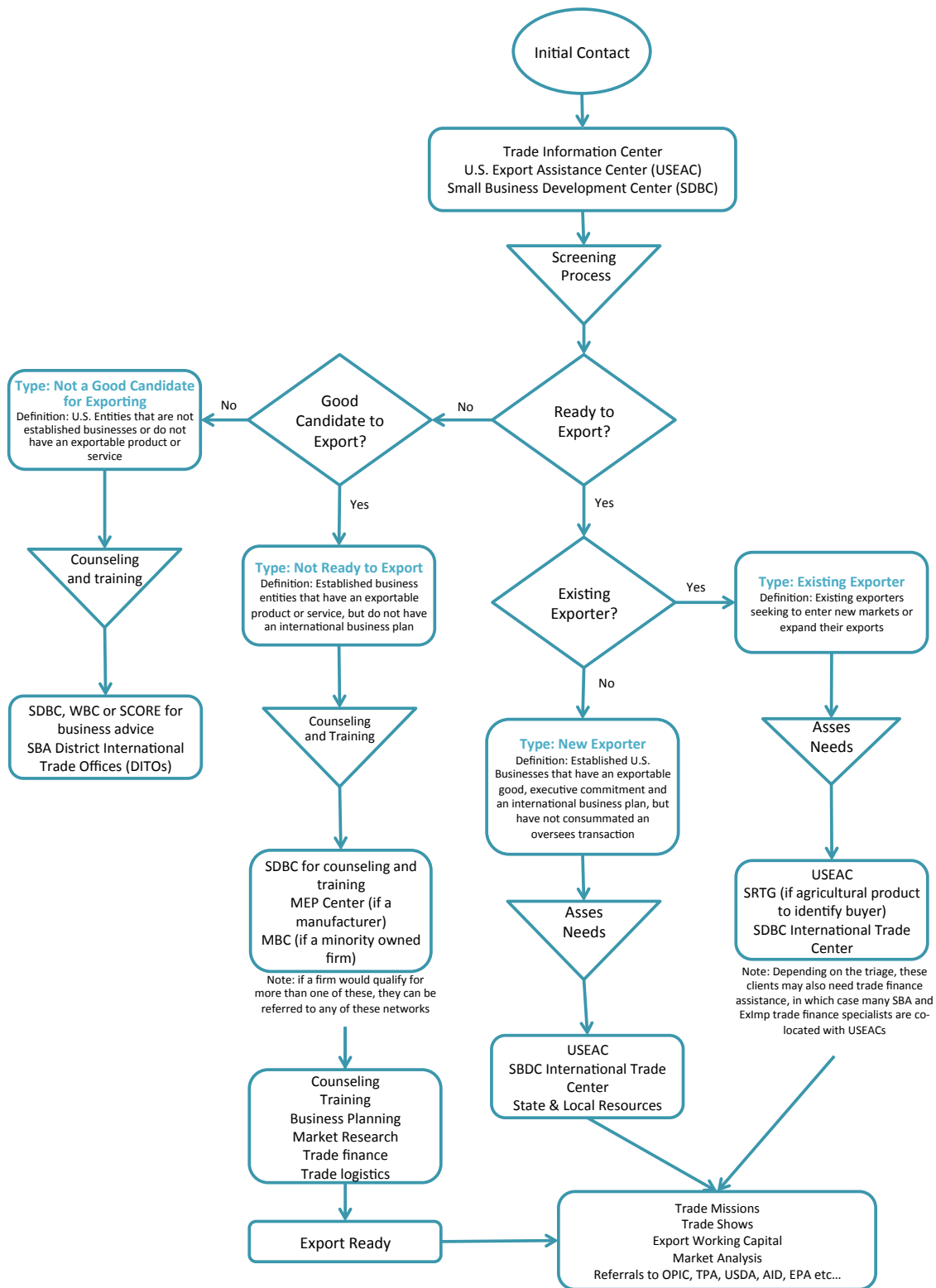
U.S. Department of Commerce (DOC)	U.S. Small Business Administration (SBA)	U.S. Department of Agriculture (USDA)	Export – Import Bank of the United States (Ex – Im)
<p>U.S. Export Assistance Centers (USEACs): Located in 93 U.S. cities and territories, with trade specialists who provide export – ready business with market intelligence, market – entry strategies, advice on distribution channels, and assistance in identifying trade finance options.</p> <p>Manufacturing Extension Partnerships (MEPs): 70 non – profit centers that provide small / medium – sized manufacturers with assistance in technology acceleration, supplier development, sustainability, and workforce training.</p>	<p>Trade Finance Specialists: SBA Trade Finance Specialists are co – located with DOC at 19 USEACs, providing export working capital loans, counseling on international methods of payments, and information on other SBA loans for exporters.</p> <p>Small Business Development Centers (SBDCs): 63 networks with over 900 sites across the country provide individualized, long – term business counseling, group training, and market research services to small business owners.</p> <p>District International Trade Officers (DITOs): SBA District International Trade Officers (DITOs) located at each of its 68 District Offices as a trade resource to small businesses.</p>	<p>State Regional Trade Groups (SRTGs): Four non – profit associations, funded by USDA, provide a wide range of comprehensive programs and services to SMEs, including customized export assistance, cost share export promotion on funding, trade show exhibition support, technical training, and international and reverse trade missions.</p>	<p>Ex – Im Bank: Over a dozen bank locations across the country that provide working capital guarantees, export credit insurance, loan guarantees, and direct loans that allow U.S. companies – large and small – to harness export opportunities.</p>

* Note: SBA's other resource partners (SCORE and Women's Business Centers (WBCs)) are available as business resources, and can refer to SBDCs for export assistance where appropriate. They are not required to have trained expert counselors as the SBDCs are. There are 110 WBCs are 350 SCORE chapters with over 12,000 volunteers.

The different agencies work together to ensure they meet all the needs from small businesses. Particularly in terms of export promotion, these agencies collaborate well in order to avoid duplicate efforts and maximize synergies among them. The following figure illustrates how these agencies screen SMEs and determine which agency and service better suits their needs, according to the export/business stage the firm is in.

Agencies work together to ensure they meet all the needs from small businesses.

Figure 2. Export Assistance Flow Chart



Sources: United States Government Accountability Office, 2013, p. 47 and San Antonio export leaders: A case study of third-party assistance for small business. P.16

Note 1: All Clients should use Export.gov and Business.U.S.A.gov throughout the export counseling process

Note 2: There is a “No Wrong Door” policy that requires all domestic offices to direct U.S. firms to the correct Federal export assistance service regardless of their agency

CHAPTER 2

Methodology

General Research

- We first performed a comprehensive research of the programs available to help small businesses export and selected the most relevant. Although the research is not exhaustive, we believe it contains the programs that are most relevant and may be the most helpful for the implementation of ConnectAmericas.
- There is a wide variety of programs and initiatives, which function differently according to incentives, the sources of funding, and the agency that operates it. Based on these differences, a two-pronged approach was used to perform the research: national level on the one hand and state level -divided into federal, state, and municipal initiatives - on the other.

Nation-wide Initiatives

- National-level programs that receive funding from the federal government and operate equally in all states were placed in this section. We identified four programs that we believe most closely resemble ConnectAmerica's idea: SBDC Global, U.S. Export Assistance Centers, BusinessUSA and Export.gov.

State and Municipal Initiatives

- Programs that function differently across states and which are operated by state agencies were placed in this section.
- In order to gain a clear understanding on how each of the relevant programs works, five states were selected using the criteria explained below.
- For each of the states selected, a general background of its economy, demographics and SME sector was obtained to understand the context in which the programs operate.
- The most important program in all states is the Small Business Development Centers (SBDCs). Although it is a federal initiative, each state's SBDC functions in a different manner and could, therefore, resemble how ConnectAmericas would operate in Latin America.
- After performing research on the state's SBDC, we identified relevant state and municipal export-promotion initiatives that could help us understand best practices and lessons learned.

The selection of states was based on a balanced scorecard. The following criteria were considered in order to determine which states have the closest ties with Latin America: demographics, importance of the SME sector, trade activity and the economy.

Table 3: State Selection Criteria

Criteria	Variable	Weight
Trade	Exports to LatAm, 2009 - 2012 average	10%
	Imports from LatAm, 2009 - 2012 average	15%
Demographics	Total Hispanic Population, 2010	10%
	Percent of Hispanic Population, 2010	10%
Economy	Per Capita Real GDP, 2010	5%
	Per Capita Real Income, 2010	5%
SME Sector	% of SMEs with < 20 Employees, 2010	15%
	% of SMEs with < 100 Employees, 2010	10%
	Number of Hispanic Firms	20%

The importance of SMEs in each state was extremely significant and it carries the greatest weight, 45%, of the final score. The variables taken into consideration let us know the states with higher number of Hispanic firms and with smaller businesses. This way we may use these firms as a proxy for Latin American small business. In all these three categories, the states of California, Florida, Texas and New York ranked among the top five.

The trade criterion considers exports and imports to Latin America, depicting how strong the commercial ties are with the region. It carries a weight of 25%. In this regard, the states of Texas, California, Illinois, Arizona and Florida make up the top five of states with largest export and import transactions with the region.

The demographic criterion was defined according to the absolute and relative number of Hispanic population in each state. The four states with the largest Hispanic population were selected: California, Texas, New York and Florida. This criterion has a 20% weight, since the

project’s objective is to recommend best practices to implement them in Latin America; therefore greater Hispanic population gives us more information on how this demographic group behaves.

Regarding the economic indicators, the selected variables per capita real GDP and per capita personal income. These variables accounted for 10% of the total score. Since, as stated before, the final outcome of this project is to implement the lessons learned in Latin America, the states chosen have diverse economic contexts as a way to replicate the diversity of the economic environment that Latin American countries. For example, the state of New York is ranked number 54 while Florida is 13 in terms of per capita GDP.

The state of Colorado was selected due to client’s request since it is in IDB’s strategic objectives to develop a business relationship with Colorado since it has shown interest in Latin America and has shown willingness in participating in joint projects with the bank. However, Colorado was ranked 9 out of the 51 states.

Based on the analysis and theoretical approach described above, the five states that this research project will focus on are: California, Colorado, Florida, New York and Texas.

Table 4. State Ranking

State	Total Points	Ranking
California	90	1
Florida	90	2
Texas	82	3
New York	78	4
New Jersey	57	5
Arizona	54	6
Illinois	51	7
Michigan	47	8
Colorado	42	9
Georgia	38	10

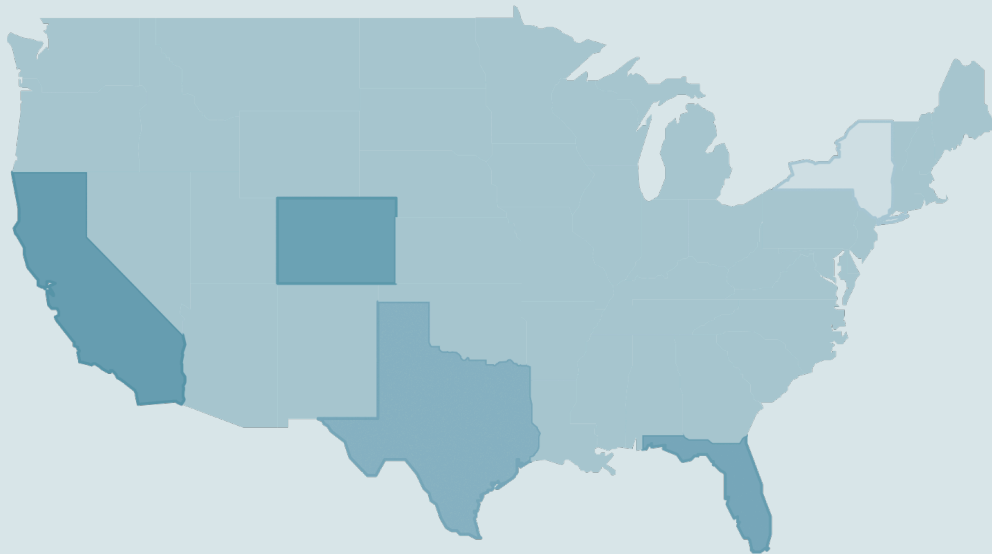
After selecting the states, a thorough analysis of its export promotion and internationalization policies and programs was performed based on a complete analysis of their websites, reports and interviews with program officials.

By compiling this research we were able to draw lessons learned and best practices from U.S. programs. Given the large differences with SMEs in Latin America, we believed it was important to understand the context in which ConnectAmericas will be implemented to select those best practices that are relevant to it.

CHAPTER 3



Federal and State Programs



Federal Programs

This section includes the most important federal programs that contain services and products to help SMEs export. The programs were selected based on relevance, with a high emphasis on their online component. The four programs that will be presented are: SBDC Global, USEAC, Business USA and Export.gov.

SBDC Global

SBDC Global is a nationwide, on-line platform that links SMEs and Small Business Development Centers (SBDC) across the U.S. and Latin America. The website provides an on-line marketplace, directories of potential business partners, on-line trainings on trade-related issues, and information on face-to-face seminars. By connecting **1,200+ SBDCs** and their **75,000+ clients in the U.S., Mexico and Colombia in 2012**, SBDC Global allows SBDCs and SMEs to take advantage of economies of scale—they may find business partners more easily and refer to prior successful cases and apply lessons learned to their own businesses. Across the U.S., Texas, Massachusetts, and California are the 3 states that utilize SBDC Global the most.¹²

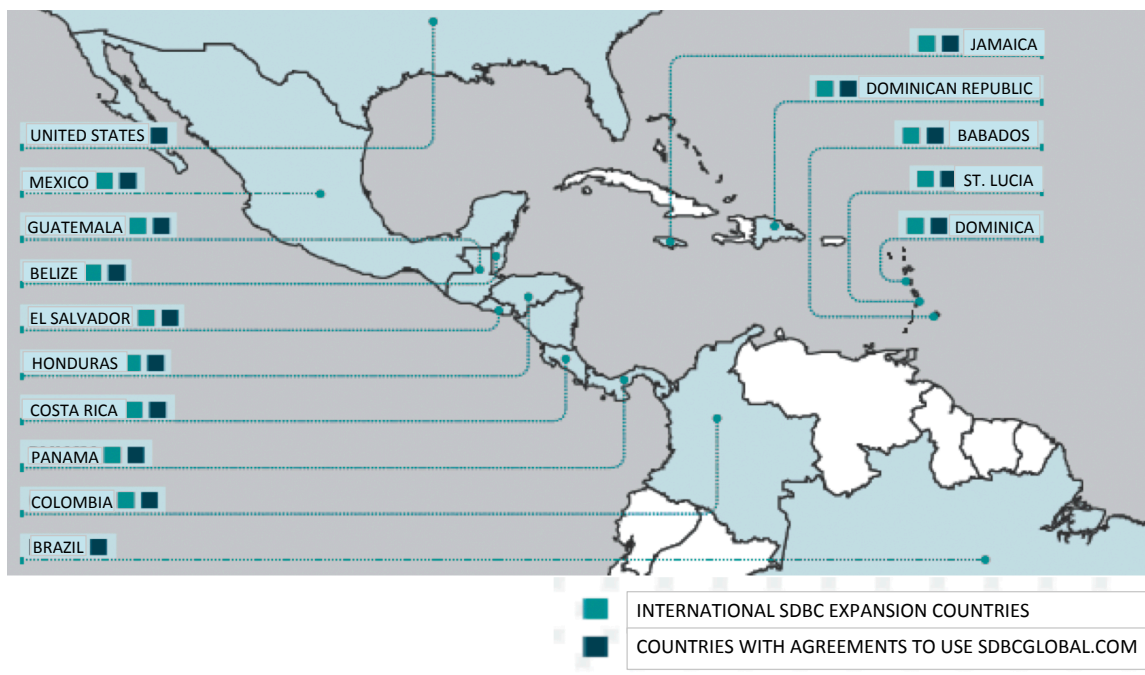
The physical network of SBDCs across the Americas is significantly helpful for SMEs in Latin America seeking to export to the U.S. For example, if a Mexican company wants to export to Michigan, the SBDC in Mexico links the company to the SBDC Michigan, which provides the company with market analysis as well as further practical support in Michigan. The physical expansion of SBDC to Latin America was initiated by **the International Trade Center (ITC) at the San Antonio SBDC** in 2003, as **the International SBDC Expansion**

Initiative (ISBDCEI), which is recognized as a core part of the White House’s Small Business Network of America.

