
Public Hearing

before

ASSEMBLY COMMERCE, TOURISM, GAMING AND MILITARY AND VETERANS' AFFAIRS COMMITTEE

“Testimony on how to increase the export potential of small and medium-sized businesses”

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: March 20, 2000
2:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph Azzolina, Chairman
Assemblyman Nicholas Asselta, Vice-Chairman
Assemblyman George F. Geist
Assemblyman Guy R. Gregg
Assemblyman Kenneth C. LeFevre
Assemblyman Jack Connors
Assemblywoman Mary T. Previte



ALSO PRESENT:

Karlis C. Povichs
Office of Legislative Services
Committee Aide

Deborah K. Smarth
Assembly Majority
Committee Aide

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ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): I'd like to get started. This is the Commerce Committee, which is Gaming and Military and Veterans' Affairs, and a number of other things we do through a lot of legislation.

I would like to first welcome the Shore Leadership Group, in the back room, I spoke to at 9:00 this morning.

Mr. Speaker, I was here at 9:00 this morning to speak to them. They're in the back. Would you stand up a minute and welcome. (applause)

All right. Well, we all know how important exports are to the State's economy. We also know that over the years we have witnessed the decreasing resources, staff, and budget for the State Trade Division. We need to reexamine our State trade strengths, strategies, especially as they relate to the small and medium-sized business sectors. Hopefully, this year will put us on the right track.

We will open our hearing with remarks from the Speaker of the General Assembly, that dynamic Jack Collins, and then we will hear from the business community and the State Trade Division. I thank everyone for coming here.

Mr. Jack, I know you're in a hurry. Do you mind if I call you Jack or I call you honorable Jack or I call you Mr. Speaker Jack?

A S S E M B L Y S P E A K E R J A C K C O L L I N S: Mr. Chairman, you may call me whatever you want, as long as you send me the coupons each week. (laughter) That great food service you run--

Well, thank you, Mr. Chairman, and members of the Committee. I appreciate the opportunity to be before you today. And let me just say right

off, Mr. Chairman, to you and to Deb Smarth of our staff, that I must say that as a 35-year educator, fully believing that education is continual, that what you two have brought into my perspective of business with regard to exports, I very much appreciate. And here we are today, again, with a hearing whereby we are looking at, hopefully, the future of expanding exports from this State.

I couldn't help but think, as I was looking at some of the material that was made available to me with regard to where New Jersey is and its exportation policies and goals, that until recently when I started to pay a little more attention to my retirement portfolio -- that this whole perspective that has been given by so many, so more advanced than I with regard to a world economy and how it affects us in this country -- until I saw some of "my investments" through my retirement portfolio dropping because of problems in Japan or whatever else is going on, I went, wow, this is really something that has an impact on us. It's reaching individual citizens such as I.

Let's expand it to where we are here today, that with 6.95 percent of our current State financial portfolio being involved in exportation. If we could just increase that a little bit -- I mean, the jobs that would be tied to it. And it's interesting, Mr. Chairman, that right now, and I think we're all very pleased with this, the job situation in New Jersey is better than it's been in decades, maybe in the broader picture, with regard to opportunity, better than it's been maybe forever. But we know, unfortunately, that that, too, will change, and where do we look for an expansion of the job market?

I think, and has been suggested by many, as I say, far more advanced than I and with more expertise than I on this, is through a whole export concept of what we're trying to do, and so on, that we are ninth in the

country in exporting products. And they are products that are indigenous to New Jersey, particularly pharmaceuticals and some of the other high-tech programs and companies that we have. But we should continue to move forward here.

And I know that through your efforts, Mr. Chairman, and the Committee's efforts, that we will surely look at this, make it a part of New Jersey's economic base, particularly as we look into this upcoming decade. I surely hope, and I will tell you now, that two pieces of legislation, your bill sponsored along with Assemblyman Bateman in the last term, Mr. Chairman, A-1965; and the Geist-LeFevre bill, A-1966, both of which were pocket vetoed by the Governor for whatever reason -- totally her decision -- but I would hope that we will see them again. I assure you that if they get to the floor of the Assembly that they'll be posted and, hopefully, we'll send them once again to the Governor's Office.

And it is that kind of farsightedness that we have to keep on the target line as we go forward. Your efforts and what's been going on with this Committee and the various hearings you've had and, also, Mr. Chairman, if I may, while we've looked at the whole business climate in this state -- very important -- but when we can hone in on the whole concept of exports, what's going on, how we can just continue to expand New Jersey's market is something we all should be striving for.

I know this Committee will, and I thank you very much for the opportunity just to share a few of my very general thoughts of where we should be going in this area. And I wish you well in this hearing and, of course, all the activities that go through this Committee.

ASSEMBLYMAN AZZOLINA: Mr. Speaker, it's a great perspective you have, because the economy is not going to stay the way it is. And we know that future jobs are going to depend on export, and a lot of countries depend on a lot of export. New Jersey sits here with the ports on both the Delaware River and the New York-New Jersey port. It's a big port system, and a lot of merchandise comes in and goes out of these ports, and there's plenty room for more. And manufacturing right in New Jersey -- we have great manufacturing facilities here.

SPEAKER COLLINS: That is absolutely true, and we all manufacture in the U.S.A. We have that little NJ after it -- even makes it better. And people all over the world are looking forward, once they've been exposed to our products, and that's what we want to do. We want to keep this energy up through the Department of Commerce and, of course, through efforts that we can take in the Legislature to let the citizens of the world know what New Jersey can produce: A product that is viable and more than comparable with any that come from anywhere else.

ASSEMBLYMAN AZZOLINA: Well, Mr. Speaker, it is very important to have your support in the laws we're going to be considering. We have to convince the front office that this legislation is very important that we're working on.

SPEAKER COLLINS: Well, absolutely. And one of the ways, I think, we're going to signal the front office is, as we're starting the process-- I believe the \$2 million that's been in the budget the last couple of years to support our exportation efforts, whether it was a typo or a misprint or

whatever, but they're not in there. I'm very receptive to the restoration of those moneys as we go through the budget process.

ASSEMBLYMAN AZZOLINA: Thank you very much, Mr. Speaker.

SPEAKER COLLINS: Thank you, Mr. Chairman, members of the Committee.

ASSEMBLYMAN AZZOLINA: Thank you.

SPEAKER COLLINS: Thank you.

ASSEMBLYMAN AZZOLINA: We have Mr. Roger Cohen, International Trade Consultant, the New Jersey Small Business Development Center at Rutgers University.

ROGER S. COHEN: Good afternoon, Mr. Chairman, and members of the Committee. My name is Roger Cohen. I'm here today on behalf of the New Jersey Small Business Development Centers. We call it the NJSBDC, which has been hosted by the Rutgers University Graduate School of Management for more than 21 years. For the NJSBDC, I act as the Lead International Trade Consultant, providing counseling and consulting to the SBDC's clients in New Jersey.

The Small Business Development Center network is part of a national partnership among State and Federal governments, the private sector, and colleges and universities. The program is designed to provide the highest quality of business assistance services to established enterprises and promising new start-ups with the objective of increased employment and increased contributions to the State and Federal Treasuries.

The New Jersey Small Business Development Center's network, established in 1977 (*sic*) under Public Law 96-302, is now composed of a headquarters, located at Rutgers University in Newark, and 10 full-service regional centers located throughout New Jersey. The network also includes 16 affiliate offices located throughout the state.

A variety of educational and business resources are available to counsel and train small business owners to finance, market, and manage their companies. Clients are assisted in exploring their business ideas, developing and assessing their business plans, making cash flow projections and accurate financial statements, and we help them to formulate their marketing strategies. The specialty programs of international trade, government procurement, technology commercialization, E-commerce, manufacturing and information services are coordinated also from the SBDC's headquarters at Rutgers in Newark. And the SBDC's Web site, maintained at the headquarters, attracts over 60,000 prospective and established business owners annually.

The principal portion of the SBDC's overall annual operating budget of \$4.5 million is provided by the United States Small Business Administration, the SBA. The New Jersey Small Business Development Centers receives a \$500,000 grant from New Jersey's Commerce and Economic Growth Commission to respond to inquiries from start-up and established businesses to help them compete for State contracts.

However, the New Jersey SBDC did not receive money from the State of New Jersey to serve the export interests and needs of small business clients. Those services provided by the SBDC, which we do provide, have been

supported solely by the Federal government, the SBA, which identifies specific initiatives for the SBDC's programs.

Since 1979, over 174,000 persons have received direct assistance from the New Jersey Small Business Development Centers in the form of free, confidential, one-to-one counseling and affordable education. In 1999, the SBDC provided one-to-one counseling for 5154 clients, among whom 42 percent were women and 37 percent were minorities. And we trained 11,627 potential and established business owners during 603 workshops and conferences.

In addition, some 500 technology-based entrepreneurs were assisted to commercialize intellectual property and inventions by the SBDC's technology help desk and incubator, primarily through the 800 number, 800-432-1832.

In 1999, the New Jersey SBDC network helped business clients to obtain over \$20 million in loans, nearly \$11 million in contracts, and \$130,000 in grants.

Focusing now on the New Jersey Small Business Development Centers' International Trade Program, let me share with you the following information. In 1999, the NJSBDC's International Trade Program provided one-to-one counseling to some 100 clients. Over 14 workshops were provided to entrepreneurs and businesses, both independently by the SBDC and in conjunction with other organizations such as chambers of commerce, industry groups, and with the Federal Department of Commerce and the SBA.

We also assisted one New Jersey exporter in obtaining the State's first SBA guaranteed export working capital loan for \$500,000. That client

company expects to utilize that loan facility, which is a revolving line of credit, 12 times or 12 months during the year, allowing them to export \$6 million of products from New Jersey.

