

## The Biggest Roadblock to Upping Exports

The Obama Administration wants to double U.S. exports in five years by enlisting small business. First, entrepreneurs must overcome concerns about getting paid

By [John Tozzi](#)

*(Due to a reporting error, an earlier version of this story incorrectly identified David Old as a Marine veteran. He was in the Marine Corps Platoon Leader Class, a pre-commission program for college students, but did not serve in the Marines.)*

Other business owners might sour on exporting after what happened to David Old. His company, a 15-employee wood flooring producer in Las Vegas, N.M., had completed a \$130,000 order for a new theater floor for a customer in Seoul, South Korea, in 2008. The buyer paid a deposit up front, passed a credit check, and made the first two payments on time. But the final payment of \$40,000, due after the financial crisis began that fall, never arrived.

Despite the loss, Old is counting on foreign sales to expand his business from \$1.25 million in revenue this year to \$20 million in three years, based on a process he's developing to make high-quality block flooring out of low-grade wood. A 54-year-old who speaks six languages and had a previous business trading aircraft internationally, Old says customers from around the world find him online, and vice versa.

His company, Old Wood LLC, represents both the challenges and the potential that exporting presents small businesses. President Barack Obama set a goal to double American exports in the next five years in his [National Export Initiative](#) launched Mar. 11. For that to happen, he's pushing for more companies like Old's to expand into new markets abroad.

Companies with fewer than 500 employees make up half of private nonfarm GDP but only 30% of exported goods, according to data from the Census and the [Small Business Administration](#). Large companies dominate exports. The top 500 U.S. exporters accounted for 60% of the value of all exported goods in 2007, according to the latest data available from the Census. Total U.S. exports, including goods and services, topped \$1.5 trillion in 2009.

### FEDERAL "HAND-HOLDING"

[Skeptics argue](#) that federal efforts will have little effect because exports depend on foreign growth and the value of the dollar. But others say many small businesses that succeed in the U.S. just need some education and assistance to start selling abroad. "There are like-minded customers out there for almost any product category," says Tomas Hult, director of the International Business Center at Michigan State University. "If there's some hand-holding in that initial part of the process, we're going to see some results."

The biggest hurdle stopping most companies from doing business abroad is fear, says [Fred Hochberg](#), chairman of the [Export-Import Bank](#), a government agency that helps U.S. companies finance international trade through loan guarantees, credit insurance, and other support. "If you're a small business in New York and you're selling to Chicago, you know what the laws are, you know where the banks are, you know if you don't get paid you can sue," he says. "When you're selling overseas, those things aren't as clear."

Hochberg says Ex-Im, as the agency is called, can help small businesses by guaranteeing bank loans for foreign trade, making direct loans, and providing credit insurance so exporters get paid even if a buyer fails to pay. The agency has set a goal to [increase export financing](#) for small business to \$6 billion this year from \$4.4 billion last year. Ex-Im guarantees loans of any size, as small as \$11,000 last year, and 88% of the bank's transactions were with small business exporters.