The ISBDCEI started as a pilot project between University of Texas San Antonio (UTSA) and the Universidad Autonoma de Guadalajara in 2003, which led the implementation of the first pilot SBDC in Mexico. As of 2012, UTSA has conducted 11 SBDC Counselor-and-Director Certificate Training Programs which have trained 1,200+ professionals across Mexico. As a result, 108 Mexican SBDCs were established and the Mexican Association of SBDCs (AMCDPE) was formed.¹³

Now, the ISBDCEI aims to expand the successful SBDC model to other Latin American countries. To achieve this, the San Antonio SBDC advises foreign governments on how to adapt and/(or) startup their own SBDC networks step by step. Namely, the trainings guide Latin American government officials on how to plan, open, run and grow a successful SBDC. ¹⁴ *Partner countries include Mexico, Barbados, Belize, Dominica, Jamaica, St. Lucia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Panama.*¹⁵

Figure 3. The expansion of the ISBDCEI and the SBDC Global



Source: International Trade Center (2013). FY2012 Annual Report

Since the program has been very successful, SBDC Global and International SBDC expansion programs are recognized as the signature function of Obama administration's Small Business Network of America (SBNR).¹⁶ The funding for the website is provided by the U.S. Agency for International Development (USAID), Higher Education Development (HED), the South-West Texas Border Region SBDC and the University of Texas at San Antonio (UTSA) Institute for Economic Development.¹⁷ UTSA is in-charge of running SBDC Global, while it co-organizes webinars and seminars with its funding partners frequently.¹⁸

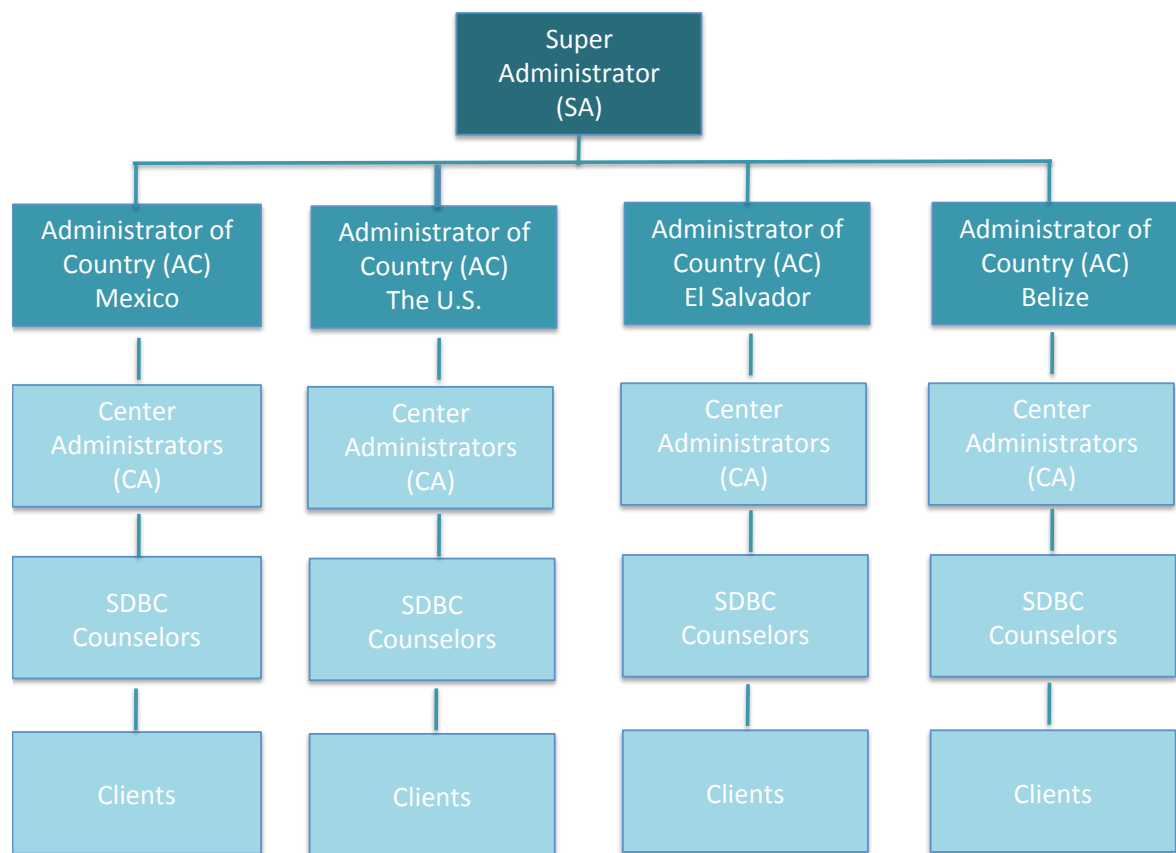
SBDC Global is available exclusively for member-SBDCs, their counselors and their clients. To become a part of SBDC Global, SBDCs must register. Then, each SBDC must assign one individual as the Center Administrator (CA), who is the contact point with the operators of SBDC Global and with other SBDCs. The CA can then register the counselors and the clients so that they can enter and use the website functions. Even though SBDC Global serves only SBDC Clients, other small businesses that are not working with an SBDC are also invited to join by first becoming clients of a SBDC. These small businesses can register by selecting the sign-up button located on the SBDC Global. Once registered, their information will be sent to closest SBDC in their area.¹⁹ After a counselor registers the business, it can access SBDC Global and use its tools.

The organizational structure of SBDC Global consists of Super Administrator (SA), Administrator of Country (AC), CAs, Counselors, and Clients. The SA resides in the ITC at UTSA, registers ACs, and manages the website functions in the U.S., Mexico, Colombia, and El Salvador, where SBDC Global is operating thus far. Under the SA, there are currently 4 ACs who ensure that the site functions correctly in their specific country. ACs also manage the registrations of SBDCs and CAs. Within each country, CAs are in-charge of updating the localized content, such as contact information and event information. CAs can register Counselors and Clients.

ACs/CAs are periodically checking whether registered SMEs/Counselors accounts are active or not. Since SBDC Global offers an on-line marketplace and a directory of information for potential trade

partners, it is essential for SBDC Global to ensure it has as many active accounts as possible. If there were a number of inactive accounts, the whole platform would lose its credibility. Thus, every 3-6 months, ACs/CAs track whether registered SMEs and Counselors logged-in the SBDC Global. Also, ACs/CAs send invitations for seminars and events by e-mail. If SMEs/Counselors are inactive, for any reason, such as going out of business or closing it for other reason, ACs/CAs remove their accounts from the platform.

Figure 4. SBDC Global organizational structure



Source: International Trade Center (2013). FY2012 Annual Report

The performance metrics of the program are: SBDCs/Clients that joined the network, clients assisted, jobs created/retained. Moreover, while SBDC has not launched in certain countries, they are taking firm steps to create their own SBDCs, namely ***Costa Rica, Dominican Republic, Guatemala, Honduras and Panama, who will launch their***

*pilot SBDCs during 2013.*²⁰ Table 1 below summarizes the performance by country.

Table 5. Performance Measures for Participating Countries

	SBDCs created	Clients increased	Jobs created/retained
Mexico	108 ^{1/}	32,000 + ^{2/}	12,000 + ^{2/}
El Salvador	13 ^{3/}	16,933 ^{4/}	53,000 ^{4/}
Belize	1 ^{5/}	N/A	N/A
Colombia	1	N/A	N/A
Total	123	48,933 +	65,000 +

Source ^{1/} International Trade Center (2013). *FY2012 Annual Report*. ^{2/} SBDC project in Mexico (n.d.). ^{3/} Ubicación de Oficinas. (n.d.). ^{4/} CONAMYPE. (2012). *Rendición de Cuentas periodo de junio 2011 – mayo 2012*. ^{5/} Launched 10/31/2012. There is no website for the center. For the organization hosting SBDC in Belize, see BERITRAIDE website.

SBDC Global was developed through a partnership between **ITC at UTSA and the Mexican Association of SBDCs (AMCDPE)**. Other strategic partners have joined the initiative, such as: **United States Agency for International Development (USAID)**; **the Association of Small Business Development Centers (ASBDC)**; **the Organization of American States (OAS)**; **Pathways for Prosperity in the Americas of the U.S. Department of State** which is a policy dialogue among the member countries, of which Inter-American Development Bank (IDB), the Organization of American States (OAS) and the Economic Commission for Latin American and the Caribbean (ECLAC)²¹; and the **Higher Education for Development (HED)** which implements academic exchange programs between the U.S. and developing countries in collaboration with USAID.

In addition, SBDC Global has several international partnerships, which include: **Caribbean Export Development Agency** which is the only regional trade and investment promotion agency in the Africa, Caribbean and Pacific (ACP) group; **AMCDPE**; **Centro Regional para la Promoción de la Micro y Pequeña Empresa (CENPROMYPE)**; **Comisión Nacional de la Micro y Pequeña Empresa - El Salvador (CONAMYPE)**; **the Association of Small Business Development Centers (ASBDC)**; and **the Brazilian Micro and Small Business Support Service (SEBRAE)**, which is a network of 850+ SBDCs in

Brazil.²² SEBRAE is particularly interesting since it is using a very similar model to SBDC model in the U.S., yet its focus is domestic, and has few features directed towards the internationalization of SMEs. SEBRAE has more than 35 years of history, which is as long as the U.S. SBDC model. Hence, different from SBDCs in other Latin American countries, the Brazilian SEBRAE is a collaborative partner for ISBDCEI/SBDC Global, rather than under the ISBDCEI/SBDC Global umbrella. In concrete, when UTSA co-organizes seminars on exporting with SEBRAE, UTSA dispatches its experts as lecturers, since SEBRAE has less lecturers and less experience in export promotion.²³

U.S. Export Assistance Center (USEAC)

The USEAC is a federal government initiative created through a collaboration among the U.S. Department of Commerce, the U.S. Small Business Administration (SBA), the Export-Import Bank (Ex-Im Bank), the U.S. Agency for International Development (USAID), and the U.S. Department of Agriculture (USDA). USEAC has representation in more than 100 cities across the United States and over 80 countries worldwide.²⁴ As part of the trade promotion arm of the U.S. Department of Commerce's International Trade Administration, USEAC helps thousands of companies to export billions of dollars every year in goods and services. It does so by providing **export marketing and trade finance support for SMEs**. USEAC has a strong focus on small businesses—more than 85% of the companies it supports are SMEs.

The core value of USEAC is its network of international trade specialists across the U.S. and across the world. Domestically, the network relies on the domestic centers across the country, while overseas it utilizes the commercial officers and specialists from the Department of Commerce, located at U.S. embassies and consulates. Moreover, USEAC has close relations with federal, state and local governments, as well as with public and private organizations to provide unparalleled export assistance to American businesses trying to compete in the global marketplace.

The center provides global business solutions by identifying the best markets for their clients' products, developing effective market-entry strategies, and facilitating its implementation. It also advises clients on distribution channels, pricing and funding available through federal government programs. In addition, USEAC organizes relevant trade shows and missions.

One of the main services that the center offers is **trade counseling**.²⁵ Trade counseling is offered according to the clients' needs, it may begin by helping entrepreneurs to develop a comprehensive international business plan, determining export license requirements, and/or complying with export certification requirements. Once the company is already exporting, trade specialists assist clients with customs advisory and risk management services.

Specialists also help firms to prepare its **export finance strategy**. The center provides customized information about funding resources offered by the federal government through the Ex-Im Bank, the SBA, and other trade finance organizations. In addition, specialists assist businesses in pricing their products and services to successfully compete in new markets.

Additionally, USEAC offers services to **identify potential export partners**. To do so, USEAC organizes business matchmaking events and one-on-one meetings with pre-screened buyers through the **Gold Key Matching Service**, sales representatives, and business partners. In addition, the center arranges **trade shows, missions and events** with the aim of promoting international trade and helping local U.S. exporters to internationalize. In these events, entrepreneurs have the opportunity to meet distributors and partners and to identify the best markets for their products.

The center also organizes **export seminars and online webinars** to educate businesses on exporting topics. In particular, webinars provide valuable information on a variety of countries and industries. They also provide assistance on export planning and market strategy, as well as export compliance information

The center's target clients are SMEs, however the center serves both, SMEs and large enterprises. The **center categorizes its clients in two groups**: 1) firms that have never exported and 2) companies that are already exporting and plan to expand its operations abroad. Regardless of the firms' exporting-cycle stage, most of its clients contact USEAC directly; word of mouth is the most effective way to get clients.²⁶ However, USEAC also looks for new clients through proactive outreach, trade shows, chambers of commerce, and educational seminars.

The process has an online and an in-person component. The first stage is done entirely online through an online consultation survey. During this stage the center provides basic exporting information and conducts an export readiness assessment to clients that have never exported. In the assistance stage, attention is customized and even when there is no in-person meeting, there is always a human factor involved, either through conference calls, Internet or e-mails.

USEAC uses the Export.gov website as its main online resource to provide information on export basics, market research and trade events. Besides the services described above, USEAC administers the **Gold Key Matching Service** and provide technical assistance to the **SBA Export Express**. The description of both programs can be found in Appendix G.

Export.gov

Export.gov is an online platform that provides useful information for businesses that want to either start exporting or expand to other markets. The information is categorized by industry, country and business stage.²⁷

In the **Begin Exporting** section, the user can register online to access to a variety of training and counseling programs, as well as to find potential foreign buyers and finance exports programs. In the **Expand Exporting** section, companies can access useful resources such as the four steps to expand to new markets, and domestic and international trade events and market research information by type of industry and country.

The website provides a lot of **information about trade data and analysis**. The trade statistic information is divided by import/ export, by state and by industry. The platform also provides export regulatory requirements, like license, export controls and licenses, tariffs and taxes, and import requirements among others.

Figure 5. Export.gov Homepage



Export.gov also provides a country approach; in this section users can find specific information about all countries in which the U.S. has a Commercial Service Office or a Commercial Service Partner Post. In this section users can find handy information like a country overview, business environment of the country, import requirements, leading sectors for US Export and Investment, trade agreements, trade events and business service providers in each country.

Export.gov is a coordinated effort of the Department of Commerce, Department of Energy, Department of Agriculture, Export-Import Bank, Small Business Administration, US Trade Development Agency, Overseas Private Investment Corporation, Department of State, Department of Treasury and U.S. Trade Representative managed by the International Trade Administration.

Business USA

On October 2011, President Obama aware of the burdensome and frustrating interactions that small businesses had to go through with different government agencies, he directed the creation of BusinessUSA.²⁸

BusinessUSA is a centralized, **one-stop online platform** that facilitates businesses, particularly small businesses and exporters, to access services to help them grow and hire. BusinessUSA uses technology to quickly connect businesses to the agencies that offer the services and information relevant to their needs, regardless of where the information is located or which agency's website, call center, or office they go to for help.

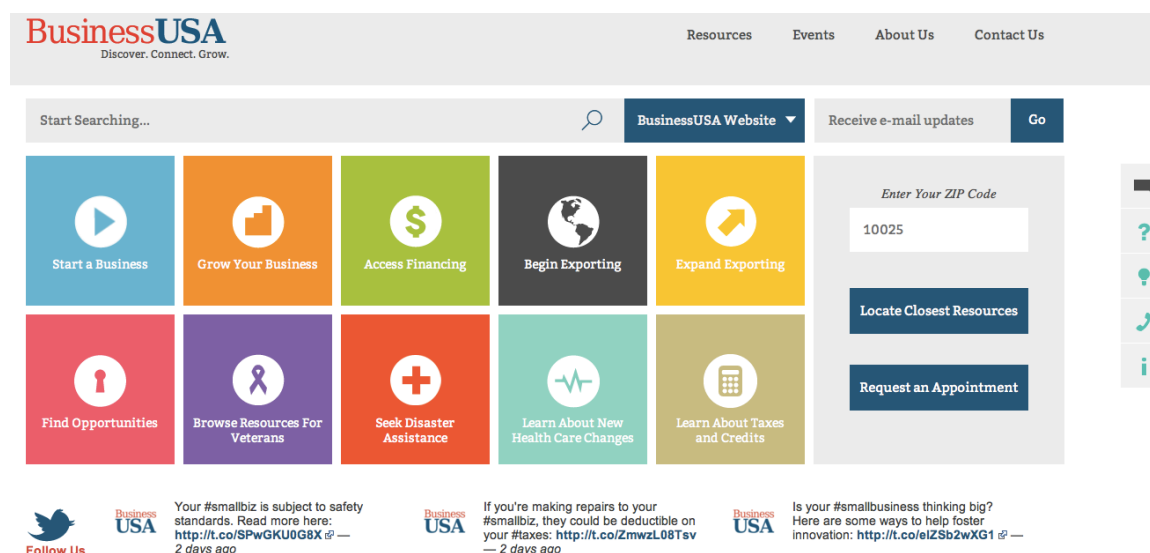
Currently, the government has launched the beta version of the BusinessUSA website. In doing so, the government aims to strengthen America's competitiveness in the global economy, by equipping businesses with the best tools and information available to support innovation and job growth.

The government agencies that have joined this initiative are the Department of Agriculture, Department of Commerce, Department of Labor, Department of the Treasury, Department of Veterans Affairs, Environmental Protection Agency, Export-Import Bank, Small Business Administration, The White House, US Trade Development Agency, Overseas Private Investment Corporation, among others.

The website offers an array of services such as, information on how to start a business, grow your business, access financing, begin

exporting, expand exporting, find opportunities, resources for veterans, seek disaster assistance, learn about health care changes, and learn about taxes and credits.

Figure 6. BusinessUSA Homepage



In the ***Start your Business*** section, users can find some quizzes that will help them customize the information they are seeking for. For instance, the quiz asks information regarding the type of business and industry, if it’s a franchise or online product, location of the business, etc.; based on this input the website offers customized information to the user and directs them to the agency that can best serve them.

The ***Begin Exporting*** section also follows a quiz-based approach. In this case, questions are related to the company’s commitment to start exporting, planning and strategy, product readiness and export mechanics.

The ***Expand Exporting*** section offers information regarding funding and guarantee programs offered by the government to promote businesses’ internationalization, as well as an international market research and international business matchmaking services. Firms looking for general information of exports and advisory services are directed to the USEAC. A “Find Business Partners” section that is under construction will provide online matchmaking services.

The ***Find Opportunities*** section is guide toward federal government contracting programs and opportunities that a company can access according to its size, type of ownership, geography and industry. This section also uses a quiz approach to get information from the user and give back customized results.

This effort has gone beyond the BusinessUSA website and a ***newexport.gov website*** has just launched as part of the Business USA network.²⁹ This website is a friendlier version of the export.gov website. The information contained is very similar to the one in the old version, but the layout is friendlier and more interactive which allow the users to fin information easier and faster.