In 1999 and continuing in 2000, we embarked upon providing a new training program for New Jersey companies to instruct them in how to export their products. In cooperation with the U.S. Department of Commerce and the SBA's Export Assistance Center, we provided a seven-session, 16-week market entry program. And that market entry program is resulting in trade missions to Mexico and Canada.

As we speak today, one of my New Jersey clients, a graduate of the market entry program, is exhibiting, in Guadalajara, Mexico, New Jersey products, which she plans to export there. It's a direct result of this training program and the counseling she's received.

Throughout 1999 and continuing in 2000, the NJSBDC provided bimonthly international trade workshops, focusing each time on a specific topic or country, together with the regional business partnership in Newark.

The mix of clients served by the SBDC's International Trade Program includes all industry and service groups. I am working with clients who are New Jersey manufacturers and suppliers of industrial products, consumer items, foodstuffs, and basic goods. My clients also include advanced technology companies, including software developers, computer service companies, and the new dot-coms. One of my SBDC international trade clients has established, with our support, an international sales operation entirely on the Internet.

I am currently working with a Taiwanese company, an electronics manufacturer, who is considering an investment here in New Jersey. I am meeting with them tomorrow to help them locate an appropriate New Jersey facility and to help them develop their establishment strategy here in the state.

The New Jersey SBDC is well positioned to provide services to these technology companies, both in matters of international and domestic trade. We have in place experts and programs that assist our clients with establishing and growing businesses in the so-called new economy, such as E-commerce firms and advanced biotechnology companies. We can, and do, assist them in developing their marketing plans, locating and working with technology partners, and finding and attracting investment capital.

I came here today from the Venture Fair at the Liberty Science Center, where one of my clients is working to attract investment capital into their company. And I'm going back there right after I finish speaking with you. And also, with the NJSBDC's incubator program, we actually provide some of those companies a physical space in which to operate their businesses.

I mentioned earlier in my comments several of the coordination efforts the New Jersey Small Business Development Center's International Trade Program has made in the last two years. And Deb Smarth asked me, specifically, to comment on that, and so I am. We have successfully delivered programs jointly with the Export Assistance Center of the U.S. Department of Commerce and the SBA. We also hold regular workshops with groups such as the RBP and the Canadian-American Chamber and other chambers of commerce.

And, especially with the U.S. Department of Commerce and the SBA, we have developed an active and successful client referral program. The SBA, Commerce, and the Ex-Im Bank refer clients to the SBDC for international trade counseling in all matters, including business development and financing. That \$500,000 guaranteed loan came from such a referral. And the SBDC refers clients to those organizations for support in areas where they excel, such as detailed market data, loan guarantees, and insurance on foreign accounts receivable, which is so very important.

We would welcome a similar relationship with New Jersey's international trade program and began such a discussion with them in December. I'm very ready to help coordinate this activity.

Another area that would benefit from increased coordination is the identification of New Jersey service companies who would assist new-to-export New Jersey firms. These new-to-export companies frequently have quite a difficult time in identifying service companies, such as freight forwarders, customs brokers, and bankers, who are willing and able to work with these small firms because they start off with so many questions, but they start off also with a limited amount of business. I do make an effort to meet those service companies, and I have compiled my own database. However, I would welcome a source of additional service companies to whom I might make qualified referrals.

As you know, the New Jersey Small Business Development Center's entire budget has been flat lined by both the Federal and State government for more than five years, even though demand for services has continued to increase exponentially. We have done more with less and

continue to expand services to more people, but we're restricted in how many specialty services we can provide simply by the limitation on resources.

We are well positioned and have identified certain trends that we would like to address if additional resources were made available to us. And I'd like to share with you briefly those trends.

More technology companies want and would be encouraged to export. They need consulting and mentoring services. More foreign companies are interested in establishing New Jersey locations. They need help identifying facilities and also need consulting services to familiarize themselves with local markets and regulatory issues. More American-based Internet firms are looking to expand their operations internationally. They need intensive services to assist with issues such as financing and shipping, and regulatory issues, and especially with intellectual property issues.

If additional resources were made available to the New Jersey Small Business Development Centers, we have lined up partners with whom we can work. These include the EDA, our own network of host institutions, chambers of commerce, and the DEC, the New Jersey District Export Council, of which I am a member.

These partners would cooperate in the expansion and delivery of extended, targeted, and measurable results. The New Jersey Small Business Development Centers utilize a well-developed impact data collection system. Therefore, we are able to quantify the impact of those services which we deliver to the entrepreneurs in New Jersey.

I thank you for the opportunity to provide these comments today, and I've submitted a hard copy earlier should you wish them. I'd be happy to answer any questions which you might have.

ASSEMBLYMAN AZZOLINA: Mr. Cohen, thank you very much for being here today. Now you can get back to the Science Center. I wish I was going with you.

MR. COHEN: Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

The next speaker will be Michael Katz, the President of Cenogenics Corporation, Morganville. That's not far from me.

Katz, you got a good name. One of the commanding officers of the Battleship New Jersey was Katz, also. I hope to see him tomorrow.

If I could ask each of you, when you speak, we are recording everything that is being said. We're going to have a transcript eventually. So the smaller mike is the transcript. So when you speak, try to speak so we get into both mikes. The big one is the voice. The longer one is the voice, and the other is the transcript. (indicating microphones)

Thank you very much.

Pull the other mike up by you -- the small one -- so we can record what you're saying.

MICHAEL KATZ: Chairman Azzolina and distinguished members of the Committee, good afternoon. Thank you for inviting me to speak today.

ASSEMBLYMAN AZZOLINA: Do you have your mike on? Do you have your red light on? (referring to PA microphone)

MR. KATZ: No, sir.

My excitement for the profits export business has brought our company has driven my international efforts for many years. Our company, Cenogenics Corporation, manufacturers medical diagnostic products that are used in 70 countries. Our products include pregnancy tests, tests for detecting stool blood, often an early symptom of GI carcinoma, and tests for infectious disease using various immunological and viral technology methodologies. From our inception 18 years ago, our company has enjoyed continuous profits and growth as a result of our export activities. Our ability to gain significant markets worldwide, using formerly the New Jersey Division of International Trade and Department of Commerce programs available, led to our winning the SBA National Exporter of the Year award in 1990.

I have discovered in studying companies that have risen to global leadership that they, like us, invariably began with ambitions that were out of all proportion to their resources and capabilities. To gain world markets, we needed to create an obsession with winning at all levels of organization and then sustain that obsession for years in pursuing our quest for export sales.

Professors Hamel and Prahalad in the Harvard Business School Press termed this obsession strategic intent. Fortunately for us and New Jersey companies, Commerce's continuously available strategic programs give us a chance to reach our potential in now overwhelmingly competitive markets, but we need New Jersey's leadership attention also. Here is why. Our Department of Commerce has alerted U.S. companies that we have been outsold by other principle manufacturing nations for years. For the last two years, the growth rate of U.S. exports has slowed again. Since 1960, U.S. exports, shown here

as a percentage of GDP, has lagged behind most other developed countries.
(referring to chart)

Indeed we, as a company competing worldwide, have seen a surge by almost all countries to build manufacturing capabilities. I have termed this strong nationally motivated surge for manufacturing resources, manufacturing determinism. It is a movement as strong in motivation as unification was for Europe following the Middle Ages. Dramatically, since 1970, and extremely rapidly since 1990, non-U.S. manufactured goods and services originating from all countries are burgeoning into world markets. Approximately \$5.15 trillion in goods and services are being made collectively by countries outside our borders and are being sold outside our country's borders. Less than one billion of all the goods and services being used in the world are being supplied by U.S. companies.

To make this point, the difference between the two -- all the goods and services being manufactured outside the world, outside the United States, and being sold outside the United States is what's represented by that red line. I spent about three months and had the good services of the chief statistician at the United Nations and also for the Commerce Department and also for the Census Bureau to back out sales from countries that were made to the U.S. What this represents is manufacturing going on by other countries and being sold to other countries. It's gigantic. It would be the sense of you going to Singapore or Hong Kong or South Korea or Columbia or Chile and being in a room like this and saying, "What is not made here?" Everything is being made there. Everything that you see in this room is available in all of these countries from their own manufacturers.

Add interregional trade packs, tariff free or reduced tariff trade links, as Mexico, as an example, is capably forming at foreign trade barriers, and we quickly realized foreign competition is brutal. Our U.S. exports support over 12 million U.S. jobs and have accounted for 30 percent of U.S. economic growth over the past decade. But there is the worrisome part. Total 1998 exports were 1.174 trillion, 6 billion lower than 1997. And 1999's results will continue to decline. We know that 94 percent of the world's population and the fastest growing markets are located overseas. There is no question that exports are an important piece of our State's economic health and future.

Competition for these growing markets is fierce. The picture from those of us on the ground in the global marketplace is one of bitter competition, where every export transaction is fought for among a steadily increasing field of companies. Foreign companies have the active backing of their governments and promotion of their nation's products and identifying and approaching potential customers and financing transactions and in exercising political influence to win sales.

Today's tough unrelenting global markets is well described as hypercompetition by Professor D'Aveni from Dartmouth. The need for active robust New Jersey involvement on behalf of its companies is a given. From the viewpoint of New Jersey businesspeople who work daily to make overseas sales, success in world markets is based foremost on a company's quality, price, and salesmanship. Success also depends on the effectiveness of our government and opening markets through trade negotiation, enforcement of these agreements, and minimally, as a New Jersey objective, the day-to-day assistant

and export promotion. Competition in most foreign markets is very free and fair. Our competitors seek every advantage, including government involvement. So must we.

