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Small Firms Also Have A Role In the Global Economy

Today's business news is dominated by the affairs of America's largest corporations, like Apple, Boeing, GE and Google. The vast majority of America's businesses, however, are small businesses that often don't make headlines.

While blue-chip companies captivate our attention because they are global brands, small businesses, in aggregate, create more jobs and contribute more to the U.S. gross domestic product. Small businesses are a critical piece of our economy and today, as we work to create jobs and improve global competitiveness, we must pursue policies that recognize the critical role of the American small business.

Two common misconceptions stand in the way, however.

The first is that being a small firm invariably means being a local firm, one consigned to domestic market by scarce capital, limited expertise, or red tape. Not true. Although small firms generate a small fraction of America's export value, they account for nine out of every ten of our exporters.

We have scores of pioneering entrepreneurs of small firms who are doing more than "thinking globally." They are selling their products and services across borders, and they are investing abroad to create platforms for long-term expansion.

From the late 1990s to the late 2000s, the value of merchandise exports by small firms more than doubled, topping \$300 billion. This is why, when President Obama set a target last year for doubling America's exports by 2015, he also gave agencies such as the Overseas Private Investment Corporation, the Export-Import Bank, the Commerce Department, and the Small Business Administration an emphatic directive to help more small businesses invest and export abroad.

The second misconception about doing business overseas is that going global creates a zero-sum game between American workers and their foreign counterparts: the misguided notion that a gain abroad equals a loss here.

Again, not true. Small exporters hire better-skilled workers and pay higher salaries, they grow larger and are more productive, and their operations are more capital-intensive than non-exporting firms. Researchers have also found that small firms that invest abroad tend to grow more quickly, have higher survival rates, use more advanced technology and show higher levels of labor productivity.

This research is telling. But what does this look like in the real world?

It looks like eco-housing in Liberia built by Broad Cove Partners of Hingham, Mass. It looks like the Mexican food producer, ZAO Solntse, launched in Russia by a group of American inventors, using equipment supplied by a manufacturer in southern California. It looks like the juice maker Sambazon, a small U.S. business that more than doubled its U.S. employee base after investing in a Brazilian processing plant close to where it harvests its acai berries.

These companies, aided by OPIC financing, are capitalizing on the demographic reality that defines the world economy: 95 percent of consumers are located outside of America. Moreover, the growth rates of the poor nations—where most of those consumers live—show every sign of outpacing those of advanced economies for years to come.

Opportunity for America's small firms will knock, but the door might be in Beijing, Johannesburg, Sao Paulo, or Tbilisi rather than Birmingham, Dallas, Portland or Tulsa.

In many ways, the ability of these small companies to compete in the global economy will define the trajectory of America's prosperity. But it will not be easy. Small firms contemplating expansion into global markets still face significant challenges including finding reliable foreign partners, protection for intellectual property, financing, and navigating the complexities of foreign tax regulations.

President Obama has called for an energetic push by federal trade, foreign investment, and small business agencies to surmount those barriers and overcome the information gaps that make those first steps so difficult. OPIC, among others, has stepped up its outreach efforts to small businesses around the country, outlining the financial tools we offer to support their overseas efforts.

We know well that small firms are at the heart of America's economy. We need them to be at the heart of the global economy as well.