Figure 7. New Export.gov Homepage

export.gov

Helping U.S. Companies Export
Part of the BusinessUSA.gov Network

[Submit Feedback](#)

[Sign in](#) | [Register](#) | [About Us](#)

[My Export](#) ▾ |
 [The Export Process](#) ▾ |
 [Explore Opportunities](#) ▾ |
 [Obtain Financing](#) ▾ |
 [Comply With Regulations](#) ▾ |
 [Resolve Trade Problems](#) ▾ |
 [Attend Trade Events](#) ▾ |
 [Contacts & Answers](#) ▾

Welcome

Did you know that nearly 96 percent of consumers live outside the U.S. and two-thirds of the world's purchasing power is in foreign countries? Go where the customers are! There is significant opportunity for small businesses to profit through exporting.

LEARN ABOUT EXPORTING



Learn about upcoming training opportunities, review the Basic Guide to Exporting, and connect with counselors who can answer your exporting questions.

- Learn -

[Export Readiness Assessment](#) | [Where do I Start?](#)

READY TO EXPORT

EXPAND MY EXPORTS

Most Popular FAQs

- How can I locate importers, distributors, sales reps, etc. in an overseas market?
- How can I find export financing?
- How can I determine the tariff rate for my product?
- What do all of these Free Trade Agreements do for me?
- How do I obtain market research for a specific country or product?

[See More FAQs](#)

Readiness Assessment

Take our Export Readiness Assessment and get started with exporting. Through the assessment, we can help you explore training and counselling programs, develop an export business plan, conduct market research, find foreign buyers, and finance your exports.

- Begin -

Total U.S. Exports by Country (in \$M)

Accessible Format



Pick a country to view more detail.

Total U.S. Exports by Industry

Accessible Format



	TRANSPORTATION EQUIPMENT
	COMPUTER AND ELECTRONIC PRODUCTS
	CHEMICALS
	MACHINERY, EXCEPT ELECTRICAL
	PETROLEUM & COAL PRODUCTS
	ALL OTHERS

Pick an industry to view more detail.

State Research

This section presents the state initiatives that aim to promote SME exports. Each of the sections on the individual states contains a description of how the SBDC functions in that state, as well as other relevant state-level and municipal initiatives. The states are presented according to the ranking based on the state criteria described in the methodology section.

1. California

California is the second largest exporter state with its geographical location and with the NAFTA agreement with Mexico and Canada. According to the Census (2010), California counts for 27% of the total Hispanic Population and is the state with the largest Latino population in the U.S. The economy in California is mainly driven by the following industries: education, health, real estate, trade, transportation, utilities and government. The ***most common export destinations are Mexico, Canada, China and Japan***. Given that California is the state with the largest Hispanic population, a great majority of the firms in California are Hispanic-owned. They accounted for 82% of the total firms in California during 2007.³⁰ Export-oriented industries in California are one of the key drivers of the state's economic vitality and stable workforce. Nationwide, California is the leader in SMEs engaged in export activities—***96% of all exporters in the state are SMEs***.³¹ California mainly imports from China, it represents 30% of its total imports in 2012, and other main countries from California imports include Japan, Mexico and Canada. The top 3 commodities comprise

43% of total imports in 2012. The top 3 include Oil and Petroleum, Passenger Vehicles and Industrial Machinery. According to the State of California's Employment Development Department, firms with less than 20 employees dominate the small business landscape in California, with nearly 616,000 establishments of this size in 2010. Small enterprises with 21-99 employees numbered only about 56,000 in the same year. The top five industry sectors with the largest number of small enterprises with export potential in the state of California are professional, scientific, and technical services, manufacturing, wholesale trade, construction, and real state.

SBDC California

The California Small Business Development Center (CA SBDC) program has 35 centers throughout the state that provide consulting to more than 16,000 entrepreneurs for free, as well as low-cost training to more than 38,000 entrepreneurs. ***CA SBDC assisted, mainly, enterprises with less than 200 employees.*** Of the clients served, more than the 50% were women and 45% belonged to an ethnic minority.

The state's services include: management, marketing, financing, accounting, strategic planning, regulation, taxation, capital formation, procurement, human resource management, production, operations, economic development, production analysis, plant layout and design, agribusiness, computer application, limited business law assistance, exporting, office automation and site selection.

The interaction with the client begins with a phone call or an e-mail. Based on the firm's needs, the CA SBDC matches it with the corresponding center and agent in the area where the firm is located. After that, an appointment is scheduled in order to make an evaluation and assessment of the company.

After the appointment, the export process consists of six main steps:

- 1) **Identification of the firm:** With the assessment, the CA SBDC classifies the company under one its three tiers in order to give the firm a more specialized service. The tiers are: Tier One composed of start-ups that haven't exported yet; Tier Two composed of companies that operate locally but want to start exporting; and Tier Three composed of experienced exporters who want to expand internationally.
- 2) **Country Focus:** The CA SBDC does market research based on trade export data and other economic indicators in order to locate potential markets for the firm.
- 3) **Market Focus:** The center performs deeper research in order to identify key customers and develop a market entry strategy to the country/ region previously selected.
- 4) **Distribution Channels:** The CA SBDC, jointly with the Department of Commerce, determines best distributors for the product and potential buyers.
- 5) **Export Strategy:** The strategy is completed by compiling the elements listed above and presented to the firm.
- 6) **Export Plan Completion:** The CA SBDC helps the company to find financing sources for its expansion. It also gives advice regarding shipping and other logistic issues for exporting the product.

The program does not involve a strong online component. Its webpage is mostly used for informative, rather than interactive purposes. The most important interactive tool is the webinars: web-based, on-line, and one-directional seminars. In addition, the webpage has some business tools and forms in order to facilitate information for the entrepreneur.

The CA SBDC uses the following metrics to track success: Jobs created, new business started, increase in sales, capital raised. In 2011, the CA SBDC services helped small businesses increase sales by nearly \$220 million, and generated \$37 in annual tax revenue for every \$1 invested in the CA SBDC program. Equity capital invested in the CA SBDC clients' totaled just under \$176 million. Further, the CA SBDCs helped 740 clients start a new business.³²

The CA SBDC's programs have *strategic partners* with a variety of actors. Its main partnership is with universities across the state. The CA SBDC also works closely with the different regional offices from the government in California.³³ In addition, the CA SBDC works with sponsorship from the following organizations: The Disabled Veterans Business California Alliance, California Hispanic Chamber of Commerce, Sacramento Black Chamber, among others.

California Centers for International Trade Development (California STEP)

The State Trade and Export Promotion (STEP) Program is a pilot trade and export initiative authorized by the Small Business Jobs Act of 2010 and funded by federal grants and funds from the corresponding states.

California STEP project leverages a statewide network of state, federal, private and non-profit trade promotion organizations to facilitate export promotion, activities, serving targeted industries, to drive exports for small businesses.³⁴ STEP's main functions are to increase the small number of firms in California exporting and also increase the state's exports.

California STEP is managed by the California Community Colleges Chancellor's Office Centers for International Trade Development (CITD). The main sectors it supports are: Technology and Communications (ITC), Green Technologies, Food and Agricultural Products, Lifestyle Products, Water Technologies, Scientific Instrumentation, Transportation Equipment and Industrial Machinery.

The main services that California's STEP provides are: export assistance, international marketing and business matchmaking. The main tools used to fulfill its services are inbound missions and outbound trade events.

California STEP counts with several partnerships with state government agencies such as California Governor's Office of Business

and Economic Development, California Chamber of Commerce. It also has agreements with municipal government agencies such as City of Los Angeles, Metropolitan Export Initiative and Los Angeles Area Chamber of Commerce. Moreover, it has several connections and interactions with universities inside the state, mainly with colleges that are part of the California Community Colleges' Centers for International Trade Development (CITD).

2. Texas

Texas is the largest exporter in the U.S, with a business-friendly climate, including zero-corporate tax and sophisticated infrastructure. ***Its key exporting industries*** include ***oil-related industries***, chemicals, electronics, machineries, and transportation equipment.³⁵ While Texas trades globally, ***Mexico is by far the biggest trade partner***, representing 35% export and 50% import of total Texas' trade.³⁶ This is not surprising considering that the state has the second largest Hispanic population, 84% of which came originally from Mexico.³⁷ The other common destinations for Texas' exports include: Mexico, Canada, China, Brazil, and the Netherlands.³⁸ On the other hand, the majority of its imports come from Mexico, China, Saudi Arabia and Iraq.³⁹ The main commodity imports include: oil and petroleum products, electric machinery, vehicles, except railroad, industrial machinery, and iron and steel articles.⁴⁰

The state is keen in export promotion. The governor holds international conferences to foster the state's exports 4-6 times per year. Moreover, Texas is the only state where the U.S. Department of Commerce sends two of its officers to the Governor's office.

SMEs represent one of the main drivers of Texas' economy. In 2010, there were 2.3-million SMEs in Texas, which hired 46.4% of the private-sector labor force. The key industries for Texas' SMEs are professional/scientific/technical services, healthcare and social assistance, and retail trade.⁴¹ On the export front, ***93% of the total exporters are SMEs***, generating 35% of Texas' total exports—25,976 out of 27,893 exporters are small and medium-sized enterprises with fewer than 500 employees.⁴²

SBDC Texas

The Texas Small Business Development Centers (TSBDC) network helps SMEs through more than 60 centers across the state, under 4 regional lead-offices. As stated above, Texas is the largest exporting state in the U.S., therefore three out of four lead-offices of the TSBDCs host an International Trade Center, which is one of the most successful export-promotion institutions in the U.S.⁴³ Since the **International Trade Center at the University of Texas San Antonio (ITC)** “is the largest and most successful trade assistance organization in the state of Texas,”⁴⁴ this document mainly explains ITC’s performance, as opposed to each international trade center. Due to strong institutional capacity, the ITC is able to support start-ups and established SMEs. This is different from other SBDCs that focus mainly on new-to-export SMEs and rely on Export Assistance Centers to support ready-to-export SMEs.

The process begins with an on-line application form. After receiving the form, the ITC staff contacts the client to guide him through the process to obtain the adequate information. In order to better serve SMEs, ITC ***consultants are trained and certified*** as Certified Global Business Professional. Internally, the ***ITC categorizes its clients into 3 tiers***, based on their accumulated experiences, and provides adequate services for those in each tier. Concretely, Tier 1 includes firms who want to export but do not have a business yet or have never exported. Tier 2 contains companies who have high growth potential to export but have not done so yet, or are exporting on a very small scale. Tier 3 includes companies with significant exporting experience. In the first appointment with the client, the consultant develops a concrete assistance plan including further technical assistance and market research, considering which services best match the client’s needs.

As the leading SBDC in the U.S., ITC hosts the ***International SBDC Expansion Initiative***. The program aims at advising foreign

Box 1. Texas Case Study

Rainbow Play Systems, Inc.'s Success Story

Founded in Minnesota in 1985 and relocated to Brookings, South Dakota, Rainbow Play systems, Inc. (RAINBOW) has manufactured more than 50,000 playing equipment for children, and sold the products to the U.S. as well as to 27 other countries across the world. All the export activities are managed by RAINBOW's Texas office. The office was located in Texas due to the proximity to Mexico as the 1st export market as well as due to sophisticated logistical infrastructure in Texas.

For RAINBOW, keys to success exist in the effective utilization of the public support. Upon beginning exporting to Mexico, RAINBOW sent the international sales director to the San Antonio Export Leaders Program in order to equip the director with powerful business and political contacts in Mexico as well as with practical knowledge of logistics in shipping products, domestic regulations and Mexican tariff codes.

In addition, RAINBOW fully utilizes the U.S. Commercial Service (CS) as an advertisement media, as a business facilitator and as a translator, in case RAINBOW's staff cannot speak the clients' language. With the world-best quality of the products, "Customers immediately recognize the quality and aesthetic beauty of Rainbow's playsets," (A dealer in Switzerland). Hence, the challenge lies in how to first introduce its products to new market. In that perspective, CS fits RAINBOW very well: CS as a U.S. federal agency adds the authority to RAINBOW as well as provides the company with language/marketing supports.

The company has benefited from other policy initiatives such as the Gold Key Matching Service and the ITC at UTSA. With the long history of collaboration with policy makers, RAINBOW deeply understands the key traits of each service and chooses the best policy measures according to the market situation in each foreign country.

Furthermore, RAINBOW's managerial commitment on export is important. RAINBOW devoted much resource to export, and set up the 2nd headquarters in Texas which specialize in export. RAINBOW prioritized quick decision making according to the market situation and proximity to the market more than the proximity to the headquarters. The international team plays a key role to empower foreign dealers.

governments on how to adapt and startup their own SBDC networks. This initiative offers trainings to Latin American government officials on how to plan, open, run and grow a successful SBDC. In FY2012, training was provided in El Salvador, Belize, Mexico, Honduras and Costa Rica, where more than 300 SBDC professionals graduated. In FY2013 Honduras, Costa Rica, Panama, Guatemala, Colombia, Peru, Jamaica, St. Lucia, Dominica, Barbados and the Dominican Republic are scheduled to launch their own national SBDC networks. The program is recognized as a key component of the Small Business Network of the Americas promoted by the Obama administration.

The *on-line components* of ITC are highly developed. The on-line webinar for export consists of 10 sections created by the ITC staff. The website has *export and import readiness assessments checklists*. The online resources help SMEs and consultants to develop business plans.

The ITC operates the nationwide, web-based platforms for SMEs in cooperation with SBA: SBDC Net.org and SBDC global.com. **SBDC Net** supports more than 1,100 SBDCs across the U.S., in addition to helping SMEs directly. It maximizes SBDC's performance by providing business research assistance directly to official SBDC advisors and by sharing knowledge bases. On the other hand, **SBDC Global.com** hosts the on-line platform for Latin American SBDCs. The website is operated as the online function of the International SBDC Expansion Initiative described above.

The *performance metrics* of the program are: Jobs Created, Jobs Retained, Export Sales, Sales, New Financing, New Markets Entered, New Products to Market, Total Consulting Hours, and the Total Clients Assisted. From FY 2011 to FY 2012, the "Jobs Created" metric doubled from 322 to 688. "Export Sales" jumped from \$83 million to \$118 million. "New Products to market" grew more than 100% from 75 to 148. The program's efficiency improved significantly since consulting hours and total clients assisted didn't increase as much during these years.⁴⁵

The ITC at UTSA has *strategic partners* with a variety of sectors. The partnerships include the SBA, the Association of Small Business

Development Centers, the Department of State, Local Chambers of Commerce, other Community Colleges, and a number of local and global companies including Wells Fargo. In practice, the ITC is working closely with Export Assistance Centers operated by the Department of Commerce, referring the clients to each other based on their needs.

The center has *international partnerships with 14 countries* where SBDC programs have extended, these countries are: Mexico, Guatemala, Belize, El Salvador, Honduras, Costa Rica, Panama, Colombia, Brazil, Jamaica, Dominican Republic, Barbados, St. Lucia, and Dominica. A notable development made in FY 2012 was the landmark agreement among the ITC, the Association of Small Business Development Center (ASBDC), and the Brazilian Micro and Small Business Support Service (SEBRAE). These organizations will begin joint collaboration that will increase the website's user base and enable SBDC global.com to work with Brazilian SMEs and the 850+ centers of the SEBRAE network.⁴⁶

The *main challenge* for the ITC is the SBDC expansion initiative. The *cultural differences* between the U.S. and Latin American countries may slow down international expansion. The other challenge for the SBDCs in Texas as a whole, resides in a volatile support from the local political sphere. Since Texas is already the top exporter in the U.S., politicians tend to be reluctant to provide further funding for export promotion programs. Texas used to have four big ITCs, however nowadays the state only has two big ITCs and 1 smaller ITC. Moreover, Texas has only one foreign office, while Pennsylvania has 94 foreign offices.

San Antonio Export Leaders Program

The program is the combination of a 6-month, hands-on seminar and a business trip to Mexico. The program is led by SBDC San Antonio in close collaboration with the City of San Antonio. Since the city of San Antonio stopped funding the program in 2010 and the program was about to disappear, the Free Trade Alliance (FTA)⁴⁷, a private non-profit organization, took over. Although the program is municipal level, "The

Export Leaders program was recently recognized in President Obama's National Export Initiative."⁴⁸

The FTA believes that most US companies will ***succeed in exporting*** if a company's CEO really wants to export, is ready to frankly communicate with foreign business partners, and is comfortable with changing its business process according to the export requirements. Hence the program admits less-than-20 highly motivated companies per year. The trip to Mexico is mandatory for the participants. The trip is organized by the San Antonio's outreach office in Mexico City. During the trip, participants are connected with key political and business players, which further strengthen the confidence of the participants to export.

The program offers only minimum on-line components. The officials utilize existing materials offered by the Federal and State agencies and are happy with them.

Performance indicators include "sales" and "participation." Over the last 11 years, \$750,000 additional sales abroad per company were generated and 110 companies participated in the program.

The main partnership of the program is with the city of San Antonio. Thanks to the cooperation with the local government, the program has been able to provide clients with high-level contacts in Mexico, which is impossible for the FTA alone to arrange. Moreover, each official has in depth knowledge about the programs from other organizations, and refers clients to the corresponding programs if needed.

Although the program has been highly successful, the challenges lie in the advertisement of the program. Different from other federal programs, this program imposes decent costs of \$5,000 in addition to travel costs to Mexico. Thus, it is crucial for potential participants to have deep understanding of the program before the program starts. To that end, the staff held meetings -organized by local chambers- and gave presentations to local CEOs.