Fortunately, New Jersey business does have some built-in advantages. A New Jersey business environment has given us a competitive base to seek, capture, and hold overseas business. Our New Jersey and New York banks understand overseas business and are ready to lend without burdening us too much by totally discounting our export receivables.

Competitive financing is often the critical element to winning sales for U.S. goods and services. Though we have banks experienced with working with small companies doing overseas business, we must all recognize that it is crucial to strengthen U.S. export financing programs that provide the foundation for expanding overseas trade. Working from our base in New Jersey, we have found a business infrastructure that gives us all the chemicals, boxes, printing service, machine specialists, and other supporting supplies and service groups at among the best prices available in North America.

Excellent international air and sea freight services are accessed with extraordinary low-cost inland freight cost. We have more flights from JFK and Newark Airports to every world port at lower, competitively driven costs than any other port area we have investigated. Most importantly, we have within our New Jersey Commerce Commission, in the SBA, and within our U.S. Commerce Department a most sincerely dedicated and knowledgeable group of people committed to bringing all of us export profit opportunities. Our trade specialists network with a capable group of Commerce Department and SBA executives to maximize our trade initiatives.

Our start in trade was made possible by the former New Jersey Division of International Trade. They developed important leads for us. A trade mission they brought to New Jersey resulted in hundreds of thousands of dollars of business for us, and that continued for a total of 3.2 million. A simple trade mission from Saudi Arabia enticed to come to New Jersey resulted in millions of dollars of sales for us. They also introduced us to important people who helped us apply for aid grants for market studies in Egypt. They helped us with matchmaker programs, actually introduced us to the availability of those programs that led to profitable business now in over 12 countries. And they introduced us to-- The State Commerce people gave me and many other New Jersey businesspeople a chance to study approaches to the Japanese market.

The New Jersey Division of Trade-offs has made it possible for us to attend important international trade shows. And one of these, MEDICA, the leading show internationally held in Düsseldorf, Germany, every year, was unknown to us. Over 100,000 people who are buyers, tradespeople, come to that international exhibition. We were able to secure 32 new distributors in 32 countries our first year.

State Commerce Department officials have continued to work hard to develop opportunity for us. The Argentina and Chile trade missions were successful. And there are other programs that I'd like to tell you about. The Department of Commerce has pursued joint ventures with State and local public and private organizations to help deliver export assistance. I encourage our own Commerce Commission to look into the availability of these grants.

An excellent trade resource that I would like to bring to your attention is the New Jersey District Export Council. This is a statewide organization comprised of executives selected from the international business community based on their extensive experience in conducting all facets of export operations. All members are appointed by the U.S. Secretary of Commerce. The services are provided free of charge to New Jersey companies. Our mission is to provide valuable assistance for small and medium-sized firms who wish to initiate or expand their export markets.

The basic goal of the New Jersey District Export Council is to increase the exporting of goods, services, and technology from the State of New Jersey, and these members use their professional and practical experience to encourage, educate, counsel, and guide new and seasoned exporters in these activities.

New manufacturing centers are creating large populations able to pay for U.S. goods. Big emerging markets are accounting for more U.S. exports and large populations. Though these markets are creating opportunity, they are also creating aggressive competition. An organization's capacity to improve existing skills and learn new ones is the most competitive advantage of all.

I bring to your attention that we must cooperate to compete globally. Survival of the fittest does not mean that only the strongest, shrewdest, and most dominating will win. Those who survive are those who cooperate best with other living things, with other existing New Jersey trade groups. With the programs of the DOCITA, and a renewed empowerment of our Commerce Commission to help hold open the window of export

opportunity, we can all help to lead New Jersey companies to a global business capability.

Thank you.

ASSEMBLYMAN AZZOLINA: I'd like to ask you one question. What I gather out of this, and I've known it for a long time, is that we had spent a lot more money on commerce and international trade several years ago than we do today. I assume, from what you've said, at that time I think we spent almost \$5 million in international trade rev versus about a million now. So we are behind the curve and the kinds of things they used to do that they do not have the money to do. Not to criticize the Commerce Commission, they do an excellent job with what they have. So one of the items I've gotten out of this is the key, which I've been saying for years, privately and publicly, is the Commerce Commission does not have enough money to work with to do a proper job and bring in more from out of state and do what they did for you. I think you're proof of the pudding the good they did for you and a lot of other companies at that time.

MR. KATZ: Chairman Azzolina, you're absolutely right. I'd like to extend your comment by two additional facts. One of the principal weaknesses that New Jersey businesses have lost over the last several years is the focus of an announced leadership interest. We've known yours. We knew yours from the original task force activities that happened several years ago. We've known the Committee's activities, and we've seen the legislation that you've attempted. But to empower New Jersey companies means that there has to be a focus for New Jersey companies to place their interest in order to find some of the activities that I've mentioned in my other -- and the other

individuals speaking. We need that leadership. We need the stated expression that New Jersey is ready to compete for overseas business.

We need another thing, too. We talk, and one of the focuses of this particular meeting was programs for small and midsized businesses. They don't necessarily mean big money. Let me explain the dilemma that small business has. Small business doesn't compete very well for expensive people. The people that they are able to compete for need training. They get training in small companies. They learn how to do an export sale, how to do that paperwork, how to go after these kinds of international sales, where are the programs, how to use the Internet.

At one time, our State had programs that would help small and midsized companies train these kinds of workers who didn't have the experience who eventually leave us, but maybe then there can be this renewal, and we can constantly train people who help small companies compete. So there are those two dilemmas -- a stated intention for exports and the ability to train workers who are coming into the workforce who are probably the workers that small companies will be able to afford.

ASSEMBLYMAN AZZOLINA: Well, thank you very much for your comments. We have a lot of speakers.

ASSEMBLYWOMAN PREVITE: Could I just ask one question?

ASSEMBLYMAN AZZOLINA: One quick question, okay.

ASSEMBLYWOMAN PREVITE: Sir, my one quick question is what accounts for this extraordinary difference between the red line (indicating chart) about other people exporting things, and in America, this puny little line? What is the major reason why they are outcompeting us?

MR. KATZ: I've studied that and I've looked at it, and we come from the '40s, where a predominant part of export sales were originated from the United States. But the world has leaped forward since 1970, and the concept of a merchant is over and old. The countries have emerged, and with it has come a drive to make everything that they possibly can, pharmaceuticals out of India, Argentina, Brazil, now China. When we started, there was one company making diagnostic products in Spain, one company making diagnostics in France. In Spain now, there's over 200. In France, we can't even count the number. In China, there's probably at least 200 that we know about right now. In Argentina, there's at least two dozen. In Chile, there's at least two dozen. There isn't one single country that we look at, including Mexico, that is not building a complete business infrastructure. That is what that line means, but it goes one step further. Those people are building products similar to ours and selling it to each other at extremely competitive prices.

Now, we as New Jersey businesspeople, but you as legislators can maintain the momentum that our U.S. and Federal government people have been trying, and that is to level the playing field. We cannot do it as businesspeople in this state. We can do it through you making sure that our appeal to level this playing field is constantly heard.

ASSEMBLYMAN AZZOLINA: Thank you very much. I think you had some excellent comments today.

MR. KATZ: Thank you.

ASSEMBLYMAN AZZOLINA: And we may call on you to come back. Thank you.

MR. KATZ: You're welcome.

ASSEMBLYMAN AZZOLINA: Thank you.

The next person I'd like to call is Tom Belding, President of Belko, Inc., in Short Hills.

THOMAS K. BELDING: I have prepared comments. Some of you may have copies that I've distributed.

Chairman Azzolina, Vice-Chairman Asselta, and Committee members, you question obstacles facing small to medium-sized exporters and how public support might better encourage exports. I compliment you for this hearing, thus granting the importance of this issue and the need for new ideas. I regret I will not offer easy solutions. I hope, however, that some suggestions I do have will merit further consideration.

Our company is just such an exporter. Eight years ago, we had an eye to promising markets overseas and zero experience in this particular area. It was hard. We looked everywhere for opportunities to learn. Essential knowledge we now use came from in-depth exposure to experienced traders in rare training courses, through apprenticeship, from getting our noses bloodied, and striving every day to improve our methods. The U.S. Foreign and Commercial Service and a few other programs have also been helpful. On the other hand, many export seminars and other short programs were of marginal value. I think our experience is not unusual.

We did learn a few things, however, and we were last year awarded second place in the Exporter of the Year award that Mike referred to earlier that he had won in 1990.

Most small firms focus on the market they know best -- this partly answers Assemblywoman Previte's question -- that market is North America, which is the largest market in the world and the one most such firms must succeed in to survive. Thirty percent of the world GDP is found just in the U.S., and for most small to medium-sized enterprises, or as we call them, SMEs, 95 to 100 percent of their business. This market is increasingly complex and competitive. To be done right, exports will take resources away. For most firms, this is hard to justify.

An exception are firms who are able to use exports as an engine of growth, leveraging U.S. technology and the lure of a made-in-the-U.S. label to serve overseas buyers who can't win the rights to the branded products of larger U.S. firms. Two other speakers today are in the medical diagnostics business, which is one example.

There are many attractive export markets, particularly those of a similar culture, business climate, or proximity. This includes much of Europe, the Caribbean, Latin America, and parts of the Far East. For firms with new technology or very competitive products, Europe is often the first place to look. Other export markets are relatively small. Many firms don't see this and may tolerate a marginal distributor in Germany or the UK, while distracted by high focus or sexy developing markets in Eastern Europe, Latin America, or the Far East, where meaningful profits are often elusive.

