



Trade Agreements Are the Key to Small Business Exporting



Keith Girard

Small businesses exporting may seem like an oxymoron to a lot of small business owners, especially since the top 1 percent of exporting firms (or 0.03 percent of all firms) account for 80 percent of exports, according to a recent study based on U.S. census data.

But small business owners shouldn't believe for a minute that exporting is better left to big corporations. In fact, President Obama is counting on small companies to lead his effort to double U.S. exports in the next five years.

While the President's goal has drawn a lot of skepticism, he doesn't have to make a believer out of [Drew Greenblatt, president of Marlin Steel Wire Products, LLC, in Baltimore](#). His firm is a case study of how [small businesses can break into export markets and boost sales](#).

As the debate heats up over what the government needs to do to promote small business exports, Marlin Steel Wire's experience is a valuable example to those businesses wanting to follow in Greenblatt's footsteps and [join the global economy](#).

His company has been exporting for six years, and now ships its products -- [custom wire baskets](#), [wire forms](#) and [precision sheet metal fabrication assemblies](#) -- to more than 20 countries. Yet Marlin Steel has only 28 employees. "One fourth of our employees, are employed as a direct result of the company's export business," he says.

[Greenblatt testified recently before the House Small Business Committee](#), on behalf of the U.S. Chamber of Commerce. That committee is currently examining how small business trade policy can be used to encourage job growth. Every \$1 billion boost in exports translates roughly into 6,100 domestic jobs, according to government estimates. Studies also show that firms that export tend to grow faster, hire more often, and pay better wages than those that do not.

"We want more of that growth. As the president of the firm, I truly understand the importance of international trade and the impact it can have on small business. It's simple: we want to ship to more countries, grow our client base, and create more jobs. The more we diversify our client base the more stable we will be," Greenblatt says.

Today, more than 50 million American workers – or approximately 40 percent of the private sector -- are employed by more than 250,000 small and medium-sized companies that export, according to U.S. Treasury Department figures.

That amounts to one in four factory jobs, meanwhile one in three acres of farmland is devoted to overseas sales.

[Marlin Steel Wire's strength is the ability to provide a highly customized product to clients](#) with little production time. Its [customers include pharmaceutical, medical, industrial, aerospace, and automotive companies](#) and are located in such countries as Australia, New Zealand, Ireland, Singapore, Brazil, Hungary, Poland, Israel, Canada, Mexico, and Taiwan.

But Greenblatt isn't drawing the line there. The company's next target is to aggressively go after the Spanish speaking market in South America. [One of the first things it did was to translate its Web site into Spanish](#) to make the company "friendlier to foreign wire basket and wire form manufacturing engineers," he says.

But it will take more than a consumer-friendly website to get Marlin Steel's products in to key Latin American markets. Standing in the way is "a complex array of foreign barriers to American exports," he says.

"From a business perspective, the foremost goal of U.S. trade policy should be to tear down those barriers so companies like mine can start exporting to new markets."

Needless to say, [Greenblatt is a strong supporter of free trade agreements](#) that have opened doors to U.S. goods in other countries.

Over the past 25 years, the United States has negotiated free trade agreements (FTAs) with 17 countries. Although they represented just 7.5 percent of global GDP, in 2009, they purchased more than 40 percent of U.S. exports, according to government figures. In fact, the United States has a trade surplus with its 17 FTA partners in manufactured goods, services, and agricultural products, Greenblatt notes.

Right now, trade agreements with Colombia, Panama, and South Korea are languishing in Congress and making it difficult, or preventing many U.S. firms from selling goods in those markets. Free trade agreements particularly favor small businesses because they lower the cost of exporting.

Colombia is an example of how U.S. exporters are currently penalized. Under a 1991 agreement – the Andean Trade Preference Act – 90 percent of all imports from Colombia enter the U.S. market duty free. Yet Columbia is allowed to impose duties on U.S. manufactured imports that average 14 percent, and duties on key agricultural products, such as wheat and corn are even higher.

"A \$10,000 permit is a nuisance for a big firm; it can be a show-stopper for a smaller one. When I sell \$5,000 of wire hooks to a Colombian distributor, can I afford a \$10,000 permit?" Greenblatt says.

"Many Americans don't know that the U.S. market is already wide open to imports from these countries," he adds. "These [pending trade] agreements would knock down those barriers, opening the door for American companies like mine to sell to these consumers," he adds.

Indeed, the day the agreements are signed, 80 percent of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter Colombia duty-free. But the longer Congress drags its feet, the worse the U.S. competitive position becomes. Canada's parliament is poised to give final approval to the Canada-Colombia FTA within weeks, and the European Union and Colombia will sign an FTA this month, Greenblatt says.

If President Obama is serious about promoting small business exports, he needs to level the playing field for small firms. That battle isn't overseas, it in the U.S. Congress, which needs to move forward with these trade agreements, and let small firms get into the game.

<http://smallbusiness.dnb.com/government/government-bodies-offices/14526354-1.html>

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