3. Florida

Florida is one of the most economically dynamic states in the U.S. and has the biggest trade surplus in the U.S. Its economy is mainly driven by: finance, insurance and real estate; trade, transportation and utilities; government; professional and business services; education and health services; and leisure and hospitality. The **majority of exports are destined to Latin America & the Caribbean** (mostly Brazil, Venezuela, Colombia and Chile). This is not surprising since Florida has the 3rd biggest Hispanic population in the U.S.⁴⁹ Its main exports are: computer and electronic products, cellular phones, transportation equipment, chemicals, and gold.⁵⁰ Similarly, a large majority of its imports also come from Colombia, Brazil, Venezuela and Colombia. The main commodities it imports are gold, petroleum oils, cellular phones, processors, coffee and cigars.⁵¹

SMEs represent a large share of Florida's exporters; they accounted for **95% of the State's exporters** and generated 68% of Florida's total merchandise exports.⁵² The great majority of these businesses have less than 20 employees.⁵³ Given its contribution to the state's economy, the government has been very keen in promoting its development through a variety of programs. The most salient in Florida are the Small Business Development Centers, Export Assistance Centers, Enterprise Florida and Florida Venture Entrepreneur Center.

SBDC Florida

The Florida Small Business Development Center (FSBDC) program was founded in 1980 as one of the 8 pilot programs of the nationwide initiative from the SBA. It has been evolving and currently represents the most important source helping SME development and growth in Florida. FSBDCs mainly serve companies with 100 employees

or less, depending on the business stage they are in—from pre-venture to businesses seeking to expand their operations overseas. It offers a wide array of services and products to serve the different types of SMEs present in the region. The state's unique services include: Value-Added, No-Cost Consulting Services Aimed to Accelerate the Growth of Your Business, Export Marketing Plan, International Programs and Business Technology Commercialization Program.

The centers work with a variety of ***online and personal interaction tools***. It uses the online form filled out by the client to match the entrepreneur with the services needed and the corresponding certified business analyst. It provides the business owner with online access to the appropriate resources and schedules a face-to-face meeting. On average, the process requires an interaction of approximately 80 hours. This interaction includes conducting the research, planning and developing the business project. Although confidential on-line business consulting is provided through video-conferencing, email, and web-based workshops and seminars, clients tend to prefer face-to-face interaction.

The FSBDC program has a wide variety of ***strategic partners***. One of its key partnerships is with universities across the state. It also works closely with the different city and county offices in Florida as well as with other organizations, especially with E-Florida and the Department of Commerce. They hold monthly conference calls with trade specialists from these two organizations to avoid duplicity of tasks and to ensure their objectives are aligned.

The international program has ***partnerships with several countries overseas*** such as Argentina, Australia, Curacao, France, Japan and Mexico, to promote small business development and enhance trade among them.⁵⁴ The FSCBDC is also looking at the possibility of partnerships with programs in Latin America. Florida and Texas are already working with Mexico and South America in helping them learn about the SBDC model and to establish it in their countries. Further work with these organizations will be key for the evolution and sophistication of these centers.

Box 2. Florida Case Study, first part

Advanced Protection Technologies' Success Story (continued)

Advanced Protection Technologies (APT) designs and manufactures surge protection devices for homes and businesses. Although it was very successful in the local market, its owner, Andy Malcom, had never thought about exporting. The day he received a work order from abroad, he did not know what to do. A friend recommended him to visit an SBDC. The SBDC along with USEAC helped Andy to begin exporting. APT now exports to countries in Asia, the Middle East, and South and Central America.

He attributes the success he has had exporting to the actions he himself has taken and to the help government programs have provided. He says that first and foremost, you must be willing to export. After that, anything is possible. With respect to the programs, he finds counseling and training are useful, particularly in respect to the different regulations on different countries. However, he believes the most export insurance is what has given him the largest incentive to export as timely payments is the biggest constraint that kept him from exporting. Moreover as exports grow the biggest asset for him has been having a person on-site in the main destinations to help get the appropriate connections, build the necessary networks and solve logistical issues.

Enterprise Florida, Inc. (EFI)

Enterprise Florida, Inc. (EFI) is a private-public initiative dedicated to promoting business in Florida in partnership with other private actors and federal agencies. It began to operate in 1996 and has expanded its reach and services. EFI's clients mainly come from *high-value, high-wage sectors* such as: life sciences; information technology; aviation; aerospace and space; homeland security and defense; medical industry; and marine industry. Most of its clients are small companies with less than 100 employees and a little over 50% of the companies are from Hispanic descent.⁵⁵

Like the FSBDC, EFI provides a wide variety of services to small businesses at different stages. EFI has a ***strong focus on helping businesses internationalize*** their activities and export. To achieve this goal, EFI organizes trade missions locally and overseas, provide export counseling and analyses of international trade trends, supply trade leads through online database, and offer financial assistance to SMEs seeking to export.

In order to better understand which services to provide to the different companies, EFI classifies them into ***4 categories*** depending the stage of the business they are in, as follows: 1) Startups and companies operating for less than 3 years; 2) New to Export companies that must meet EFI's export ready criteria: sufficient funding, product competitiveness and capacity (working capital) to close deals; 3) Companies with infrequent exports who are mostly helped through trade shows and missions; and 4) Frequent exporters who usually do not require help from EFI, but they participate in government missions and provide support to EFI.⁵⁶

EFI also works closely with FSBDC and Florida's Export Assistance Center to help "new-to-export" manufacturers develop export-marketing plans through the ***STEP program***.⁵⁷ EFI receives the STEP from the federal government and operates it in conjunction with the FSBDC. The main objective is to get the new-to-export companies to export or help those that are already exporting reach their full potential. The minimum requirements to participate are: positive operating profit, \$500,000 in annual revenues, at least five employees and at least three-year experience of business operation.⁵⁸

Most of the activity requires ***face-to-face interaction***. According to officials from the program, face-to-face interaction is the key to building ***trust and credibility***. By visiting the client's facilities, an EFI agent shows they are taking an interest. In addition, face-to-face interaction enables EFI agents to get as much information as possible to determine how feasible everything is, and to decide which clients are worth investment.⁵⁹ These interactions help create long lasting relations with the clients.

Another element of success is the 7 regional offices as they are in charge of doing *outreach*. Each regional office is responsible for their region and the corresponding trade mission, events and educative material. Also, each regional manager has an industry designation and must organize 2 or 3 industry trade shows globally.⁶⁰ In addition, EFI has subcontracted offices in 13 countries around the world to serve exporting Florida companies and foreign companies interested in doing business in Florida. These offices provide support for missions and trade shows, manage the logistics on the ground and organize focus group studies. They also work in customized special projects for clients that are interested in a more personalized attention.

Box 3. Florida Case Study, second part

Arc Surveying Inc. Becomes Global thru STEP

Arc Surveying Inc. sells 3-D high quality topographic and hydrographic (underwater) surveys. Given that it is a highly specialized product may only be useful in ports, its owner, John Sawyer, saw a need to export once it realized the limitations of the local market. Yet, he was unsure on how to approach overseas opportunities. He approached an SBDC but he was not able to find the correct person that would help him solve his questions.

After starting to think of a plan on his own, he saw an advertisement for the STEP program in a magazine. He approached Enterprise Florida and speaks very highly of the program. The service was very personalized, the agents walked them through every step of the way. “They even escorted us from the airport to meet the client when we went on the trade mission to Brazil”. However, given the bureaucracy and regulations in Brazil they decided not to export. Nonetheless, it was an eye-opening experience and together with the SBDC and EFI, Arc now exports to most countries in Latin America. John believes his success is driven by high-quality service and by being able to make the right connections thru the government agencies.

Florida Virtual Entrepreneur Center

The Florida Virtual Entrepreneur Center (FVEC) is a web portal that contains complete information for the different stages of business. The program is an initiative from the City of Orlando. However, it has expanded and now reaches the entire State of Florida. The web portal is maintained by Florida High Tech Corridor Council's (FHTCC), in partnership with local economic development organizations.

The FVEC portal offers a **comprehensive database** of information that contains practically all programs and resources available in the State of Florida for SMEs assistance. The portal is separated into the clients' categories such as starting a business, expanding a business, relocating a business, and other. It uses a **targeted information approach** based on keywords to ensure it redirects its users to the link that contains the latest business resources for the information they are looking for – such as local permitting codes and forms, statewide corporate registration information and federal trademark law.

Businesses interested in joining must fill-in and online form to get their account approved. Once the free user account is approved, the portal automatically updates searches according to the clients' needs, location and objectives. The entire process is carried out online and is very interactive. In addition to finding assistance, companies offering business-related products and/or services may also upload their profile to help other businesses by becoming a resource in this portal.

4. New York

The 2010 Census places New York as the third largest state in terms of population and GDP after California and Texas, as well as the fourth state with the largest Hispanic population.⁶¹ The main industries in New York in terms of contribution to the state's GDP are finance & insurance; real estate; government; professional, scientific & technical services; and information. These five industries constitute more than half of the state's GDP.⁶²

Almost 80% of New York's exports is composed of manufactures. In terms of commodities, the top five include diamonds, gold, paintings & drawings, jewelry and vaccines for human medicine. The three largest foreign **export markets are Canada, Hong Kong and the United Kingdom**. New York's largest imports are rough diamonds, paintings and drawings, gold, silver, and natural gas. The three largest **countries importing to New York are China, Canada and India**. The only Latin American markets included in the top 25 trading partners are Mexico, Brazil and Chile.⁶³

Small businesses are a vital element of the state's economy. New York is second in the nation in the number of active small business. The main industries that small businesses participate in are retail trade, professional, scientific & technical services, construction, health care & social assistance, and accommodation & foodservices.⁶⁴

In terms of exports, a total of 28,246 companies exported from New York locations in 2010, from which **95% were SMEs**. Moreover, SME firms generated over half (55%) of New York's total exports of merchandise in 2010, worth \$34 billion.⁶⁵

SBDC New York

The New York State Small Businesses Development Center (NYS SBDC) program supports the formation and growth of small businesses.⁶⁶ The statewide network consists of 24 SBDC regional centers, and in 2009 the NYS SBDC opened an office in Beijing, China. The SBDC core mission is to assist small business owners, and those planning to go into business.⁶⁷

Besides providing counseling on how to start or grow a business, the SBDC New York has an **International Business Development Program**. It provides counseling and assistance with international trade and business project cooperation with foreign countries through export information, evaluation of market potential, and recommendation of cooperative projects. It also helps businesses to identify opportunities to import and export, through exhibition spaces, trade shows, seminars, meetings, trade missions, and other activities -with a special focus on China-. Through this program, businesses can also access advise on relevant policies, government regulations, taxes, tariffs, among others. Moreover, it serves as *liaison for establishing connections with government agencies* and businesses; training and education on international business and trade practice, culture, and customs.⁶⁸

SBDC New York also hosts **The Organization of Latino Entrepreneurs (Olé)** which supports Latino business owners through one-on-one management assistance and educational programs in Spanish and English.⁶⁹ They provide support in from the development of business plan through *guidance information on e-commerce*, Internet sales, and international trade.⁷⁰

Any resident of New York that wants to start a business – or stabilize and expand an existing business – can make an appointment with a Business Advisor at any SBDC Regional Center. Potential clients can request counseling via the website. Clients receive personalized, confidential, and free business counseling; moderately priced training; and focused research related to his or her business and the industry in which it operates.⁷¹

SBDC business advisors do not supply the business with decisions or judgments; rather, they provide education and tools so that owners can make their own informed business decisions. Those businesses can return to the SBDC again and again for assistance in working through every phase of their growth.⁷²

The **website content** focuses on resources and **tools to educate New York's entrepreneurs**.⁷³ Through the website, visitors can make an appointment for counseling, or ask a question online. They can also learn about the specialty services offered by the SBDC, view upcoming training events, and read stories of successful SBDC clients. In 2011, it had nearly 132,000 visitors.⁷⁴

Visitors can also access a variety of support tools. They can download small business guidance in PDF form; watch online videos that provide practical content on government procurement, marketing and lending issues, and the state of the small business economy; and get informative brochures about NYS SBDC programs on topics such as energy savings.⁷⁵

Since the program was established in 1984, the SBDC has worked with more than 341,300 citizens in the state. It has helped them locate more than \$4.5 billion of funding to start or expand their businesses and helped them to create or save nearly 154,000 jobs. The NYS SBDC held more than 730 workshops and seminars, educating more than 17,000 entrepreneurs and small business owners about topics as basic as business start-up and as complex as growth through government procurement.⁷⁶

The SBDC's **key partners** are the US Small Business Administration, the State of New York, the State University of New York, the City University of New York, and several private universities. Other strategic partnerships and alliances include state agencies and authorities, federal agencies, regional organizations, city and municipal agencies, and overseas agencies and organizations.⁷⁷

Empire State Development

Empire State Development (ESD) is New York's chief economic development agency. Among its functions, the Division for Small Business represents the interests of small businesses and supports the development and expansion of small businesses with less than 100 employees.⁷⁸ Also, the International Division is New York State's international economic development agency. The mission is to promote competitiveness and foster economic activity abroad in order to expand the state's presence around the world. They have offices in Canada, Europe (UK), Israel, and South Africa.⁷⁹

Empire State Development, with co-headquarters in Albany, Buffalo and New York City, is supported by a network of ten regional offices throughout the State.⁸⁰ The regional offices serve as one-stop centers to assist companies. First contact can also be done via email or phone call.⁸¹

Business First⁸² is their business-focused portal that presents all the incentives, programs and resources available to companies – large and small – within New York State and those that choose to relocate there. Although the site is administered by Empire State Development, many other agencies are represented in it.⁸³ Financial incentives and technical expertise found there are searchable by type of assistance, industry, size of business, among other criteria.

Figure 8. Business First Resources for International Business



The ESD key interactions are several Federal and State Government agencies -including the SBA, the Department of Commerce and the Export-Import Bank of the United States, Congressional Representatives, US Chamber of Commerce and UN Global Market Place and Procurement Division.⁸⁴

The ESD has implemented three programs to promote exports. Programs are designed to *help businesses find sales agents or distributors abroad*. The first one is the **Export Marketing Assistance Service (EMAS)**. EMAS represents an important tool for New York State manufacturers of all sizes. It provides customized research conducted by trade specialists at home and abroad. New York State's foreign-based offices provide local intelligence for the markets selected and work to identify the best possible parties to represent the company's sales interests abroad.⁸⁵

A company's participation begins with an application to the program. After the initial screening, EMAS sends a notification of qualifying status into the program. Thereafter, the firm is placed in

direct contact with the foreign offices and global network. Trade experts conduct research to identify suitable importers, distributors and agents and interview and screen them. All relevant information is then sent to the firm. In this way, EMAS participants receive representation to seize business opportunities around the world. The program is currently available in Canada, Mexico, Brazil, Chile, most of Europe, Japan, Israel and South Africa. This service is provided for free and firms are selected based on product line and potential in the new market.⁸⁶

The second program, **Global Export Marketing Service (GEMS)** gives matching grants to advance the export prospects and global competitiveness of SMEs. Services in this program include preparation of customized global market, product, industry and engineering studies, participation in the international marketplace (through trade shows) and design and implementation of export strategies. GEMS accept firms after an assessment by an ESD trade specialist.⁸⁷

Finally, **Export NY** is a specialized CEO training program *designed to improve exporting skills*. It provides in-depth classes for SMEs to learn how to develop and implement a strategic export market sales plan. Export NY is conducted weekly over an eight-month period. It brings together various resources to focus on issues ranging from international financing and strategic marketing plans to distributor contracts and differing business cultures. The program includes academic instructions, experienced industry in exporting, service training, and one-on-one consulting developing an international business plan. More than 100 companies throughout New York State have participated.⁸⁸

Additionally, the ESD manages and implements the federal **STEP** program initiative.⁸⁹ The project, which is in its pilot face, has the objective to promote SMEs exports to Chinese and Korean markets.⁹⁰ Target sectors include wine and foods, music, fashion design, medical-bio technologies, jewelry, cleantech, mining equipment and technologies, and consulting engineering. Trade Promotion activities comprise multi-industry trade promotion events, and industry-specific efforts.⁹¹

Brooklyn Goes Global

Brooklyn Goes Global (BGG) is the Brooklyn Chamber of Commerce's marketing program for Brooklyn manufacturers competing in an international marketplace. BGG's helps to identify, evaluate and **connect Brooklyn manufacturers and export/import companies** with domestic and international buyers through promotion and marketing, education and training, and technical assistance.⁹² As it is partly founded by New York City, this is a public program open to all interested firms in Brooklyn –it is not necessary to be a Chamber member.⁹³

Most of their activities consist on Pavilions at Trade Shows, where Brooklyn manufacturers participate in national and international trade shows under the BGG Pavilion. They also sponsor Buyers and Trade Mission Events, where BGG either invites potential buyers from other countries who are visiting the U.S. to local venues, where BGG clients can market their goods and services in informal settings, or provides opportunities for manufacturers to expose their products, goods and services through partnerships with international trade associations, government agencies and nonprofits. In terms of training, the program produces a series of seminars and workshops designed to increase sales, reduce costs and enable manufacturers to meet the rigorous standards of major retailers.⁹⁴

They keep a very close relationship with the Export Assistance Centers and direct their clients there to have access to funding and more technical assistance.⁹⁵

5. Colorado

Colorado is part of the western United States and is the 22nd most populous state. It has a population of 5,187,582.96 Colorado has a Hispanic population of 1,084,205, which represents 20.9% of the state's total population, out of which Mexicans the largest Latino group. The state ranks 8th in states with largest Latino population. The main industries that contribute to Colorado's economic development are advanced manufacturing and financial services. The state has a strong technological and information industry, particularly bioscience and aerospace.