Amidst the din of news on China, do you know that its economy is only about the size of Italy's, though usually much harder to penetrate? Even the largest corporations often make little money in China. Japan, the second-largest market in the world, is impenetrable for most small firms. Of

the over 220 countries in the world, at most 15 percent to 20 percent really pay off. Most small firms don't know this.

Promotions beckon us to foreign trade shows, or trade missions, to Panama or Thailand, for example. But will our efforts pay off, and at what price? Public programs and private consultants offer to help us find a distributor in Mexico, Argentina, or Turkey, but what about the other infrastructure we need to make international business a part of our business?

As you know, many programs are fragmented. There are seminars, domestic matchmakers, and trade promotion groups. For the novice exporter, this really is not sufficient in our experience. Expert workshops on topics like trade finance are occasionally valuable, much like continuing education for the already certified teacher, but I'm not sure how valuable they are for the uninitiated. Long-term training is needed, run by seasoned exporters, presented from a broad and disinterested perspective. But why worry about training? After all, aren't we just talking about shipping goods?

Business practices of most firms are based on a U.S. model. For example, we assume that we can get from Dun and Bradstreet, or other sources, lists of sales prospects by line of business, size of firm, geographic location, and credit worthiness. We can select our targets and run a marketing campaign. We can predict cost and effectiveness with some accuracy. We know how to advertise and what trade shows to attend.

When we find clients, standard industry terminology, product codes, and specifications will often define our good or service. These help us quickly and effectively communicate with our prospects. We can assume our client will honor a contract with timely payment, a well-tended credit system.

Commercial risk insurance and other factors moderate risk. We know what a service call costs and when we'll authorize one. We know our competitors and what price leverage there is. We know regulatory and liability issues, intellectual property rights, and how to act on violations. Most importantly, we can communicate easily in English. We know how to do business in the U.S. Our standard operating procedures, or SOPs, tell us so.

Overseas we face smaller, fragmented markets and many unknowns. For example, freight rates for many products are volume based, not weight based, as in the U.S. To sell in Saudi Arabia, your price must be globally competitive once the goods arrive. That's different than sending it to Chicago. Credit verification and collections are much more difficult than in the U.S. International banking procedures may be costly, eroding profits. A new-to-export firm often finds this out the hard way. Business practices and negotiating tactics are unusual and vary from place to place. Competitors and market tastes are different. Tariffs restrict certain markets, but you find out only after investing time and money. Sales cycles are longer, and visits to some countries require precautions. In short, most assumptions used in the U.S. cannot be taken for granted.

Exporting often becomes tactical, a staff function, rather than a strategic part of the business. Customer support handles it, or an executive may visit a distributor on a trip to Europe or the Caribbean. We put a foot in the water, but in a way that is almost assured to fail. Profits and, from the public policy perspective, jobs are not created. We decide that exports just don't work or are not feasible with our products or are not profitable or that

international sales just take too long. In fact, perhaps a different model was needed.

Remember when you first gave your 16-year-old son or daughter the keys to the car? You knew the pitfalls, that safe driving means experience and total concentration. They, with youthful exuberance, were just eager to hit the road, and insurance rates for minors show the result. Exporting and international business doesn't have to be more complicated than driving a car, but it sure isn't less complicated and is only a little less risky.

Why do we require full-semester driver ed classes, plus behind-the-wheel training for our teenagers, but have no structured, satisfactory program to train our thousands of capable small firms how to export? How many bent fenders, concussions, train wrecks, or just plain empty gas tanks litter the highways of international trade? Do we take the time to understand that international business is different? Even though the American system is justifiably the envy of the world, and even though our friends Mickey Mouse and Coca-Cola have led the way, to be effective we must adapt ourselves. A different business model is needed. Even with the standardizing power of the Internet, firms need to learn what international model will work best for them and can't assume it's the same one they use at home.

What do small firms need to get seriously involved: One, evidence that this can work for them in their industry with their products; two, comprehensive, professional guidance; three, a business plan with reasonable assumptions; four, knowledge that international will complement and not interfere with their domestic imperative.

If a small firm gets serious, how should it proceed? First, not all firms are candidates for exporting. Industry, competitiveness, and commitment must be considered. Firms must be qualified.

Next, an international marketing plan must be developed, including potential benefits to the SME, such as growth, profits, integration with the global market, knowledge of foreign competitors, and potential sources of capital, production, joint ventures, and product ideas. The plan should also include prime target markets. A market assessment can identify countries that make the most sense. The SME must buy into this international plan and be ready to support it financially.

The market plan then needs to be professionally executed, with regular monitoring and tuning. The company executive needs to be directly involved. Developing international business requires a serious, long-term commitment. A quarterly profit model will usually not work.

What about export managers? Early in this process, the SME will need to decide whether to develop exports in-house or via outsourcing to an export manager. This is an established and feasible path. Done well, it can greatly accelerate an export program and even be part of a long-term strategy. Some export managers work as distributors. My firm operates this way, for example. Many SMEs use distributors in the U.S. This model is well understood and can be used with small changes. It works best when the exporter has relevant experience and established contacts. Firms must set realistic goals and be willing to share start-up costs.

Is the Internet a silver bullet? E-commerce is exploding where industry standards and trading relationships are well established. SMEs who

can leverage this should do so. But keep in mind, little international business develops that is not preceded by a personal relationship. The Internet is a great tool as part of a tool kit. Tools work best when the carpenter knows how to use them. The small firm still needs to understand international business.

How can public resources best aid this process? I decided to focus my comments on international trade education. Consider supporting the establishment of a serious export training program. Recommendations:

1) Require that the curriculum development and training be done by or under the close guidance of seasoned exporters. Look at how other professions train. Would you want someone who had only witnessed or assisted in surgeries training surgeons? No, you'd want someone with great and successful experience performing operations. I know few international trade courses where the teacher had great experience. I am fortunate to have had one at the World Trade Institute, for example. Conversely, I've been to many seminars and trade association meetings where presenters had limited or narrow experience.

Knowing your bank's policies on letters of credit, the nuances of trademarks in Chile, or having found a distributor for someone does not teach you how to build an export business. Successful exporting requires the creative and dynamic use of marketing tools, trade and finance instruments, and globally competitive products. Naive efforts alienate qualified customers overseas, retard or prevent business, and drain profits.

2) Focus training on the development of standard operating procedures appropriate for international business. Let's call them ISOPs.

These should cover all aspects of export marketing and operations and be suitable to the firm's products and markets.

3) Exporters need clear guidelines for qualifying leads and distributors. New Jersey firms receive inquiries from all over the world. It's easy to waste time on marginal markets or dead ends and lose good leads in the process. This is a more intense challenge now with rapid-fire inquiries coming from the Internet. Many unsolicited leads are early stage distributors, few of whom have the resources or contacts to make it work. Would-be distributors should supply U.S. or European references, and those should be verified. If a prospect can't supply solid references, ask yourself if you really want to be his guinea pig. If someone says they are a leading widget distributor and you think they're worth a close look, check them out right away. You'll save lots of time, and they will respect you for it.

4) Training must give a solid foundation and the knowledge to work profitably with bankers, forwarders, and overseas buyers. Case studies should be emphasized. Internships should be strongly promoted. I haven't seen firm data, but a forwarder once told me that there are well over 500 exporters in the State of New Jersey with revenues over \$1 million. I think the figure might be even over 1000 or more. If so, this is a great resource that could be tapped for internships and skilled instructors.

Build solid training programs, then tell firms why these programs will help them get results, but be ready to overcome skepticism spawned in the stale broth of earlier programs.

If any country on earth has shown a commitment to higher education, it is the U.S. Indeed, this is one of our greatest export successes.

We are the world leader in higher education, the prime destination for those seeking superior undergraduate and graduate education. This has been going on for a long time. Consequently, a large pool of professionals around the world were trained here, know English, know the U.S., and want to do business with Americans -- a great opportunity for U.S. exporters. Ironically, while we have succeeded so well in this arena, we've put little effort into teaching our own manufacturers how to be international. Most business schools have IB curriculums, but they mainly focus on global issues and concepts more relevant to large corporations than practical information for would-be exporters. Nonetheless, there is a long tradition of public support for higher education. Let's expand that to include this important missing element.

With solid training in place, financial incentives could be used to encourage participation, such as exportships or export training fellowships, awarded through competitive bidding, based on a firm's export potential and commitment. Entitle winners to attend serious training programs or export start-up tax incentives or expense sharing, covering some costs of initiating exports. Apply it during the first three years of verifiable exporting, whether done in-house or with an export manager. More export excellence awards -- solicit foundations to finance annual monetary prizes that firms will want to compete for. This will bring more attention to exporting. Model it after the Malcolm Baldrige Quality Excellence award. And let me know when it's been set up. I know at least one firm that will want to apply.

Programs that focus on developing skills and getting firms to build export plans address the root issue. With informed staff and direction, trade missions and other resources can be better used. Conversely, fragmented and

weak programs may be even counterproductive. Large corporations have resources and a global survival mandate. They can find their way or hire expensive talent. Most firms cannot.

To summarize, give them a reason to export, show them that it can work, then help them provide capable resources to teach them how. Do a good job with this, and they can take it from there.

Thank you for your time. I'd be pleased to answer questions.

ASSEMBLYMAN AZZOLINA: Thank you very much, Tom. I appreciate your coming up.

Luis Marrero, President, Spectra Colors Corporation, in Kearny.

(no response) Not here? Okay.

Tom Britten, President -- what is it? -- SCIMEDX.

THOMAS BRITTEN: SCIMEDX.