In 2011, Colorado exported \$7.3 billion,⁹⁷ which represented 0.5% of US total exports. **High tech industry is the main export industry** in Colorado. High tech products include telecommunications equipment, semiconductors, computers and peripherals, transportation civilian aircraft, engines, and parts and advanced manufacturing like, electronic integrated circuits, processors and controllers. Other relevant export industries are food & agriculture, particularly meat of bovine and instrument & medical surgical. In terms of **export partners, Canada and Mexico** are Colorado's main trading partners trailed by China, Japan and Germany. Colorado's imports accounted for **\$11.7 billion**⁹⁸ in 2011. Crude oil is the main import of Colorado representing 25% of all imports. Imports mostly come from Canada, China and Mexico.

In 2010, Colorado had a total of 125,81099 firms, out of which 122,812100 had less than 500 employees. Hispanics owned 6.2%¹⁰¹ of them, which is below the national average of 8.3%. Regarding minority-owned businesses, 54% of them are owned by Hispanics. In terms of exports, Colorado had 4,885 **exporter firms** in 2010, of which **89% are SMEs** (4,351 firms). These SMEs generated almost 30% of Colorado's total exports with a value of \$2.6 billion.

SBDC Colorado

The Colorado Small Business Development Center (CO SBDC) Network's objective is to help small businesses in Colorado by providing free, confidential counseling and several training programs. The CO SBDC combines information and resources from federal, state and local governments to bring together the educational system and private sector to meet the specialized needs of the small business community. The CO SBDC Network consists of 14 centers that provide free counseling services such as: business plan coaching, financial advisory, business research and marketing and new business feasibility analysis. These services are provided by 17 experienced consultants under a strictly confidential environment; ***all consultants are SME owners.***

SBDC Denver offers ***three different types of services***: consulting, seminars and programs. The ***consulting*** division offers advisory to either start-up businesses or established businesses that are looking to grow. For start-ups, SBDC provides information about creating a business plan, assesses the feasibility of business, develops a marketing strategy, and gathers market and industry research. For companies that are ready to implement a growth strategy, the center provides helpful information to achieve a successful expansion through strategic planning, employee management, and government procurement. All the consulting services provided are confidential, effective, unlimited and free. SBDC Denver primarily serves start-ups since they represent 66% of its clients.

The ***seminars*** offer business training at an affordable price. Seminar can be searched online by category: brown bag series, early stage, and special topics. The website also offers information regarding date, time, location, cost, description, suggested audience and an online registration option. The center offers several ***specialized programs*** that respond a particular need or address a specific market segment. There are programs oriented for women-owned start-up businesses, for start-up creative businesses, for Hispanics, for contractors and professional design, architecture and engineering firms, among others.

One of the most comprehensive programs is the **Colorado Leading Edge Program** which is a 12-week program that provides a comprehensive entrepreneur training and business plan development tools. The program also includes expert guidance in start-up requirements, management, marketing, finance, personnel, cash flow, among other topics. Participants receive a hands-on assistance in preparing a complete business plan in addition to training. SBDC Denver also offers a program that focuses on Hispanic entrepreneur needs called the **Latino Small Business Summit**. This is a bilingual conference that brings together Latino business owners from different industries and connects them with an array of resources to help them develop and grow their enterprises.

The website has vast and detailed information for users. Under the start-up section, entrepreneurs can find information such as: starting a business checklist, legal and tax information, accounting and bookkeeping tools, among other useful resources to start a business. Clients can also find free consultation request, information about workshops, seminars and e-learning videos. All these information is in the Colorado Business Resource Guide that can be accessed online or by hard copy if requested by email to SBDC Denver. The guide is available in English and Spanish. However, the SBDC model also contemplates a face-to-face component that is the reason why there are 14 centers across the state of Colorado that give personal advisory to their clients.

There is also variety of **online workshops**, which are divided into four categories: starting your business, managing your finance, foundations of marketing and Spanish seminars. To access these free workshops, all that is needed is to register online and set up a user name and a password to log in. Once users are registered, they can use the same user and password to make appointments online. The website also has a business directory, which is a business-to-business resource that offers a great opportunity to gain exposure to thousands of small business owners and find services and products for business.

SBDC Denver has over 1,000 clients out of which 7.2% are Hispanic. On average, consultants provide 10,500 advisory hours per year, which means that each SME receives over 10 consultant hours per

year. Its clients come from various industries, like retail trade (15.1%), other services, professional services (13.3%), construction industry (2.5%), and manufacturing (1.4 %).

SBDC Denver has a wide array of *performance measures* such as: number of jobs created, number of jobs retained, capital formation, sales increase, number of attendees at seminars, number of seminars offered, number of hours of consulting, number of consulting appointments, target demographics, counseling and training satisfaction % of existing businesses, increased contracts, number of start-up companies. For example, in 2012, the center actively participated in the **launching of 37 new businesses**. Annually the center offers around 180 training seminars out of which 15 are online. All the programs or long-term courses offered are always face-to-face.

CO SBDC partners with State of Colorado, the US Small Business Administration, the Colorado International Trade Office, local economic development organizations, the Johnson and Wales University and the Denver Metro Chamber of Commerce.

Besides the programs and products that are solely offered by SBDC Denver, the Office of Economic Development and International Trade (OEDIT), which is where SBDC Colorado is housed, also has an **International Business division**. This division is dedicated to helping Colorado companies to expand and diversify their markets globally and to assist companies from abroad to learn the value of doing business in the state. The programs offered by this department are divided in two main categories: Counseling and Coaching Programs and Funding Programs. The **Colorado Export of Innovative and Sustainable Technologies (CO-EXist)** is a funding program that supports business exchanges between Colorado companies, government and industry leaders in China and Mexico in the targeted areas of sustainable and environmental technologies and services. Companies may apply to participate in trade shows, incoming buyer visits and outgoing trade missions, or to receive funding for client development expenses and technical assistance for Mexico and/or China.

To promote exports and to facilitate business-to-business matchmaking, this office has a continuous presence in **trade shows** as a way to get more clients. Trade shows have a dual purpose of export and investment promotion. The office also organizes **foreign missions to strategic markets** to help exporters increase their international sales and to promote Colorado as a place to invest. Common features of trade missions include customized appointments for Colorado companies with potential partners in industry and government, customized industry briefings, and networking opportunities. To bolster these efforts, the center arranges **incoming buyer delegations**. This activity consist of arranging business-to-business appointments between visiting international buyers and Colorado companies in order to assist foreign buyers with sourcing goods and services from Colorado.

CHAPTER 4

Challenges

The thorough research of different government initiatives allowed us to identify the challenges that institutions promoting SME exports in the U.S. are currently facing, or have faced. These challenges were categorized into two categories: **organizational challenges** and **implementation challenges**. The former refers to obstacles within the organization while the latter refers to challenges outside the scope of the organization but that have a direct impact on its performance. These challenges were essential to formulate comprehensive recommendations and should be kept in mind through the implementation of ConnectAmericas to ensure its success.

Organizational Challenges

Table 6.

Challenge	Description	Key Factors
Program Continuity	Programs tend to receive less attention when government priorities shift. This is usually followed by a lower budget allocation that reduces the programs scope.	<ul style="list-style-type: none"> - Limited budget. - Mercurial public policy. - Shift in government priorities. - Changes in government administration.
Knowledge Sharing & Process Systematization	Personnel and staff experts are highly specialized and sometimes they tend to concentrate information making hard to systematize processes. The challenge here is to pass from the “need to know” to the “need to share” mindset.	<ul style="list-style-type: none"> - Highly concentrated information in one individual. - The expertise plays a double-edge sword since it is difficult to share that knowledge within the institution.
Staff Training on Online Resources	Officers are used to a face-to-face method, thus some staff members have difficulties in adapting to the use of new technologies.	<ul style="list-style-type: none"> - Employees’ resilience to use of new technologies. - Employees’ resistance to change.
Customer acquisition & Customer Retention through online resources	Agencies use technological tools to reduce the complexity of its processes in order to attract and retain customers. To do so, agencies must be continuously updating their website and online resources which may result in higher operating costs. If agencies fail to do this, they could lose competitiveness.	<ul style="list-style-type: none"> - Higher operating costs due to fast-paced technological change. - Low tolerance from customers to deal with complicated online processes.

Implementation Challenges

Table 7.

Challenge	Description	Key Factors
Lack of export strategy	Sometimes companies have willingness to export but do not have a proper export strategy plan.	<ul style="list-style-type: none"> - Lack of target market definition. - Lack of market research.
Lack of funding	Most of banks perceive SMEs as riskier borrowers compared with mature firms, thus SMEs have fewer funding alternatives.	<ul style="list-style-type: none"> - Lack of specialized banks that lend to SMEs. - Asymmetric information about SMEs' risk. - Lack of incentives for banks to participate in this market.
Small Business Owners' Misinformation	Some SMEs do not know which institution or program fits better to their needs.	<ul style="list-style-type: none"> - Lack of an accurate description of the programs. - Lack of proper promotion of the programs. - Lack of a unique window that acts as intermediary between SMEs and the programs.
Fear Factor	Misconception that exporting will force them to drastically change their management and way of doing business.	<ul style="list-style-type: none"> - Misinformation - Lack of interest in contacting SME export promotion agencies
Differences in Work Culture	Programs working abroad, such as the SBDC Global see the different work culture and practices in Latin America as a factor that has slowed down the expansion.	<ul style="list-style-type: none"> - Different bureaucratic arrangements - Importance of personal relationships and generating trust - Different work values and understandings

Implementation Challenges

Table 7. Continuation

Challenge	Description	Key Factors
Legal and Regulatory Framework in Latin America	The weak legal framework for SME policies in most Latin American countries makes it difficult for policymakers to maintain sustainable SME policies when there is an administration change.	<ul style="list-style-type: none"> - Lack of small business acts (regulation) in many Latin American countries - Program continuity may be threatened
Weak recognition of the SBDC model in Latin America	SBDC in Latin America do not enjoy the same reputation as in the U.S., posing difficulties to reach clients and generate strong relationships with national governments. ¹⁰²	<ul style="list-style-type: none"> - Lack of public and official recognition of SBDCs and ISBDCEI - Little funding from the national governments - Difficulty expanding the client base

CHAPTER 5

Best Practices

The in-depth analysis of the programs also allowed us to identify the best practices in SME export promotion programs. Best practices were categorized into 4 major categories that we believe will be particularly useful for the implementation of ConnectAmericas: cross-institutional coordination, internal coordination and processes, online resources, and export promotion programs. **Cross-institutional coordination** includes best practices that help to avoid duplicate efforts and generates synergies among the different programs that support SMEs in the U.S. **Internal coordination and processes** describes the best practices that ensure an adequate functioning of the program. The **online resources** category includes the features that should be consider in the design of online tools to maximize its usefulness. Finally, the **export promotion programs** category contains the best practices that have contributed to the success of export promotion programs in the U.S.

Table 8. Cross- Institutional Coordination

Best Practice	Description	Key Features	Programs
Sound Communication among agencies	Joining efforts with other programs and agencies is key as each agency has their area of specialty and different types of resources. It is important that entrepreneurs understand each agency’s strengths and weaknesses and the different programs and agencies as partners, not as competitors.	<ul style="list-style-type: none"> - Monthly conference calls between agencies - Well-defined roles between and within agencies - Clearly communicate to client the scope of each agency, refer clients to other agencies if the client’s request is outside of the agency’s scope 	<p>Texas SBDC Enterprise Florida Florida SBDC New York SDBC Export Assistance Center NY Empire State Development Brooklyn Goes Global California SBCD</p>
Human Factor for Institutional Coordination	The human factor is essential for institutional coordination. It does not need to be through face-to-face but constant communication is key.	<ul style="list-style-type: none"> - The program agents want to be confident their reference will fit the client and that the client’s business is likely to succeed through his/her reference - Establishing a long-term relationship allows for better coordination 	<p>Texas SBDC Enterprise Florida Florida SBDC Colorado SBDC US Export Assistance Center Colorado New York SBDC Empire State Development Brooklyn Goes Global California SBCD California STEP</p>
Budget System Facilitates the Division of Labor	The mechanism to encourage the division of labor among the government institutions is through the federal budget system. They must meet certain measures of success to obtain next years budget which provides incentives for specialization.	<ul style="list-style-type: none"> - Institutional incentives to focus on a certain type of firms, such as the SBDCs for the new-to-export and the EACs for the export-ready. - Systemic mechanism also describes the institutional behaviors. 	<p>Texas SBDC US Export Assistance Center Texas US Export Assistance Center Colorado US Export Assistance Center NY Empire State Development</p>

Cross- Institutional Coordination

Table 8. Continuation

Best Practice	Description	Key Features	Programs
Comprehensive Approach	Together, the programs serve all sorts of small businesses—in different industries and at different stages of the business. They offer services for every business depending on their needs. Through this they are also able to create long-term relationships and share the experience with the entrepreneurs, generating trust and credibility.	<ul style="list-style-type: none"> - Specialization by region and industry within each program - Specialization for different stages of the business 	Florida SBDC Enterprise Florida Export Assistance Centers Texas SBDC New York SDBC Empire State Development California SBCD
Support from Local Government	Obtaining the support from local government is essential for programs that are private or non-governmental initiatives. This magnifies their impact and allows for synergies.	<ul style="list-style-type: none"> - Public private partnerships - Funding - Co-operation of certain programs 	Enterprise Florida SBDC Global Brooklyn Goes Global

Internal Coordination and Processes

Table 9.

Best Practice	Description	Key Features	Programs
Specialization within agencies	Each of the consultants and trade specialists are specialized in a specific area (industry, region, stage of the business, program, etc.). This way the company can be sure that it is receiving the best advice possible and may be sure that attending the FSBDC will certainly add value to their business.	<ul style="list-style-type: none"> - Specialization by region and industry - All consultants at the SBDCs are small business owners which makes it easier to establish an initial rapport and generate trust 	Texas SBDC Enterprise Florida Florida SBDC US Export Assistance Centers NY SBDC US Export Assistance Centers California SBDC
Performance Measures	Several performance measures on the program's different services allow the agencies to closely track and monitor success in order to determine the strategy to move forward and how to best allocate funds.	<ul style="list-style-type: none"> - Jobs created, jobs retained, capital formation, sales increase, owner investment, number of attendees at seminars, number of seminars offered, number of hours of consulting, number of consulting appointments, target demographics, counseling and training satisfaction % of existing businesses, increased contracts, number of start-up companies 	SBDC Denver SBDC Texas SBDC Florida SBDC New York SBDC California US Export Assistance Center NY California SBDC

Internal Coordination and Processes

Table 9. Continuation

Best Practice	Description	Key Features	Programs
Personal Interaction Component	All of the interactions with the client require the human factor. Most of the centers have constant face-to-face interactions. However, some work through email, telephone and online conferences. This is key both for the agency as they may better assess the feasibility of the business and for the client as they more rapidly trust and belief in the agents.	<ul style="list-style-type: none"> - First interaction is face-to-face - Agents are small business owners - Visits on premise 	<ul style="list-style-type: none"> Texas SBDC Enterprise Florida Florida SBDC New York SBDC Denver SBDC California SBDC Brooklyn Goes Global California SBDC STEP California
Client Outreach	Ensure that new clients are obtained and current clients are retained through different types of client outreach.	<ul style="list-style-type: none"> - Magazine advertisements - Online advertisements - Trade shows - Trade missions Word-of-mouth 	<ul style="list-style-type: none"> Enterprise Florida Florida SBDC New York SBDC Brooklyn Goes Global

Online Resources

Table 10.

Best Practice	Description	Key Features	Programs
User Friendliness	The websites are easy to use and clients may readily find information and forms they require on the different services offered by the programs.	<ul style="list-style-type: none"> - Online forms - Webinars - Helpful business links and resources 	New York Business First Business USA New York SDBC (www.nyssbdc.org) Export.gov www.ibrooklyn.com

Export Promotion Programs

Table 11.

Best Practice	Description	Key Features	Programs
Trade Missions	Trade missions represent the most effective way to establish international contacts. A great majority of partners and distributors overseas are currently found on the internet.	<ul style="list-style-type: none"> - Certain industries require face-to-face interaction to generate trust (trade missions provide this opportunity) - Exposure to trade partners overseas 	Texas SBDC Enterprise Florida Florida SBDC California SBDC New York SDBC Empire State New York Brooklyn Goes Global
Export Readiness Assessment	An export readiness assessment is performed before admitting the client into the program to ensure it has the necessary qualifications. If the firm is not export ready, it is redirected to the SBDC or other programs they may work with to become export ready.	<ul style="list-style-type: none"> - Years of operation - Annual revenues - Capacity - Industry 	Enterprise Florida Export Assistance Centers Brooklyn Goes Global (on a case by case basis) Export.gov Business USA

Export Promotion Programs

Table 10. Continuation

Best Practice	Description	Key Features	Programs
Presence Abroad	Having offices or presence abroad allows the programs to gain more knowledge on the market to better assist small businesses.	<ul style="list-style-type: none"> - Work with local consulates and embassies - Outsource - Staff abroad helps entrepreneurs traveling to trade missions - Customized market studies 	<ul style="list-style-type: none"> Export Assistance Centers Enterprise Florida New York SDBC Empire State Development

CHAPTER 6

SME Sector in Latin America

The SME sector in Latin America is less developed than the SME sector in the U.S. Consequently, it is important to take these differences into account when thinking about the implementation of ConnectAmericas. This section provides a general overview of the SME sector in Latin America, it describes the main challenges they currently face, which may impact the implementation of ConnectAmericas and provides a general overview of the main areas of opportunity that ConnectAmericas could seize.

General Overview

SMEs are important economic agents to promote economic development in Latin America and the Caribbean. They are a significant contributor to employment creation, revenue generation, poverty eradication, and productivity of local economies in the region (See Table 22 in Appendix H). Additionally, SMEs hold an important share of total industries in the region. For instance, it is estimated that around 90% of the industries in Latin America are SMEs (See Table 23 in Appendix H),¹⁰³ contributing 20% of the GDP. In some cases, such figure could reach up to 50%.¹⁰⁴

In Latin America, the classification of enterprises by size is based on criteria contemplating annual revenue, number of employees or a combination of both variables. Some definitions also consider the sectorial presence of the enterprises. Consequently, there is no unique definition of Latin American SME, situation that represents an obstacle to do country or regional comparisons and to have aggregate statistics about the number of firms or employees. Moreover, available information is scarce or incomplete. Therefore, information regarding SMEs in Latin America as a whole should be considered as an approximation, which should be complemented with more quantitative and qualitative data.¹⁰⁵ The structural heterogeneity of SMEs can be observed in Appendix H.¹⁰⁶

Another characteristic is that Latin American SMEs are highly heterogeneous, ranging from sole traders running informal microenterprises to highly efficient innovative companies with the capacity to export products. In microenterprises, employees work mainly in retail and in some low value-added services; in small firms jobs are mainly in retail and, to a lesser extent, in manufacturing and construction; medium-sized firms employ most people in manufacturing and retail is also relatively important.¹⁰⁷

Given the importance of SMEs for Latin American economies and according to the OECD, SMEs can become catalysts for structural change and productivity growth. However, SMEs in the region face a set of development constraints, including access to finance, weak managerial and workforce skills, inability to exploit scale economies in production, and imperfect information about market opportunities, new technologies and methods of work organization. As a result, many SMEs remain small, fail to export, and experience higher transaction costs and rates of business failure.¹⁰⁸

Challenges faced by SMEs in Latin America

1. Productivity gap and low levels of internationalization.

In most countries, SMEs make up the vast majority of enterprises, and account for a substantial share of gross domestic product (GDP) and the workforce. However, SMEs often lag behind larger firms in many dimensions of performance. Even if SMEs account for around 99% of businesses and employ around 67% of employees, they contribute relatively little to GDP.¹⁰⁹ This reflects their low levels of productivity. For instance, large companies in the region reach levels of productivity, which are as much as 33 times greater than those of microenterprises, while in the OECD countries it is only 2.4 times higher. Compared to small firms, large companies in Latin America are up to 6 times more productive than small firms; while in the OECD countries it is only 1.6 times.¹¹⁰ (see Table 25, Appendix H).¹¹¹

Furthermore, levels of internationalization for SMEs in Latin America are significantly lower than in Europe and East Asia. For instance, while only around 10% of Latin American SMEs engage in export activities, 40% of European SMEs do.¹¹² In the region, exports focus mainly on natural resources and are dominated by large companies, which leaves little space for the involvement SMEs. Furthermore, this composition of regional exports feeds the heterogeneity of the Latin American production structure because it does not encourage SMEs to access more innovative processes through a stimulus to export.¹¹³ (See Table 23, Appendix H)

2. Technological gap

According to the OECD,¹¹⁴ poor growth is often associated with technological and innovation barriers. A more intensive use of information and communication technologies (ICTs) can help SMEs to be more competitive and to lower the costs of entering international markets and improve management.

More recently, a 2011 global study of 4,800 SMEs found that all industries have benefited from the web. Deploying ICTs and using Web technologies has resulted in increased revenue, lower costs, higher productivity, and net job creation. For instance, smaller firms utilizing the Internet saw a 10% rise in profitability. Moreover, the fastest growing SMEs are the ones investing in Web technologies such as e-mail, Web sites, cloud computing, and e-business solutions. The study also found that SMEs with a strong web presence grew more than twice as quickly than those that did not.¹¹⁵

SMEs and larger companies have relatively similar levels of access to basic ICT technology and to fixed and mobile telephones. Nonetheless, the main gaps persist in more advanced technologies, such as possessing websites or an intranet. For instance, in Argentina 49% of SMEs have a website in comparison to 85% of large enterprises.¹¹⁶ Broadband access (Table 26, Appendix H) is also critical, but the penetration of fixed broadband in the region is far below that of more developed countries.¹¹⁷

3. Lag in skills

This barrier refers to low levels of training of the workforce and managers. Almost 37% of the companies in the region believe finding employees with the necessary training is one of their main obstacles to growth. In particular, there is a significant shortage of management skills and business leadership in the region. Many SMEs are limited by their management's inability to lead processes of development, technology adoption, innovation, and expansion into new sectors and markets.¹¹⁸

Areas of Opportunity in the SME Sector in Latin America

1. Room for innovation

The private sector has identified innovation in products and processes as the highest priority. Some of the core aspects here relate to training human resources and promoting access to technology, among others.¹¹⁹ Specific measures include ***managerial and human resources training*** to improve productive, technological, managerial, business and communication skills.

2. Business Cooperation

Generally speaking, SMEs conduct their activities in an isolated and individualistic manner. In Latin America, although businesspeople place a slightly higher priority on building linkages to global value chains, they still attach little importance to efforts ***to build an entrepreneurial culture of partnership and cooperation.***

Consequently, fostering efforts to identify joint business opportunities and to integrate the activities of SMEs more thoroughly, are needed.¹²⁰

3. Demand for market access and business opportunities

Access to new markets is essential for SMEs to expand their opportunities, whether in terms of promoting public procurement or gaining entry to foreign markets. Entrepreneurs have identified a more extensive and sustainable international presence over the long term as a top priority.¹²¹ Some measures to achieve this involve

- Developing **capacities for internationalization**. This means improving administrative capacities and structures, providing training in strategic business management, and fostering an export culture and awareness.
- Identifying **transnational firms and global value chains that offer good opportunities for SMEs**. Participating in global value chains led by transnational corporations can increase the volume and competitiveness of exports, offer access to new technologies and human resource training, strengthen production linkages, and contribute to the development of domestic entrepreneurs.¹²²

4. Coordination of SME support initiatives

In response to SMEs challenges, countries have put in place a variety of programs offering financial products and subsidized business development services (BDS). These programs include skills development for workers, management training, technology upgrading, quality control and productivity improvement, market development, network formation and export promotion. Nonetheless firms are not familiar with the instruments available, as many of these SME support initiatives are poorly coordinated, not well targeted, and of very limited visibility. Therefore there is the need to **improve the visibility and dissemination of existing support programmes** and to **coordinate local, national and international agencies' initiatives**.¹²³

CHAPTER 7

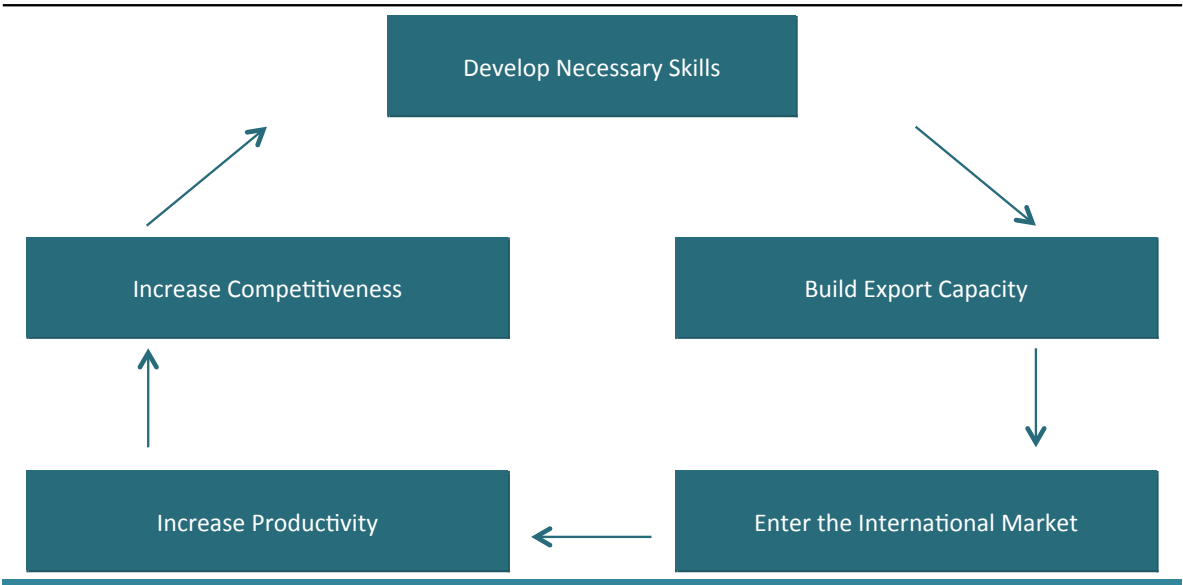
Recommendations

As the IDB (2010) pointed out, lags in productivity in Latin American countries is one of the most deep-rooted causes of the lag in economic development. If productivity had grown at its potential rate, income in Latin American countries would be double than what it is today.

While the report focused on the issues on internationalization of SMEs in Latin America, it is clear that there are several other critical policy issues to reform in addition to internationalization of SMEs, including constraints in the credit market, informality of firm registration, fragmentation in firm size, and inefficiencies in the tax and the social security systems.¹

Yet, this report has focused on drawing lessons from export promotion initiatives in the U.S., where the difference in social contexts are smaller than in the case of firm distribution, tax system and social security systems. Based on the analyses in the previous part of the report, this section introduces a series of recommendations for ConnectAmericas, which seeks potential collaborations with the existing successful U.S. initiatives in export promotion. By using lessons learned, acknowledging challenges specific to these programs and to the region, and applying best practices, ConnectAmericas can help turn the vicious cycle of SME internationalization in Latin America into a virtuous cycle.

Figure 9. Turn Vicious Cycle of SME Internationalization in Latin America into a Virtuous Cycle



Box 4. Recommendations Summary

Recommendation 1 - Foster SMEs' understanding of export promotion policies and programs through a user-friendly on-line platform.

Recommendation 2 - Align with local governments with strong political support for export.

Recommendation 3 - Devote available resources to export-ready SMEs, rather than to new-to-export SMEs.

Recommendation 4 - Promote trade missions among SMEs in alignment with local policy institutions.

Recommendation 5 - SBDC Global as a potential partner for ConnectAmericas.

Based on the research analysis, following are the recommendations for the implementation of ConnectAmericas.

Recommendation 1

Foster SMEs' understanding of export promotion policies and programs through a user-friendly on-line platform: First, ConnectAmericas can help SME owners understand the whole policy process –the programs, services and products that each agency offers – so that they can directly knock the door of the relevant organization. For example, visual flow-charts explaining what each program and agency does and which kind of SMEs it serves, depending on the stage of the business they are in, can help SMEs judge which agency best suits its needs. While ***most of the existing websites*** have an informative purpose, they ***have not been able to become educational to SMEs to foster their understanding on how to utilize and fully take-advantage of the services and products they offer.*** Thus, it is important for ConnectAmericas to take into account this limitation most U.S. institutions currently face and design its online resources in such way that they are as user-friendly as possible, following the example of Business.USA.gov and New.export.gov.

Second, it is important to consider that some policy officials may be highly reluctant to use new internet-based tools and place a strong emphasis on face-to-face interactions—once they get accustomed to their business practices, they are less likely to change them. Thus, it could be difficult to educate those policy officials to use ConnectAmericas over the short term. If such is the case, on-line sources will never serve beyond the complementary sources for their tasks. Hence, ***ConnectAmericas should consider designing its platform to mainly target SMEs, rather than policy officials.***

Third, with the help of Google, ***the on-line searching system for available export promotion services would also be extremely helpful*** for ConnectAmericas' users. Following the example of ***BusinessUSA.gov***, ConnectAmericas could serve as a one stop point for entrepreneurs to find policy information on all programs available, according to the stage of the business and location they are in. Moreover, working with Google would allow ConnectAmericas to build a ***customized, interactive on-line policy-searching system.***

Finally, taking these elements into consideration, the IDB should launch a similar customized policy-searching system as BusinessUSA.gov, which includes all initiatives by USEAC, SBDC, governments/policy organizations in Latin American countries, and all other relevant policy organizations which have partnerships with the IDB. Given that the IDB is the international organization which has less organizational bias, the searching system will be more comprehensive. Moreover, ConnectAmericas could offer advanced on-line co-working space for free with the help of Google to invite more SMEs to use it.

Recommendation 2

Align with local governments with strong political support for export promotion: In its physical dimension to communicate with SMEs, ConnectAmericas could start a pilot program with municipal/state level organizations. Given that ConnectAmericas could lead future initiatives, such as a special loan by the IDB, it would be better for the IDB to have coalition with entities which can garner long-lasting political support for export promotion programs.

Recommendation 3

Devote available resources to export-ready SMEs, rather than to new-to-export SMEs: Considering that ConnectAmericas is a new program, during its pilot stage it should mainly focus on export-ready SMEs to maximize impact. Eventually, it may consider expanding its scope to also serve new-to-export SMEs.

In practice, in order to judge the export readiness of SMEs, each policy organization employs their own matrix built on the tacit experience of their trade specialists. They do not diagnose the export readiness from abstract criteria, but judge it by taking into consideration the policy measures that are available for their customer SMEs.

Given that the IDB has finance specialists, the IDB could also establish its own export-readiness assessments from the discussion with those experts. In the process, it is helpful to refer the several overarching matrix of the export readiness assessment (See Appendix E for a comprehensive description).

Finally, if the IDB decides to launch the lending schemes for SMEs' export promotion. In the schemes, limiting the lending project to export-ready businesses would help specify possible upsides and downsides of the borrowers, reducing the credit risk and the restructuring risk of the IDB's loan and increasing the profits of the bank.

Recommendation 4

Promote trade missions among SMEs in alignment with local policy institutions: trade missions generally help SMEs obtain meaningful trade leads with foreign markets and meet prospective distributors and partners overseas. Most successful missions are organized by U.S. federal and local government offices abroad, since they are better able to reach political and business leaders in markets abroad, than private entities who usually have few diplomatic channels at their disposal.

From this perspective, ConnectAmericas could participate in such missions by helping prepare market studies on-site in the countries where it has offices in. Moreover, given that the Department of Commerce already hosts the trade missions in alignment with other federal agencies, ConnectAmericas could focus more on local level initiatives, which have foreign offices, as the city of San Antonio does.

Recommendation 5

SBDC Global as a potential partners for ConnectAmericas: the team strongly recommends that the ConnectAmericas partners with SBDC Global.com and the International SBDC Expansion Initiative (ISBDCEI), implemented by the International Trade Center (South-West Texas Border SBDC network) at the University of Texas, San Antonio. These programs have already expanded their reach to Latin American countries, holding physical outreach offices in the region as well as on-line collaboration. Moreover, SBDC Global already has experience establishing an online marketplace to link U.S. and Latin American SMEs. Given that SBDC Global.com and ISBDCEI have been recognized as core parts of Obama Administration's Small Business Network of Americas, collaboration with these programs could fast-track the learning process and successful outcomes.

Additionally, given that several websites co-exist in the status quo such as Export.gov, SBDC Net and SBDC Global, it would be possible for ConnectAmericas to be one of the coalitions. Through this platform, the IDB could introduce local SME promotion programs in Latin America to the U.S. and connect them with their counterparts in the U.S. Mutually beneficial relations can be established to perform local market studies and match small businesses across the Americas seeking to import and export. Moreover, through these linkages, the U.S. would be able to multiply the impact of its existing programs, whereas Latin American countries would be able to more easily reach the U.S. market through the outreach in the U.S. that will be newly available through ConnectAmericas.

Footnotes

¹ Bernard, A. B. & J. B. Jensen. (2004). Exporting and Productivity in the US. *Oxford Review of Economic Policy*. vol. 20 no. 3 2004, p18

² Alvarez, R. & R. A. Lopez. (2005). Exporting and performance: evidence from Chilean plants. *The Canadian Journal of Economics* Vol. 38, No. 4(Nov., 2005), pp. 1384-1400.

³ Grima, S., D. Greenaway., & R. Kneller. (2004). Does Exporting Increase Productivity? A Microeconomic Analysis of Matched Firms. *Review of International Economics*, 12(5), 855–866, 2004. ; De Loecker, J. (2007). Do exports generate higher productivity? Evidence from Slovenia. *Journal of International Economics* 73 (2007) 69–98,; Hahn, C. H. (2004). Exporting and Performance of Plants: Evidence from Korean Manufacturing. NBER Working Paper Series 10208.

⁴ OECD. (2012), p44

⁵ Authors calculation from the data of the U.S. International Trade Administration (<http://www.trade.gov/mas/ian/smeoutlook/>) and U.S. Census.

⁶ OECD. (2012). p163

⁷ Some countries classify SMEs according to its monthly or anual sales, total assets or number of employees.

⁸ Audretsch, David. “*The economic role of small- and medium-sized enterprises: the United States*” Institute for Development Strategies. (2000) p. 5

⁹ *ibid*, p.3. Cited from Representative Robert Michel, House Minority Leader, in the Republican Response to the 1993 State of the Union Address, cited from Davis, Haltiwanger and Schuh (1996, p. 298).

¹⁰ Factbook 2011-2012, Organization for Economic Co-operation and Development.