ASSEMBLYMAN AZZOLINA: SCIMEDX Corporation, Denville. We're from all over the state. (laughter)

MR. BRITTEN: Thank you, Mr. Chairman, and other Committee members and attendees, for giving myself and my colleagues a chance to give our two cents worth of exporting from New Jersey. If I would, I'd just like to give you a few comments about my experiences as an exporter, and I can share some of the benefits I have derived over the last several years by using State and Federal programs. I don't want to repeat. A lot was said prior to me, especially Mike Katz, a colleague in the medical device industry with myself, but I can tell you clearly that I have used virtually every program Michael has suggested his company, Cenogenics, has used very successfully in the last 20 years.

My company is a manufacturer of medical diagnostic test kits, blood tests. I founded the company in 1976. We started exporting in 1978, and by the early 1980s, 15 percent of our gross revenue was in exports. In the early 1980s, we received the--

ASSEMBLYMAN AZZOLINA: Do you have your mike on? The red light? (referring to PA microphone)

MR. BRITTEN: The red light's on, yes.

ASSEMBLYMAN AZZOLINA: Okay. Is it on?

MR. BRITTEN: Yes. Okay.

ASSEMBLYMAN AZZOLINA: Good.

MR. BRITTEN: In the early 1980s, we received the U.S. Department of Commerce E Award. I am also a fellow member of the New Jersey DEC. I am also a member of what's called the ISAC 5 Committee, out of the U.S. Department of Commerce in Washington. It's an industry-specific group of medical device companies which helps opine on possible legislation on the Federal level. I've personally participated in over 20 trade show promotions in the last 10 to 15 years.

Exports continue to be almost 50 percent of our total gross revenue every year. I can tell you we employ 35 people, and about half of them would not have jobs in New Jersey now for the last 20 years if we weren't an active exporter. Over the last 30 years, we are a company that has exported over \$30 million of goods manufactured in New Jersey and exported outside of the country.

One interesting point that none of my colleagues raised thus far is exports are actually, for most companies, more profitable than domestic

sales, because you can usually focus large sales on individual specific distributors rather than through \$100 or \$200 sales or \$1000 sales. Our average sales to a domestic international distributor may, in fact, be anywhere from 5000 to 20,000 per order rather than our typical sale is 500 to 1000. So besides being a part of 50 percent of our gross revenue, quite frankly, our export sales yield much more net income than our domestic sales.

Also a point to be considered is, over the years, using programs that were offered to us with the people like New Jersey Division of International Trade, U.S. Department of Commerce, and other activities like that, it may take a year or two or three to find a good international distributor. But once you have them, they stick. In our case, most of our distributors have been with us now 10 to 15 years. It translates to several millions of dollars worth of sales to each individual customer contact.

I know, at least from talking to my colleagues of the last 20 years in the industry, as well as other people who work for the State and the Federal level to help try to promote international sales, one of the questions that always comes up is, "How do you measure the impact or the investment into that?" It's a good question. I don't think anyone could answer it very clearly. But I can tell you that once you get a good international sale, it may take a year or two to get that distributor, but they'll stick with you probably 10 or 15 years. And to measure, I think, accomplishments in quarter by quarter is almost impossible in the international business arena.

I can suggest to you that the future is going to be even much more competitive in my industry, medical devices, than it has been in the last 20 years for many reasons, as Michael Katz suggested previously. But I can also

tell you, as we all know, that health-care reimbursement pressures worldwide are driving down the prices in my industry, and the competition is getting greater. So even though we are enjoying a wonderful economy now, it's going to get a lot rougher up here in the very near future in my industry.

If at all possible there is some way, through State measures, that we could possibly revive some of the international trade show promotion programs and counseling programs, they're wonderful events. Even if you've been in business for 20 years, as we are, you can still learn. You can still travel and have a lot of good contact development with people like that going to international trade shows. I mean, you're looking at, basically, one-half of my company's international sales team is myself and my sales manager. So often, we'll just split and go to different parts around the world. And if you can go with a State trade group where they set up a trade show promotion for you, they can go do front work for you before you get there, have attendees waiting to possibly talk business, counsel you when you get back, helping to follow up when you return back to the States. It's very helpful when you're a small company. I can't tell you, also, how encouraging it is if you know you're going to maybe three countries in five days, and this whole thing that has been preplanned for you by some State agency has been very helpful.

I know one thing: When I go around the world and I look at the international trade shows like MEDICA, shows in Asia, South America, I used to see New Jersey all over the place. Now what do I see? I see California, Illinois, Michigan, New York, Pennsylvania. They're all funding the very aggressive programs that we don't even have a presence as a state any longer. In one way that I think we have to become much more serious and aggressive

about helping our New Jersey exporters is when you really step back and look at the simple ways that the new economies in Europe are really becoming extremely competitive.

As Michael mentioned, 20 years ago in our industry, maybe in Spain you had two to three manufacturers. Now you have 100 or 200. Throughout the EU, the EU is granting, as we all know, billions of dollars to small and medium-sized companies to compete against people just like us. And that's something that certainly we can't step to the table in a very large manner, but anything we can do would be very helpful for small companies, I think, specifically if we could have in the State of New Jersey some programs that may help feed companies into the existing programs that are already there.

The Department of Commerce has a lot of wonderful programs, their gold key export program, their distributor-agent search programs. But it's very difficult, especially for new exporters, to understand how to reach these people. And that was one thing that I thought the State did extremely well in the old days.

I think another way that would be very helpful -- I know it's helped me over the last 20 years -- is if one can, in any new possible programs that would be put in place -- is to find a mechanism to help exporters make contact to foreign posts throughout the world, the international commercial attachés of each respective embassy. They are very helpful tools. They cost very little. The simple thing of putting a company's catalog in the commercial library-- We participated in many programs over the years sponsored by the State and by Federal programs, in fact, where 15 years later I know I'm still

getting leads because my catalogs continue going to the international commercial libraries in those posts around the world.

One last comment, if I may make, is that I'm always amazed to hear that it seems like corporations are getting maybe too much help in export. I don't understand that. Because if you look at a company like us that's an exporter, we have probably five to ten layers of regulatory burdens and hurdles to cross, the FDA, the local and State agencies, EPA, etc., etc. We, like, maybe have one layer of help, and that's right now on the Federal level. And if you look at the whole balance, I think, maybe one more little push from the New Jersey State commitment wouldn't be too much to ask.

That's really all I wanted to do was share my experiences as an exporter. I thank you for listening. I'd be happy to answer any questions.

ASSEMBLYMAN AZZOLINA: Tom, you've made some great points there, and we're going to be sure to follow through on them.

MR. BRITTEN: Okay.

ASSEMBLYMAN AZZOLINA: Thank you very much.

MR. BRITTEN: Thank you.

ASSEMBLYMAN AZZOLINA: Dr. Barbara Amen, Principal and Chief Operating Officer, Ballantrae--

B A R B A R A A M E N, Ph.D.: Ballantrae is correct. (indicating pronunciation)

ASSEMBLYMAN AZZOLINA: --International, Limited, based in Gladstone. Where is Gladstone?

DR. AMEN: Peapack-Gladstone.

ASSEMBLYMAN AZZOLINA: Way up north?

DR. AMEN: The equestrian team.

ASSEMBLYMAN AZZOLINA: North or south?

DR. AMEN: Pharmacia and Upjohn's.

ASSEMBLYMAN AZZOLINA: Okay. I haven't been up there.
That's one town I've not been in.

What do you make?

DR. AMEN: We make services. We're a service company.

ASSEMBLYMAN AZZOLINA: Yes.

DR. AMEN: Mr. Chairman and distinguished Committee members, thank you for the opportunity to participate today. I think I bring a different perspective to the meeting. Ballantrae International is a company that has one foot in the line that says, "Line up here if you're an exporter," and another foot in the line that says, "Line up here if you're a service provider to help companies to export." More than 55 percent of our business was exporting our services. In other words, our services were paid for by overseas entities, either government units or private corporations. The rest of our business has been assisting U.S. companies in various lines of the services that we provide.

Ballantrae International has been-- I will give you a brief perspective on who we are because I hope the perspective and then the comments I'm going to make may provide another perspective in your terms of making your decision. We've been in business 11 years. We were founded in Seattle, Washington, moved to New Jersey 3 years ago as our headquarters office.

ASSEMBLYMAN AZZOLINA: Saw the light here, come to Jersey.

DR. AMEN: That's it.

New Jersey is a fabulous location. I think I'm speaking to-- We have--

This is a smoking machine. Excuse me, is that okay? (referring to projection) See the smoke coming out of here? Is that okay? Oh, it's just dust. Thank you. I wasn't sure.

ASSEMBLYMAN AZZOLINA: We can see it okay. (referring to picture on screen)

DR. AMEN: Okay.

We have 22 senior-level consultants. We have an office, still, in Seattle. We have offices or affiliates in London, Paris, Helsinki, Santiago, Buenos Aires, and then Seattle and the New York area, which is New Jersey. We have services which we offer to companies, one being international trade and global expansion, which is why I'm here today. Our strategic planning and competitive enhancement assist companies to become more competitive. E-business strategies, I think, is self-explanatory. Sales and marketing effectiveness has been one of our extremely well-selling services. In fact, we worked for a major telecommunications company in Asia for six months last year, assisting them with their sales effectiveness, and then customer needs assessment and satisfaction. If you look at our services, all of them assist companies to increase their sales. We're there to help them increase their bottom line.

We're a consulting firm where all of our consultants have a minimum of 20 years experience. If we say this is an expert, it's someone who has expertise. We match individual skills to the project, and we have

experience in working -- and this is where, I hope, you'll find some interest -- with both private sector and government entities and agencies in assisting their companies to find new markets. We worked with the UK, Northern Ireland, Bordeaux region of France. We're currently working with Finland, Baden-Württemberg from Germany, and we are working with the states of New York and Connecticut, and we are in process of discussion of working with the State of New Jersey.

Our services comprise of the focus of implementation, getting people to where they need to be using strategy, global expansion, marketing and sales effectiveness, and customer satisfaction. As a consulting firm, when we assist a company in global expansion and international trade, we offer specific services. I'm not going to read them to you. You can see (indicating projection) they range from assisting to form strategic alliances to find distributors, site location, new market entry. At the bottom are two proprietary programs, the International Trade Advisor and the International Trade Diagnostic. The state of Connecticut we are working with through the International Trade Advisor program, which I will explain briefly. And the International Trade Diagnostic program has been part of a liaison with the state of New York. We are discussing with New Jersey both of those, the ITA and the ITD.

Some background information-- These are software programs that we developed, so we're also a high-tech company. We've developed our own proprietary software. We've found, when we went into assisting companies, it was extremely expensive to put a consultant on site for 10 days. But if we could come up with some kind of technology-assisted process, we could cut the

cost for them and, therefore, cut the time involved for us. We found 56 percent of midsized firms are exporting, and 40 percent were exporting blind. They had no plan. They saw Uncle Kwan from the Philippines. He said, "I can sell your stuff over there, and off they were exporting. But they did not approach it strategically: Which is my best market? Which is going to bring me the best return? How do I get there?"

Seventy-four percent of U.S. exporters do not have a marketing plan. This is from information published by Ernst and Young. This was a study that they did. And the need for better international intelligence, as you've heard today, is growing.

The two programs we devised are the ITD and the ITA. They're diagnostic tools. They're software-based, and it's an analytical process. It's very cost-effective because it gives a company unique deliverables. The ITD is for people currently exporting, looking at new markets, 25 to 35 page report -- ITA, 5 to 6 pages. That's the new-to-export company. We found the ITD, which was our first product, overwhelmed the new-to-export company. They didn't really know what even to do with all the information. And they get an export ratings chart, simple 18-point chart, here's where you're weak, here's where you're strong. Improve this section, and you'll be able to move forward.

Avoiding risks, which is our chief concern for the new-to-export companies-- Avoid the risk, giving them an ability to compete in international markets. The ITA and ITD, or the ITD specifically, the longer report, gives a comprehensive picture of trade opportunities, specific steps needed to trade effectively, and, of course, both programs are a way to access our broad-based international consultants.

What about the government agencies with whom we are working? I think you'll find it interesting how different countries and regions are funding or putting their funds into pools to assist their companies to export. In Finland, we have just signed on with the government of Finland for a contract for the entire year. They're asking us to help find U.S. companies to partner in R and D and in joint ventures. This is a one-on-one consulting program. They -- we're very proud to say -- interviewed us, a company in Boston, and a company in Connecticut, and we have the contract. They are asking us to handhold and help these small companies to get into export markets the right way.

Northern Ireland -- we worked for them for two to three years. That's the IDB, the Industrial Development Board of Northern Ireland, where we did market research one-on-one for new market entry, companies looking at coming into the U.S. And I wouldn't pooh-pooh importing, because every time there's an -- somebody exporting to us, there's a business here called an importer that's making money and helping them. And so I think the exporting and the importing are both important. But Northern Ireland, again, it's a one-on-one consulting firm. They hired us for a group of eight companies.

Another way that we work-- In New York, you're probably familiar with their programs through the GEMS program. I think it's the Global Export Markets program. They hire a consulting firm one-on-one for new export markets to help a small to mid-sized New York company. Basically, what they do is they qualify consulting firms. They then give the company a choice of three. The company contacts the consulting firms, and they get a chance to talk to them. We get a chance to explain what we can do, and the

others explain what they can do. The company then chooses which of the three they would like to have help them. The New York GEMS grant is a \$25,000 grant the company has to give back in-kind, time, expenses and services. They have to show that they are a part of the process or they don't get the grant.

The first company that we worked with for New York through this program was a wonderful manufacturer, and New York was very anxious to keep them in New York. They were small, but they employed quite a few people and felt that if they could export it would increase their employment. They had had an experience prior, we found out, to going with a consulting firm to assist them. They had gotten a fax with an order from Argentina. So they said, "This is great -- \$5000. This starts us exporting." So they worked everything out, and they were selling \$5000 worth of goods to Argentina.

And then the Argentine customer called up and said, "Oh, by the way, do you mind paying the import duty?" Oh, they figured the import duty. Sure, why not. I will pay the import duty. This is so exciting, our first international sale. Well, in Argentina, they fund their social security system from their import duties. It was a \$5000 duty. So what you try to do is help avoid that kind of problem from happening, and this is what companies are going through.

So in New York, again, it's a one-on-one. They hire a consulting firm and then you assist the company that selects you. In Connecticut, they're using our international trade advisor to screen companies for export readiness because they have a limited budget. They have a limited number of dollars they can put to companies. They want to make sure the ones that they're

funding are actually ready or close to being ready for export. So we're contracting-- They have contracted with us for use of ITA to screen those companies to help them increase the weak areas before they start to export.

Baden-Württemberg in Germany is one-on-one. They've chosen us as a consulting firm to assist companies in the New York, New Jersey, Connecticut, Maryland area. That right now is a-- It has been several projects. There were some matchmakers where actually we heavily lobbied to get a lot of New Jersey companies in front of these German companies. I know there are three companies in New Jersey still in conversation with the companies that came over from Baden-Württemberg. So they brought over the trade mission. We helped to find target companies to meet with them, and there are conversations going on from that.

Again, being in New Jersey three years, I have to say as your situation has been explained to me, and as we have experienced, we certainly have -- feel that you have an excellent New Jersey Office of International Trade, that you have some very confident people there. And again, I'm looking strategically at ways that I see the task you have before you -- and excuse me if that's presumptuous -- but I see you as possibly being able to increase support to offices, perhaps creating new offices. You could qualify a consulting firm to assist companies. You can pick one for each company. You can give them a list of three to choose. You could select a consulting firm to assist specific groups of companies. You can prescreen their readiness and then pick consulting firms to help them.

The reason I am focusing on consulting firms is, No. 1, our experience with other regions and entities has been that a lot of them are

moving into, “Gee, we can’t hire all the kinds of expertise we need,” but if we can coordinate and pull together the expertise available to us, then we will contract with people to provide the services we need to do. And more and more, we’re finding people are going away from trying to contain it all in-house versus using the expertise available around that will help with what they’re doing.

I did forget this one (indicating slide) because this is very important. What is the financial arrangement? Incentive in the company is paid for a part of the program. In Northern Ireland, the agency paid for everything in their reconsidering because they felt like the companies didn’t take it seriously enough, since they were given the entire program. In New York, the agency pays for consultants’ work, with the company putting in comparable time and expenses. Baden-Württemberg companies pay for part of the service. And in Connecticut, the agency pays. Actually, they’re having a problem right now with the companies taking ownership of the report. They’re reconsidering having the company pay for a third to two-thirds of that program. I think that’s something you need to consider as you assist companies. A little skin doesn’t hurt to show that you’re going to take ownership and actually gain value from what you’re doing.

My suggestions, if I may be so bold, would be, No. 1, provide a consistent effort to companies that need help. I have heard, over and over again, this goes in cycles, and it goes in waves. There’s money available, then there’s not. In order to present to your New Jersey companies, “Here we are. We support you. We need for you to be exporting,” whatever you do, I strongly urge you to make it long-term and make it consistent so companies

know, “Gee, if I don’t rush and sign up now, in six months they’ll be doing something else, and I won’t have this opportunity again,” or, “I guess I’ve lost it.” But I think if you can somehow provide a consistent effort there, that that would be extremely helpful.

I would recommend that you increase support for your current Trade Office. I think you have wonderful people, and I think some more people would probably really be useful there. And I would strongly suggest you consider the possibility of using consulting firms to provide the hand-holding and the one-on-one service offerings. This, of course -- combined with the Department of Commerce programs and all the other available programs that are there -- this is again one way that other regions and areas have approached the issue of how to help our companies to export.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you very much. You have provided a lot of interesting information. The message we’re getting continually here is providing more money for the office. They have good staff, and let’s expand on it and do more. All right?

Thank you.

DR. AMEN: Absolutely.

ASSEMBLYMAN AZZOLINA: Okay. Jose Gomez-Rivera. Did I get it right? (referring to pronunciation)

JOSE GOMEZ - RIVERA: Yes.

ASSEMBLYMAN AZZOLINA: Pretty close.

MR. GOMEZ-RIVERA: Yes.

ASSEMBLYMAN AZZOLINA: The Acting Director of the International Trade, State Commerce and Economic Growth Commission--

We wanted to leave you to the end so you could hear all the comments, which would be more beneficial to you anyway.

MR. GOMEZ-RIVERA: Yes -- very appreciative of that.

ASSEMBLYMAN AZZOLINA: And we're not here to hurt you. We're here to help you--

MR. GOMEZ-RIVERA: Yes.

ASSEMBLYMAN AZZOLINA: --like I said to you on the train or subway, where I saw you.

MR. GOMEZ-RIVERA: Chairman Azzolina, members of the Assembly Commerce Committee, on behalf of Secretary Medina, I thank you for this opportunity to share with you this afternoon the efforts undertaken by the New Jersey Commerce Commission in the area of exports and small business.

I am Jose Gomez-Rivera, Acting Director of the Commission's Office of International Trade and Protocol. Let me begin by sharing with you the impact of international trade on the State of New Jersey.