¹¹ Fact Sheet: Small Business Network of the Americas, Retrieved February 15, 2013, from <http://www.whitehouse.gov>

¹² Gonzalez, C. (2013, April 19th). Telephone interview

¹³ International Trade Center (2013). *2012 Annual Report*. Retrieved April 12th 2013, from http://texastrade.org/document-downloads/doc_download/638-2012-annual-report-web

¹⁴ For detailed contents of trainings, see <http://www.sbdglobal.com/index.php/us/adapting-the-sbdc-model.html>

¹⁵ <http://www.sbdglobal.com/index.php/us/central-american-project.html>,
<http://www.sbdglobal.com/index.php/us/caribbean-project.html>

¹⁶ Fact Sheet: Small Business Network of the Americas. (2012, April 13). Retrieved April 13th 2013, from <http://www.whitehouse.gov/the-press-office/2012/04/13/fact-sheet-small-business-network-americas>

¹⁷ Who we are (n.d.). Retrieved April 13th, 2013 from <http://www.sbdglobal.com/index.php/us/who-we-are.html>

¹⁸ Gonzalez, C. (2013, April 19th). Telephone interview

¹⁹ How to connect (n.d.). Retrieved April 13th, 2013 from <http://www.sbdglobal.com/index.php/us/how-to-connect.html>

²⁰ International Trade Center (2013). *FY2012 Annual Report* Retrieved April 12th 2013, from http://texastrade.org/document-downloads/doc_download/638-2012-annual-report-web

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- ²¹ Pathways to Prosperity in the Americas fact sheet. (2012, April 12th). Retrieved April 13th, 2013 from <http://www.state.gov/p/wha/rls/fs/2012/187784.htm>
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- ⁶⁹ Simmons, Kaaryn. (March 15, 2012). Telephone Interview
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⁷² Corsini, Toni. (March 7, 2013). Interview

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⁷⁵ NYS Small Business Development Center. Retrieved February 24, 2013, from:

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⁷⁶ NYS Small Business Development Center. (2011). *2011 Annual Report*. Albany NY: Mary Hoffman

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APPENDIX

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Appendix A: Definition of Micro Small and Medium Enterprises Across the Americas

Table 12. Definition of Micro, Small and Medium Enterprise
(In persons and US Dollars)

Country	Definition	Micro	Small	Medium
Argentina	Employees	...	...	...
	Assets	...	...	...
	Resolution 24/2001 <i>Secretaría de la PyME</i> Gross Sales	Up to 493.4	> 493.4 < 2,960.5	> 2,960.5 < 23,683.9
Bolivia (E.P.)	Employees	From 1 to 10	From 11 to 19	From 20 to 49
	Assets	...	...	...
	FUNDES Gross Sales	...	...	...
Brasil	Employees	From 1 a 19	From 20 a 99	From 100 a 499
	Assets	...	...	...
	<i>Lei Complementar 122/2006</i> Gross Sales	...	...	...
Chile	Employees	From 1 to 9	From 10 to 49	From 50 to 199
	Assets	...	...	...
	<i>Fondo de Garantía para Pequeños Empresarios</i> Gross Sales	Up to 91	> 91 < 947.4	> 947.4 < 3,789.7
Colombia	Employees	From 1 to 10	From 11 a 50	From 51 to 200
	Assets	Up to 108	> 108.2 < 1,080	> 1,080.2 < 6,480
	<i>Ley 905 de 2004</i> Gross Sales	...	...	...
Costa Rica	Employees	From 1 to 10	From 11 a 35	From 36 to 100
	Assets	Up to 65	> 65.1 < 227.6	> 227.6 < 650.3
	<i>Reglamento General a la Ley N° 8 262 (Clasificación dinámica)</i> Gross Sales	Up to 104	> 104.1 < 364.2	> 364.3 < 1,040.5
Ecuador	Employees	...	...	...
	Assets	Up to 87.5	> 87.5 < 350	> 350
	<i>Ministerio de Industria y Productividad, Subsecretaría MIPYME</i> Gross Sales	...	...	...
El Salvador	Employees	From 1 to 10	From 11 a 50	From 51 to 200
	Assets	...	...	...
	<i>CONAMYPE</i> Gross Sales	Up to 100	> 100 < 1,000	> 1,000 < 7,000
Guatemala	Employees	From 1 to 10	From 11 a 25	From 26 to 60
	Assets	...	...	...
	<i>Acuerdo Gubernativo 178 - 2001</i> Gross Sales	...	...	...
Honduras	Employees	From 1 to 10	From 11 a 50	From 51 to 150
	Assets	...	...	...
	<i>Decreto 125 - 2008</i> Gross Sales	...	...	...
México	Employees	From 1 to 10	From 11 a 30	From 31 to 100
	Assets	...	...	...
	<i>Ley para el Desarrollo de la Competitividad de la MIPYME</i> Gross Sales	...	...	...
Nicaragua	Employees	From 1 to 5	From 6 a 30	From 31 to 100
	Assets	Up to 9.9	> 9.9 < 73.9	> 73.9 < 295.6
	<i>Decreto 17 - 2008</i> Gross Sales	Up to 49.3	> 49.3 < 443.5	> 443.5 < 1,970.9
Panamá	Employees	...	...	...
	Assets	...	...	...
	<i>Ley 22 de 2000</i> Gross Sales	Up to 150	> 150 < 1,000	> 1,000 < 2,500
Paraguay	Employees	...	...	...
	Assets	...	...	...
	<i>Ministerio de Industria y Comercio</i> Gross Sales	Up to 30.9	> 31.1 < 99.5	> 99.7 < 497.1
Perú	Employees	From 1 to 10	From 1 to 100	...
	Assets	...	...	...
	<i>Decreto Legislativo 1086 de 2008</i> Gross Sales	Up to 178.1	> 178.1 < 2,018.1	...
República Dominicana	Employees	From 1 to 15	From 16 to 60	From 61 to 200
	Assets	Up to 83.1	> 83.1 < 332.5	> 332.5 < 1,108.2
	<i>Ley 488 de 2008</i> Gross Sales	Up to 166.2	> 166.2 < 1,108.2	> 1,108.2 < 4,156.9
Uruguay	Employees	From 1 to 4	From 5 to 19	From 20 to 99
	Assets	Up to 0.02	> 0.02 < 0.05	> 0.05 < 0.35
	<i>Decreto 266 / 995, Reglamentaria de la Ley 16 201.</i> Gross Sales	Up to 0.06	> 0.06 < 0.18	> 0.18 < 5
Venezuela (R.B.)	Employees	From 1 to 10	Up to 50	From 51 to 100
	Assets	...	...	...
	<i>Decreto 1 547 de 2001, Decreto 6 215 de 2008</i> Gross Sales	Up to 230.8	Up to 2,564.6	> 2,564.6 < 6,411.5
United States	Employees	...	Up to 500	...
	Assets	...	...	...
	Small Business Administration Gross Sales	...	Up to 7,000	...
European Union	Employees	From 1 to 10	From 11 a 50	From 51 to 250
	Assets	Up to 2,803.1	> 2,803.1 < 14,015.4	> 14,015.4 < 60,266
	European Commission (2006) Gross Sales	Up to 2,803.1	> 2,803.1 < 14,015.4	> 14,015.4 < 70,076.8

Source: CEPAL/GTZ/Centro MIPYME. (2009). *Manual de la Micro, Pequeña y Mediana Empresa*. p. 27

Appendix B: Program Features

Table 13. Features of Main SME Promotion Programs in the U.S.

Name of Initiative	Type of Agency	Promote Exports?	Specific Programs for SMEs?	Specific Programs for Hispanics?	Presence outside the US?		Online Resources			Contact
					Partnership Abroad	Offices Abroad	Training	Online Application	Market Place	
Federal Initiatives										
Export.gov / New.Export.gov	Department of Commerce, The International Trade Administration (ITA)	✓	✓		✓		✓			
Business USA										
U.S. Export Assistance Centers										
SBA Export Express	US Government	✓								
The Gold Key Matching Service	US Government	✓								
SBDC Global	Federal Government (White House, SBA), University of Texas, San Antonio	✓			✓		✓			Carla Gonzalez carla.gonzalez@utsa.edu
International SBDC Expansion Initiative										
Texas Small Business Development Center	Federal government, local hosting organizations such as University of Texas San Antonio	✓	✓		✓		✓			Carla Gonzalez carla.gonzalez@utsa.edu
Florida Small Business Development Center	Partnership between SBA, local chambers of commerce and state universities	✓	✓		✓		✓			Carla Gonzalez carla.gonzalez@utsa.edu
Colorado Small Business Development Center	Partnership between SBA, local chambers of commerce and state universities	✓	✓		✓		✓			Michael Myhre mmyhre@uwf.edu
New York State Small Businesses Development Center	Partnership Program with the SBA, administered by the State University of New York. Funded in part through a Cooperative Agreement with the U.S. Small Business Administration.	✓	✓	✓			✓			Alla Kilgore, alea.kilgore@denversbdc.org
California Small Business Development Center		✓	✓	✓	✓		✓			Kaaryn Simmons, kmm2134@columbia.edu
State and Municipal Initiatives										
San Antonio Export Leaders Program	The Free Trade Alliance / City of San Antonio, Texas	✓	✓		✓		✓			Raul Rodriguez rrodriguez@freetradalliance.org
Enterprise Florida Inc	Private Public Initiative	✓	✓		✓		✓			Michael Schifflauer mschifflauer@florida.com
Florida Virtual Entrepreneur Center	Partnership between local economic development organizations and Cities' government in Florida	✓	✓							Michael Zaharios michael.zaharios@fivec.com
LEADERSHIP EXPORT OF INNOVATIVE AND CREATIVITY TECHNOLOGIES (LEAD-ICT)	Government of the State of Colorado	✓			✓					Jorge Diaz, jorge.diaz@state.co.us
Empire State Development	Government of the State of New York	✓	✓		✓		✓			Kay A. Wilkie, kwilkie@esd.ny.gov
Brooklyn Goes Global		✓			✓		✓ ^{1/}			Ilan Stern, istern@brooklynchamber.com

^{1/} To join the Chamber, but not necessary to participate in export promotion activities.

Appendix C: State Data

Table 14. Hispanic Population by State

	Total Population	Not Hispanic or Latino		Hispanic or Latino	
	(in number)	(in number)	(in %)	(in number)	(in %)
United States	308,745,538	258,267,944	83.7	50,477,594	16.3
California	37,253,956	23,240,237	62.4	14,013,719	37.6
Colorado	5,029,196	3,990,509	79.3	1,038,687	20.7
Florida	18,801,310	14,577,504	77.5	4,223,806	22.5
New York	19,378,102	15,961,180	82.4	3,416,922	17.6
Texas	25,145,561	15,684,640	62.4	9,460,921	37.6
Rest	228,282,974	200,498,514	87.8	27,784,460	12.2

Source: U.S. Census Bureau, 2010 Census.

Table 15. Origins of Hispanic Population by State*

	Total	Majorities			
		First	Second	Third	Fourth
California					
Origin		Mexican	Salvadoran	Guatemalan	Puerto Rican
Population	14,013,719	11,423,146	573,956	332,737	189,945
Percentage		81.5	4.1	2.4	1.4
Colorado					
Origin		Mexican	Puerto Rican	Salvadoran	Guatemalan
Population	1,038,687	757,181	22,995	12,329	7,488
Percentage		72.9	2.2	1.2	0.7
Florida					
Origin		Cuban	Puerto Rican	Mexican	Colombian
Population	4,223,806	1,213,438	847,550	629,718	300,414
Percentage		28.7	20.1	14.9	7.1
New York					
Origin		Puerto Rican	Dominican	Mexican	Ecuadorian
Population	3,416,922	1,070,558	674,787	457,288	228,216
Percentage		31.3	19.7	13.4	6.7
Texas					
Origin		Mexican	Salvadoran	Puerto Rican	Honduran
Population	9,460,921	7,951,193	222,599	130,576	88,389
Percentage		84.0	2.4	1.4	0.9

Source: U S Census Bureau, 2010 Census Summary File 1.

*Excluding Spaniards.

Table 16. Economic Indicators by State

	United States	Texas	California	New York	Florida	Colorado
Real GDP per cápita, 2010 ^{1/}	41,764	44,077	45,581	51,834	34,913	45,551
Personal income per capita, 2010 ^{2/}	39,791	38,222	41,893	49,119	38,345	42,107
Total employment, December, 2012 ^{3/}		12.6	16.6	8.8	8.5	
Unemployment rate, December, 2012	7.9%	6.1%	9.8%	8.8%	8.7%	7.60%
Total exports, 2011 ^{4/}	2,103	251.0	159.1	84.4	86.8	7.3
Total imports, 2011 ^{4/}	2,661	318.8	351.6	127.2	62.4	12.7

1/ In chained 2005 USD. 2/ In USD. 3/ In million. 4/ In billion USD.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, U.S. Census Bureau.

Table 17. Export/Import Countries by State

TRADING PARTNERS			
	DESTINY / ORIGIN COUNTRY		
	First	Second	Third
California			
Exports	Mexico	Canada	China
Value	26,320	17,296	13,977
Percentage	16	10.7	8.6
Imports	China	Japan	Mexico
Value	127,747	41,517	36,039
Percentage	33.9	11.0	9.6
Colorado			
Exports	Canada	Mexico	China
Value	1,996	848	676
Percentage	24.4	10.4	8.3
Imports	Canada	China	Mexico
Value	4,450	1,864	1,087
Percentage	35.2	14.7	8.6
Florida			
Exports	Switzerland	Venezuela	Brazil
Value	8,216	5,118	4,870
Percentage	12.4	7.7	7.3
Imports	China	Mexico	Japan
Value	11,604	5,621	4,229
Percentage	16.3	7.9	5.9
New York			
Exports	Canada	Hong Kong	United Kingdom
Value	13,182	8,909	6,594
Percentage	16.6	11.3	8.3
Imports	China	Canada	India
Value	22,675	18,977	8,329
Percentage	18.3	15.3	6.7
Texas			
Exports	Mexico	Canada	China
Value	94,800	23,725	10,327
Percentage	35.7	8.9	3.9
Imports	Mexico	China	Saudi Arabia
Value	99,853	40,685	20,101
Percentage	30.2	12.3	6.1

Source: U S Census Bureau, 2012 Foreign Trade

*Value in millions of dollars

Table 18. Number of SMEs, by size, by state

	Texas	California	New York	Florida	Colorado
Micro (<20 employees)	343,044	615,784	401,104	366,803	111,490
Small (21-99 employees)	37,304	57,427	32,425	23,856	8,823
Medium (100 - 499 employees)	8,781	11,742	7,156	5,856	2,499
Total	389,129	684,953	440,685	396,515	122,812

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, U.S. Census Bureau 2010 County Business Patterns.

Appendix D: Contact Information at U.S. SME Promotion Agencies

Table 19. Contact Information for Officers at SME Promotion Agencies

Agency / Office	Name	Position	Email
Colorado			
Office of Economic Development and International Trade of the State of Colorado	Stephanie Garnica	Trade & Investment Director for the Americas	stephanie.garnica@state.co.us
Colorado Export of Innovative and Sustainable Technologies (CO-EXIST)	Jorge Diaz	CO-Exist Manager	jorge.diaz@state.co.us
Small Business Development Center Denver	Alea Kilgore	SBDC Manager, Denver Metro Small Business Development Center	alea.kilgore@denversbdc.org
US Export Assistance Center Colorado	Danielle M. Blakely	Senior International Trade Specialist, U.S. Commercial Service Denver	danielle.blakely@trade.gov
New York			
SBDC New York	Kaaryn Simmons	Director, Columbia - Harlem Small Business Development Center	kmn2134@columbia.edu
US Export Assistance Center New York	Toni Corsini	NY/NJ Regional Manager Export Solutions Group Office of US Small Business Administration	toni.corsini@trade.gov
NYS Department of Economic Development/ Empire State Development	Kay A. Wilkie	Director for International Policy	kwilkie@esd.ny.gov
Brooklyn Chamber	Ilan Stern	Special Events Operations Manager	istern@brooklynchamber.com
NYC Business Solutions		Department of Small Business Services	
Florida			
SBDC Florida	Michael Myhre	Deputy State Director, University of West Florida Office of Economic Development and Engagment	mmyhre@uwf.edu, Michael.Myhre@FloridaSBDC.org
	Angela Sanders	Research Coordinator at the Haas Center, University of West Florida	asanders1@uwf.edu
	Dr. Rod Lewis	Director of the Haas Center, University of West Florida	clewis2@uwf.edu
US Export Assistance Center Florida	Andrew Gately	Commercial Officer	andrew.gately@trade.gov
	Lesla Forbes	International Trade Specialist	lesla.forbes@trade.gov
Florida Virtual Entrepreneur Center	Michael Zaharios	Program Manager	michael.zaharios@fivec.com
Enterprise Florida	Michael Schiffhauer	Vice President, International and Trade Operations	mschiffhauer@eflorida.com
Texas			
SBDC Global/SBDC International Expansion Program	Carla Gonzalez Barbara Mooney	SBDCGlobal.com Site Specialist International Business Consultant	Carla.Gonzalez@utsa.edu Barbara.mooney@utsa.edu
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	Raul Rodriguez	San Antonio Export Leaders Program	rrodriguez@freetradealliance.org
North Texas Export Assistance Center	Daniel Swart	Office Director	Daniel.Swart@trade.gov
	Richard Schulze	SBA Regional Manager -International Trade Program	Richard.Schulze@SBA.gov
California			
SBDC Long Beach	Lynn Stewart	Trade Expert	l2stewart.cw@lbcc.edu
STEP California	Mr. Jeffery Williamson	California STEP Project Director	Jeff.Williamson@rccd.edu
US Export Assistance Center California	Martin Selander	Regional Manager, Export Solutions Group	martin.selander@sba.gov