Over 600,000 jobs in New Jersey directly depend on the unhindered flow of international commerce and on the State's continued attraction of foreign investment. Approximately half of these jobs are maintained by the \$22 billion generated by international trade in 1998. The remaining jobs are directly tied to the 26 billion in foreign investment, primarily in production, research, and distribution facilities located in the state as affiliates of foreign corporations.

The significance of the international market on New Jersey's economy cannot be overstated. New Jersey has witnessed 14 percent growth in international trade between 1995 and 1997. According to U.S. Department of Commerce estimates, every billion dollars generated creates and maintains 12,000 new jobs, and salaries tied to international trade are approximately 15 percent higher than the average wage. Every job created in this sector adds \$3992 to State tax revenues.

The Office of International Trade and Protocol supports the flow of trade between New Jersey and its businesses and our foreign commercial partners through a variety of programs and trade missions.

We are very proud of the ambitious efforts to assist New Jersey businesses enter and succeed in the international business arena. We have developed useable mechanisms that will support New Jersey companies interested in foreign trade. One significant effort is our coordination with the programs offered by the Federal government to help small and midsize businesses. The Commission's Board of Directors has authorized Secretary Medina to execute memoranda of understanding with the United States Export-Import Bank, Ex-Im Bank, and the United States Agency for International Development, USAID.

The memoranda will strengthen New Jersey's assistance to our business communities, especially our small to medium-sized export firms. These firms, some of which are new to export and others which are export ready, frequently call the Commission staff with technical questions or inquiries as to how to mount an export campaign in foreign markets. Their desire to engage in complicated business activities in the export foreign

markets suggest that the Commission must, in order to maintain a business-ready posture, be prepared to offer information on vital programs on all levels of the export foreign market.

Other firms which are not yet ready to export call Commission staff, seeking information on how to become export ready. Both Ex-Im Bank and USAID provide such information services to these firms. They offer a range of programs and services designed to enhance the global competitiveness of American companies by expanding their options in export marketing, technical assistance, finance, and strategic alliance formation. By signing cooperative memoranda of understanding with Ex-Im Bank and USAID, the Commerce Commission will facilitate and help expedite the communication process for small to medium-sized export firms that are export ready or new to export.

Another very important feature about the Ex-Im Bank's agreement is that it will allow us to serve as a conduit between our small and mid-sized companies and the financing available through Ex-Im Bank. We expect to have the Ex-Im Bank MOU signed next month. We are coordinating schedules with USAID to sign their MOU.

Significantly, through these memoranda, New Jersey will level the playing field among states. Other states have long been partners in the Ex-Im Bank and USAID efforts, but New Jersey was not. Now New Jersey has joined a number of other states that have already increased their export levels through greater access to these programs offered by Ex-Im Bank and USAID. The Commission, furthermore, will not incur any costs under either memorandum.

We have also coordinated our efforts with representatives of institutions of higher learning, namely, Rutgers University, Mercer County Community College, and William Paterson College, among others. We are utilizing the multitude of international business and governmental contacts available through the schools of international business at these institutions, as well as individual officials and faculty members, to help us more directly and quickly connect with key people in various nations.

We are also closely working with State-based organizations, such as the New Jersey Business and Industry Association, the New Jersey Chamber of Commerce, and the District Export Council, and others that are interested in supporting international trade. We are keeping open the lines of communication to remain responsive to emerging issues and evolving circumstances.

The work done by our Foreign Trade Office operations is also a key component of the Commerce Commission's international trade efforts. The State has an official presence in four locations worldwide. Currently, the Office of International Trade manages three offices located in London, Tokyo, and Mexico City. The New Jersey Israel Commission oversees the State's Israel office.

All of our foreign offices were established to create a tangible and permanent presence in New Jersey's principal foreign markets to sustain existing commercial relationships and expand and access on-the-ground opportunities as they emerge. Our offices provide New Jersey businesses with a quick reaction capability, facilitating contacts and establishing relationships with their respective markets.

Our representatives are tasked with assisting New Jersey companies in areas such as strategic partnerships, technology transfers, market access, government-to-business contacts, and overall trade facilitation. The four regions served by existing New Jersey trade offices account for \$17 billion in annual exports or 77 percent of New Jersey's total world trade. The State exports 22 percent of its total world trade to the Pacific Rim, 25 percent to the European Union, 23 percent to NAFTA nations, and 7 percent to the Middle East. In each case, our foreign offices play a crucial role.

The value of foreign offices is quite significant. They confirm our State's interest in global trade and our overall relevance abroad. New Jersey's foreign trade offices remain our most visible commercial and economic presence overseas, while providing invaluable assistance to our business community in the international arena.

The Commerce Commission has also been instrumental in the development of highly successful trade missions. These significant efforts to inject New Jersey's companies into the foreign regions is designed to promote New Jersey businesses, open access to new markets, expand existing markets, and strengthen our State's influence with policy makers overseas. In one of our most recent trade missions -- to Mexico in Fiscal Year 1999 -- we brought together 20 Fortune 1000 companies, and 18 small to midsized ones, under the leadership of Governor Christine Todd Whitman to our principal Latin American market. The participants received 98 prospective trade leads, with a potential sales result of \$302 million and actual sales of up to \$32 million. Governor Whitman and Secretary Medina were received by Mexican President Ernesto Zedillo and held high-level talks with Mexican officials, widening and

deepening our State's access to Mexican decision makers and effectively lobbying on behalf of our State's interests.

At another official trade mission, led by Governor Whitman to South America, focusing on Argentina, Brazil, and Chile, we were able to take 32 Fortune 1000 companies and 18 small to midsized companies. They participated in approximately 300 meetings. Survey results indicate that \$110 million in potential sales and \$5 million in actual sales were generated by this mission.

While not considering establishing a full-fledged trade office, establishing trade representation in the Asian mainland is of paramount importance. China has emerged as a dominant commercial participant in Asia and continues to command widespread attention in the global marketplace. In 1998, total New Jersey exports to China and Taiwan equaled \$1.1 billion or 5 percent of New Jersey's total exports. As a result of the increased focus on international trade with China, the Commission is currently spearheading efforts to take New Jersey business leaders to the Far East.

Governor Whitman will lead a major trade mission to Asia in May. This mission will count on the participation of New Jersey's Fortune 1000 companies, as well as a sizeable contingent from the State's small to midsized enterprises.

The Pacific Rim represents a critical export market for New Jersey as well as an important source of foreign direct investment. The mission will focus on Japan, South Korea, and Taiwan. In each case, the mission goals are to deepen and revitalize trade and bilateral economic ties. These are particularly important due to the lingering impacts of the Asian crisis.

By focusing on this market, New Jersey is protecting its commercial profile and taking proactive steps to restore important market activity to precrisis levels. It is an important and necessary strategic commercial overture that will guarantee the vigor of New Jersey's economic presence in this significant market.

Thank you for inviting me today. I will be happy to answer any questions the members of the Committee may have.

ASSEMBLYMAN AZZOLINA: First question-- Have you learned something from the small companies that you heard from today here -- some of their future needs? I know you talk about big companies, small companies, but we still think there's a lot more that could be done with more money. The Commerce Committee, the Commerce Department, at one time, had a budget of \$5 million or \$7 million. Maybe when-- Assemblyman LeFevre was there at the time. When were you there, Deputy Commissioner?

ASSEMBLYMAN LeFEVRE: I was there from '82 to '90.

ASSEMBLYMAN AZZOLINA: At that time, they spent a lot of money, didn't they?

ASSEMBLYMAN LeFEVRE: Extremely large amount of money, yes. There was a lot of dollars devoted towards trade shows, too, not just trade mission, but trade shows, and that seems to be the missing ingredient right now that I really would like to see consideration be given in the near future. Whereas, trade missions and I-- I have to tell you, I did participate in two of the trade missions with the Governor. They were very effective. They were very, very well-planned and orchestrated and were a great tool for the companies who participated in them. But I still think the trade shows, where

you take New Jersey companies overseas to an electronic show in Singapore, or whatever, there's a great opportunity. I think we're really-- That's an area I don't think is being funded. I think the Director will support me on that.

MR. GOMEZ-RIVERA: Yes. We have to participate in trade shows strategically. We have to be very careful in terms of resources.

ASSEMBLYMAN AZZOLINA: Well, that's what we're talking about. They need more resources.

MR. GOMEZ-RIVERA: More resources are always welcomed--

ASSEMBLYMAN AZZOLINA: Right.

MR. GOMEZ-RIVERA: --Assemblyman Azzolina. We are considering potential initiatives that we can take in order to expand our focus on trade shows and expand our assistance to small to midsized companies.

ASSEMBLYMAN AZZOLINA: I was in one of the countries -- I think it was Hungary -- about four or five years ago, and I visited the Chamber of Commerce there. They told me about the representative from Illinois was really good. I met with her. She had an office in one of the accounting firms, major accounting firms from the States, and she got that service for free, paid for telephones and a few other things. She said the date -- if she wasn't at that time there, that the state of Illinois picked up a tremendous amount of business and telecommunications and telephones and all that. They had a major contract in Hungary at the time.

These stories can be told over and over. I know you can't be in any country -- all the countries. I think we can be in more countries than we are. London is London, but there's Central Europe and Eastern Europe, and there's parts of Asia, parts of South America, other than Mexico, you may

need. Maybe we can fund, someday, eight or ten offices overseas. But then they also, when they're there, they can travel to these other countries and deal with members of firms in these other countries nearby because their countries and a lot of countries are the size of some of our states.

MR. GOMEZ-RIVERA: We just, in fact, participated in a major, regional trade show in Panama. I have obtained sizeable contracts for New Jersey companies that travel there.

ASSEMBLYMAN AZZOLINA: Right. Right.