Appendix E: State Rankings based on Criteria for Selection

Table 20. State Rankings based on Criteria for Selection

State	Total Exports to LatAm	Total Imports from LatAm	Total Hispanic Population	% Hispanic Population	Per capita Real GDP	Per Capita Real Income	% of SMEs with <20 Employees	% of SMEs with <100 Employees	Number of Hispanic Firms	Total Points	Ranking
California	10	15	10	10	0	0	15	10	20	90	1
Florida	10	15	7	10	2	1	15	10	20	90	2
Texas	10	15	10	10	1	1	5	10	20	82	3
New York	8	8	7	10	0	0	15	10	20	78	4
New Jersey	5	10	7	7	0	0	10	5	13	57	5
Arizona	8	8	10	7	2	2	3	1	13	54	6
Illinois	8	10	3	7	0	0	5	5	13	51	7
Michigan	8	15	1	2	4	2	5	5	5	47	8
Colorado	1	2	7	7	0	0	10	2	13	42	9
Georgia	5	10	2	3	1	2	5	2	8	38	10
New Mexico	0	2	10	7	2	4	0	0	13	38	11
North Carolina	5	8	2	3	1	2	5	2	8	36	12
Washington	5	2	3	3	0	0	10	5	8	36	13
Pennsylvania	5	8	1	3	1	1	3	5	8	35	14
Oregon	1	2	3	3	0	2	10	2	8	31	15
Massachusetts	3	8	3	3	0	0	3	2	8	30	16
Louisiana	10	10	1	1	0	1	0	1	5	29	17
Ohio	8	8	0	2	2	1	1	2	5	29	18
South Carolina	3	5	1	2	5	4	3	1	5	29	19
Utah	1	8	3	2	1	5	3	1	5	29	20
Virginia	3	5	2	3	0	0	5	2	8	28	21
Alaska	0	0	1	0	0	0	5	1	20	27	22
Connecticut	3	8	3	3	0	0	1	1	8	27	23
Mississippi	5	10	0	0	5	5	1	0	0	26	24
Tennessee	5	8	1	2	2	2	0	1	5	26	25
Indiana	5	5	1	2	1	2	1	1	5	23	26
Montana	0	0	0	0	4	2	15	2	0	23	27
Alabama	3	5	0	1	4	4	1	1	2	21	28
Arkansas	1	2	2	1	5	4	3	1	2	21	29
Idaho	0	0	3	1	4	5	5	1	2	21	30
Maryland	1	5	2	3	0	0	1	1	8	21	31
Missouri	3	5	0	1	2	1	3	1	5	21	32
Nevada	0	0	7	3	1	2	0	0	8	21	33
Kentucky	3	5	0	1	4	4	0	1	2	20	34
Oklahoma	1	2	2	2	2	2	3	1	5	20	35
Wisconsin	5	5	1	2	1	1	1	2	2	20	36
Minnesota	3	5	1	2	0	0	3	2	2	18	37
Kansas	3	2	3	2	1	1	0	0	5	17	38
Dist of Columbia	0	0	2	0	5	5	0	0	2	14	39
Maine	0	0	0	0	2	1	10	1	0	14	40
Iowa	3	2	1	1	1	1	3	1	0	13	41
Nebraska	1	0	3	1	1	1	1	1	2	11	42
West Virginia	1	0	0	0	5	5	0	0	0	11	43
Rhode Island	0	2	3	1	1	0	1	0	2	10	44
Vermont	0	0	0	0	2	1	5	1	0	9	45
Wyoming	0	0	2	0	0	0	5	1	0	8	46
Hawaii	0	0	2	1	1	0	0	0	2	6	47
Delaware	0	2	2	0	0	1	0	0	0	5	48
South Dakota	0	0	0	0	1	1	1	0	0	3	49
New Hampshire	1	0	0	0	1	0	0	0	0	2	50
North Dakota	0	0	0	0	0	0	0	0	0	0	51

Appendix F: Export Readiness Assessment

Traditionally, the export readiness has been determined through face-to-face counseling between SME owners and trade specialists, based on his/her tacit knowledge. Taking into consideration available policy measures and the common characteristics of current successful exporters, trade specialists diagnose SMEs' preparedness to export and help SMEs apply to programs offered by local and federal governments.

While face-to-face communication still plays a major role in assessing export-readiness, policy organizations now also utilize on-line self-assessment tools as a first step to filter the clients. Although on-line tools offer only a preliminary assessment of potential clients, they allow trade experts to classify potential clients, depending on the stage they are in, and let them know the next steps they must follow.

The most complete assessment tools include **New.Export.gov** (<https://new.export.gov/export-readiness-assessment/login>) and its older version, **Export.gov** (<http://export.gov/begin/assessment.asp>), which are operated by the federal government. In addition, **the International Trade Center (ITC) at the University Texas, San Antonio (UTSA)**, one of the most successful Small Business Development Centers (SBDC) in the U.S., shows its export-readiness check-lists on export counseling (<http://texastrade.org/resources/so-you-want-to-export>). Moreover, the California Center for International Trade Development (CITD) at El Camino College offers the interactive **Export Readiness Assessment** (ERA: <http://www.tradecomplianceinstitute.org/ERAS/>) with 23 diagnosis questions. The federal government recommends SMEs use ERA if they prefer interactive assessment tools.ⁱ The author of ERA is Mr. Maurice Kogon, the director of the CITD.ⁱⁱ He also developed a slightly different version of assessment, which is utilized by policy organizations such as the state of Pennsylvania.ⁱⁱⁱ

The measurements for export-readiness assessment were established based on empirical studies of successful exporters combined with undocumented practical experience of trade specialists who advised those exporters. For example, the new.export.gov's assessment was created based on the experience of federal trade specialists. It assesses four key features: 1) Company Commitment; 2) Planning and Strategy; 3) Product Readiness; and 4) Export Mechanics. While the focuses most export-readiness assessments use similar measures, there are slight differences in the emphasis that is given to each of them. The matrix below compares the major components in export-readiness assessments developed by the three major organizations.

Table 21. Export-Readiness Assessment

	New.Export.gov	ITC at UTSA	ERA of CITD
Company Commitment	CEO commitment to dedicate managerial resources	Commitment to dedicate managerial resources	CEO commitment to dedicate managerial resources
			CEO can wait result for years
	Willingness to travel abroad to meet importer		Staffs / managers with export experience
			Current experience in export
	Preparedness for int'l interactions (e-mail, website, phone etc)		Experience Inquiry from abroad
			Flexibility to change organization to adapt and handle export activities
Readiness for after-sales service			
Planning & Strategy	Export Strategy with clear goal		Export Strategy with clear goal	Continuous conduction of customized market research
	Willingness to modify / translate website for other languages		Intense of Advertisement
			Annual budgets, investable to develop export activities
Knowledge on Intellectual Property	Complexity of products and necessity to educate customer to use products		
Product Readiness	Product competitiveness	Product competitiveness	Market Share of the products
	Marketing skills for foreign customers' tastes	Marketing skills for foreign customers' tastes	Marketing skills for foreign customers' tastes
	Production capacity responsible to exports		Production capacity responsible to exports
			Quality competitiveness in home market
			Price competitiveness in home market
			Sales growth in the past 3 yrs
			Resilience in extreme climate
			Experience in selling region-wide and/or nation-wide in the U.S.
		Experience in using international dealers /distributors	
Export Mechanics	Knowledge on Shipping overseas	Knowledge on Schedule B code	Low transportation costs (light weight etc)
	Knowledge on int'l finance/payment	Knowledge on int'l finance/payment	Willingness to offer better payment terms to foreign buyer
	Knowledge on U.S. trade regulations	Knowledge on benefits from Free Trade Agreements	

Sources: New.Export.gov; Export.gov; International Trade Center (ITC) at SDBC San Antonio; and California Center for International Trade Development (CITD) at El Camino College

Appendix G: Additional Programs Offered by the Department of Commerce

SBA Export Express

The SBA Export Express program is exclusively dedicated to promote exports. The program helps small businesses develop or expand their export markets. It provides exporters and lenders a method to obtain SBA-backed financing for loans and lines of credit up to \$250,000^{iv}. Most banks in the U.S. do not lend against export orders, export receivables or letters of credit. SBA temporarily provides lenders with up to a 90%^v guaranty on export loans as a credit enhancement to encourage participating banks to make loans that make the necessary export financing available. Lenders use their own credit decision process and loan documentation. SBA provides an expedited eligibility review and provides a response in less than 24 hours, so exporters get access to funds faster

The application is made directly to the SBA Express lender. Lenders approve the request and then submit a limited amount of eligibility information to SBA's National Loan Processing Center. The SBA provides a response within 24 hours. Loan applicants must demonstrate that the loan proceeds will enable them to enter a new export market or expand an existing export market. Applicants must have been in business for at least 12 months, however there is no prior exporting experience necessary.

The maturity of an SBA Export Express term loan is usually 5 to 10 years for working capital, 10 to 15 years for machinery and equipment, and up to 25 years for real estate. The maturity for revolving lines of credit may not exceed 7 years. Interest rates are negotiated between the borrower and the lender, but may never exceed SBA interest rate caps. Collateral Lenders follow collateral policies and procedures that the lender has established for its non-SBA-guaranteed loans.

Because many small business exporters face unique problems and challenges, the SBA Export Express Program also includes **technical assistance** in the form of marketing, management and planning assistance. The U.S. Export Assistance Centers provide technical assistance in cooperation with SBA's network of resource partners, including Small Business Development Centers (SBDCs).

Gold Key Matching Service

The Gold Key Service,^{vi} is a program of the U.S. Commercial Service administered by USEAC state offices. Its main function is to help U.S. companies secure one-on-one appointments with pre-screened potential business partners, government contacts, and other strategic partners in targeted export markets.

The Gold Key Matching Service offers:

- Customized market and industry briefings with trade specialists
- Market research
- Appointments with prospective trade partners in key industry sectors
- Post-meeting debriefing with trade specialists and assistance in developing appropriate follow-up strategies
- Help with travel, accommodations, interpreter service, and clerical support

The Gold Key Service works closely with trade centers, USEAC, regional SBDC, local chamber of commerce, banks, and attorneys, among others in order to fulfill its goal.

Appendix H: Overview of the SME Sector in LATAM

Table 22. SME Participation as a share of the Formal Economy
(in percentages)

Country	Number of firms	Employment	Sales	Exports
Argentina	26.8	43.6	41	8.4
Brasil	15.4	42.6	25.9	12.5
Chile	17.2	21.2	18.3	2.2
Colombia	3.8	32	17.1	N/A
Ecuador	44.3	24	15.9	Less than 2
El Salvador	8.2	27.7	34.3	Less than 2
Mexico	4.3	30.8	26	Less than 5
Peru	1.9	11.9	27	Less than 2
Uruguay	21.2	47	N/A	N/A

Source: CEPAL/Cooperazione Italiana, 2010.

Table 23. Proportion of Exports by Company Size
(an percentages)

	Argentina	Brazil	Chile	Spain	Italy	Germany	France
Micro	0.3	0.1	-	11.1	9	8	17
Small	1.6	0.9	0.4	13.3	19	12	10
Medium	6.5	9.5	1.5	22.6	28	18	15
Large	91.6	82.9	97.9	47.1	44	62	58

businesses includes microenterprises; for Spain, 5.9% of exports are by companies of unknown size, and are therefore not included; for Germany, the figures are only for exports within Europe.

Source: OECD/ECLAC (2012). Latin American Economic Outlook 2013: SME Policies for Structural Change .p. 49

Table 24. Proportion of Firms by Size in Selected Latin American and OECD Countries
(an percentages)

	Micro	Small	Medium	Large
Argentina	81.6	16.1	1.9	0.4
Brazil	84.5	12.1	1.4	1.0
Chile	80.4	7.8	1.2	0.6
Colombia	93.2	5.5	1.0	0.3
Ecuador	95.4	3.8	0.6	0.2
Mexico	95.5	3.6	0.8	0.2
Peru	98.1	1.54	0.34	0.02
Uruguay	83.8	13.4	3.1	0.6
Germany	83.0	14.1	2.4	0.5
Spain	92.6	6.5	0.8	0.1
France	93.0	5.9	0.9	0.2
Italy	94.4	5.0	0.5	0.1

Source: OECD/ECLAC (2012). Latin American Economic Outlook 2013: SME Policies for Structural Change .p. 48

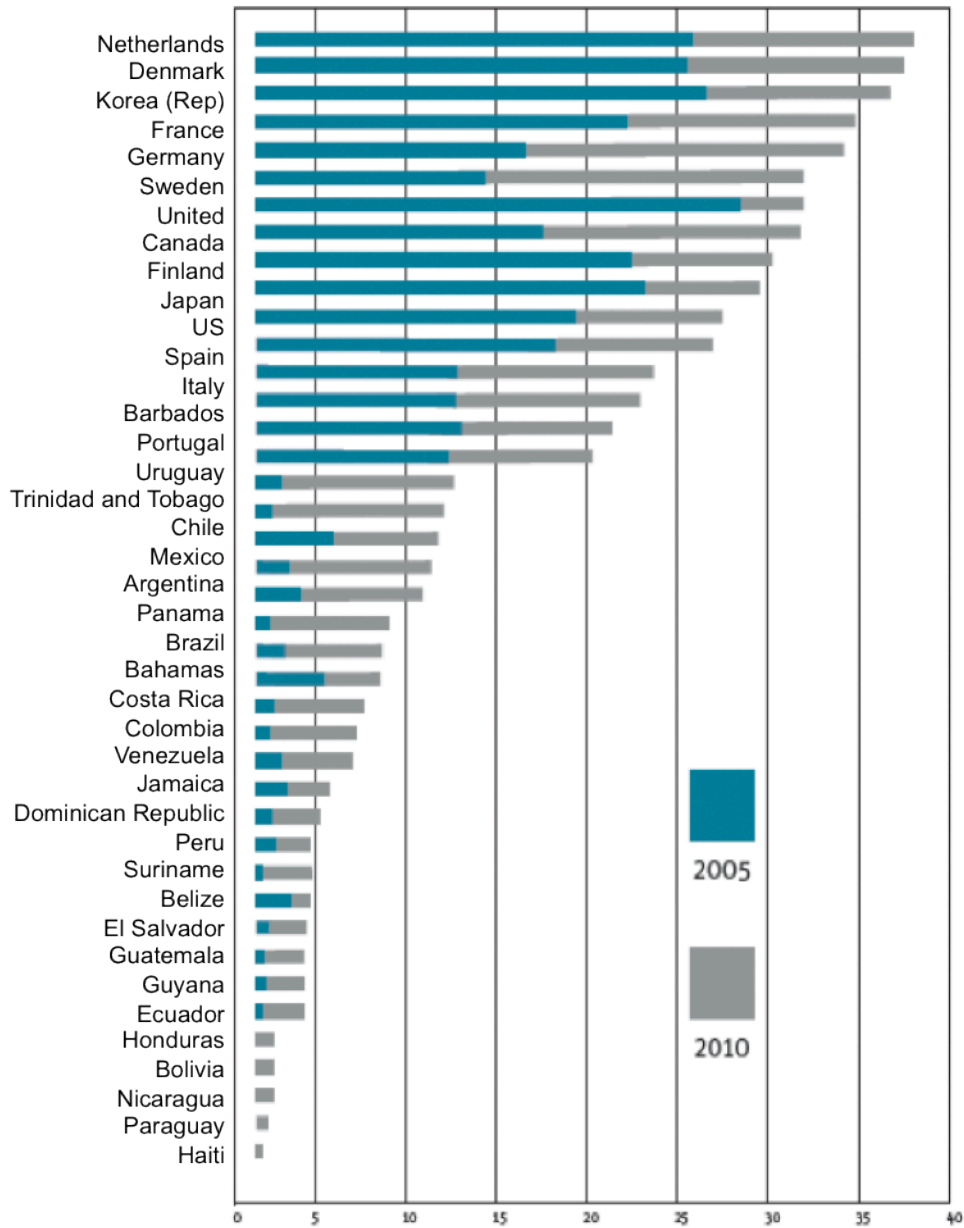
Table 25. Relative Productivity of Firms, by size*
(percentage)

	Micro	Small	Medium	Large
Argentina	24	36	47	100
Brazil	10	27	40	100
Chile	3	26	46	100
Mexico	16	35	60	100
Peru	6	16	50	100
Germany	67	70	83	100
Spain	46	63	77	100
France	71	75	80	100
Italy	42	64	82	100
European Union	58	74	85	100

*The data refer to different years, depending the country

Source: ECLAC/AL-INVEST (2013). Building SME Competitiveness in the European Union and Latin America and the Caribbean. p. 19

Table 26. Fixed Broadband Penetration
(percentage of fixed broadband lines per 100 habitants)



Source: IADB (2012). *Bridging Gaps, Building Opportunity: Broadband as a Catalyst of Economic Growth and Social Progress in Latin America and the Caribbean, A View from the Industry*. p. 15

ⁱ U.S. Department of Commerce, International Trade Administration. (2011). Chapter 2: Developing an export strategy. *The Basic Guide to Exporting 10th edition*. International Trade Administration: Washington, D.C. <https://new.export.gov/basic-guide/2-export-strategy>

ⁱⁱ <http://www.globaltrade.net/expert-service-provider-p/Maurice-Kogon-Trade-and-Economic-Development.html>

ⁱⁱⁱ <http://www.newpa.com/sites/default/files/uploads/exportingbasics.pdf>

^{iv} Colorado SBC, Denver. Retrieved April 15th 2013, from <http://www.denversbdc.org/loan-directory/sba-export-express>

^v Ibid

^{vi} Export.gov. Retrieved April 15th 2013 from, <http://export.gov/eac/>

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