MR. GOMEZ-RIVERA: We are trying to strategically focus on trade shows, as well.

ASSEMBLYMAN AZZOLINA: We have one other speaker.

Any other questions to this?

Yes.

ASSEMBLYMAN LeFEVRE: Just one other point-- You mentioned many of your partners in your comments. One that you did not mention includes the Port Authority of New York and New Jersey, as well as the Delaware River Port Authority and Delaware River Bay Authority. What are you doing with regard to them? They, years ago, used to be a tremendous resource, and I know maybe sometimes there are some other things going on between relationships between governors of states that have impacted what it is that those Authorities do for the State. They, at one time, were probably the prime partner for the State of New Jersey in getting things done.

MR. GOMEZ-RIVERA: We still work very closely with both the Delaware River Port Authority and the New York-New Jersey Port Authority. In fact, in Tokyo-- Our trade office in Tokyo shares office space, and we do

receive invaluable assistance from their representative, the Port Authority's representative in Tokyo. In fact, he will be assisting on the trade mission, which is taking up a great deal of our resources and time.

ASSEMBLYMAN LeFEVRE: Thank you.

MR. GOMEZ-RIVERA: Okay.

ASSEMBLYMAN AZZOLINA: Any other questions? (no response)

If not, I'll call on Ira Shaffer.

Thank you very much, and we'll be working together on some of this stuff.

Ira is the Secretary-Treasurer of the New Jersey Food Processors Association in Southern New Jersey. I thought we lost all our processing.

I R A S H A F F E R: No, thank God, we have a considerable number.

ASSEMBLYMAN AZZOLINA: When you say process, do you mean fresh stuff or canned?

MR. SHAFFER: The total amount-- There's some 700 food processors in the State of New Jersey.

ASSEMBLYMAN AZZOLINA: Processed package goods?

MR. SHAFFER: Yes. There's only one actual farm-to-can anymore in terms of tomatoes, and that's in Williamstown.

ASSEMBLYMAN AZZOLINA: Yes. I heard that.

MR. SHAFFER: Yes.

ASSEMBLYMAN AZZOLINA: I was asking Campbell Soup last night. I ran into the Director -- one of the directors -- and explained why they had to move out of state because the cost was too much here, compared with

canned merchandise in other areas. I guess that's what you're facing all the time.

MR. SHAFFER: Plus the year-round growing situation in California and other places--

ASSEMBLYMAN AZZOLINA: Yes. Right.

MR. SHAFFER: Thank you, Assemblyman Azzolina and Committee, for the opportunity to be here today. I look forward to discussing my experiences with New Jersey firms that are pursuing the international marketplace. I serve as both the Director of the statewide New Jersey Food Processors Association and as President of the Cumberland County Chamber of Commerce. These roles have enabled me to see firsthand the various issues that face companies when they want to export, and I'd like to share that insight with you today.

Many companies in the New Jersey Food Processors and in Cumberland County Chamber of Commerce are pursuing export strategies to expand their sales base. Many of these companies are small and medium-sized businesses who aren't able to dedicate an entire individual to developing new international sales.

I suspect it is the needs of smaller companies which most drive the types of services that public agencies are looking to address in their export promotion efforts. Public programs are often designed to afford to smaller companies the expertise and tools needed to develop new exports strategies and markets. This expertise is often financially prohibitive if purchased in the private marketplace. At least in the early stages of developing export sales, a smaller firm often can't afford to hire, for example, a large consulting firm to

teach them how to export. Therefore, it is the smaller and medium-sized firms that I'd like to focus my comments on today.

I think it's worth mentioning that, even though I'm referring to smaller companies, their potential benefits to the State economy, if successful in exporting, are great. The U.S. Department of Commerce has identified that for every million dollars of new export sales, it creates 13 new jobs. Additionally, companies that are competitive in the global market tend to remain more competitive as economic trends change because they have diversified their market base.

Southern New Jersey is fortunate to host many smaller companies with globally competitive products. We in the business community are always searching for additional ways to help leverage those competitive products into new sales, with hopes of continuing economic wealth in the region. However, these same companies, while not necessarily to be able to afford a private consultant to develop their export markets, can also be export ready. That means they both make a product that has some type of competitive advantage, and they have decided that they will commit some type of resources to turn that advantage into actual export sales. Their dedication of resources may be a portion of someone's time to follow up on trade leads, capital to fund travel abroad to meet with potential agents or distributors, or capital to participate in foreign and domestic trade shows.

These companies are eager to investigate new market opportunities but need assistance, the type typically provided by the U.S. Department of Commerce's Export Assistance Center, in Trenton, the State, or regional providers. In my experience, there are several key tools that public agencies

can offer to increase a small or a medium-sized firm's chances of succeeding in the global marketplace. First, it is helpful for these companies to have access to a well-rounded calendar of trade missions and shows. For instance, when the State leads its firms to a new market, smaller companies can benefit by being escorted by knowledgeable staff, while traveling in that marketplace, having reduced rates of matchmaking with key business contacts, or networking with other firms in their industry. Also, industry trade shows, wherein the State takes a booth to help establish the State as a leader in that industry.

For example, the Delaware River Port Authority, which is working with several precision glassmaking companies in the Cumberland County region, is looking at strategies to brand name Southern New Jersey as the region for manufacturing of superior precision glass products. The glassmaking industry could, therefore, market the region while expanding export sales at key shows around the world.

Second, small and medium-sized firms need access to high quality market research from which they can learn to develop a company-specific export strategy. Market research is utilized to identify best prospect's markets for their products' market entry strategies and company profiles. This information enables a company to utilize financial resources in a streamlined manner that yields more likely export sales.

Third, firms need access to overseas representatives who can help them identify and screen key partners. It is fortunate that New Jersey has four overseas offices, with more proposed. However, I encourage the Commerce

and Economic Growth Commission to deliver the expertise of these offices to the State's small and medium-sized firms.

I recently learned about the Commonwealth of Pennsylvania's export promotions program. It seems to have yielded extraordinary results. Pennsylvania has 15 overseas offices, more than any other state in the country. Each office is staffed with an individual dedicated to helping the state's smaller firms obtain market research and identify business partners. The system works like this: A company works with a regional provider of export counseling to develop an export strategy which identifies the best market prospects. Based on the initial strategy, the company sends its company profile and objectives to the overseas office.

If, for example, the company is presenting a distributor in Mexico, the Pennsylvania overseas office in Mexico will seek out, firsthand, potential distributors that fit the profile of that firm. The information provided by the overseas office is extremely powerful. Many of the firms who have received affirmative information decide to travel to the markets to meet face-to-face with their potential partners. And this is part of that extraordinary 75 percent of Pennsylvania firms that travel on a state mission, or show, get in export sales. Seventy-five percent -- that's high. Clearly, one of our goals in working with these companies should be to establish a pipelined system that gets these companies to the global marketplace.

Lastly, I believe that the crucial glue that takes the preceding components and turns them into a productive strategy is one-on-one export counseling. For example, one of the reasons that Pennsylvania feels its firms are so very successful after they travel on a mission, achieving again that 75

percent success rate, is because the companies are continually working with a trade specialist. These are the same trade specialists who have helped write an export strategy for the firm and which identified the potential trade shows in which they participated. And again, which provided, when they came home, ongoing counseling.

Many of the services I just mentioned are currently being provided by the U.S. Department of Commerce, New Jersey Commerce and Economic Growth Commission, and regional economic development agencies, such as the Delaware River Port Authority and the Delaware River Bay Authority. However, what I think is most needed in providing these services to smaller firms in New Jersey is coordinated and layered methods of delivery of these services. If we want to continue New Jersey's success in the global market, we need to find ways to leverage the resources available to small and medium-sized firms. Regional, State, and Federal agencies providing these services now and other partners, like chambers of commerce and trade associations, should be working together to deliver a menu of export services to firms that need our assistance. Whichever service best serves that particular firm, whether it be a state or Federal program, should be available to the firm with the expertise of a trade counselor.

I commend the Assembly and Senate for Bill No. A-1966. In my opinion, this bill was a step in the right direction. It recognized that the State's program could be leveraged to new heights if partnered in a more systematic method with local and regional agencies to deliver export promotion services. I think the message in the bill that's important is this, that smaller- and medium-sized companies we want to help benefit most by having access

to a variety of tools and resources in developing their export potential. But their use of these tools and resources is clearly maximized when working in a coordinated system. Obviously, long-term strategies focusing on regional strengths would be extremely beneficial.

Again, I thank you, and I am available to answer any questions you may have.

ASSEMBLYMAN AZZOLINA: Ira, what's the population of Pennsylvania? Do you have any idea?

MR. SHAFFER: Pennsylvania's population is, I believe, three times the size of this state.

ASSEMBLYMAN AZZOLINA: Three times, 24 million.

MR. SHAFFER: Yes.

ASSEMBLYMAN AZZOLINA: That big? I don't think it's that big.

ASSEMBLYMAN LeFEVRE: I think it's about 11 or 12 million.

MR. SHAFFER: Twice? Twelve.

ASSEMBLYMAN AZZOLINA: Twelve. So when I said before 10 foreign losses, we relate to 15 in Pennsylvania has, basically.

I want to thank you very much.

We had groups from all over the state. It was well-represented.

I'd like to acknowledge Melissa, from the Delaware Port Authority. She and I had an interesting conversation on the train. I'm glad you've been having discussions with Deb over here and keep it up because we'll eventually solve that problem we were talking about. Okay? Do you want to say

anything? (negative response from audience) Okay. Very sharp lady there, a lot of knowledge, as Deb is.

Okay. Thank you very much. We'll have this transcript, I hope, within a month. You think that quick? Okay, good. We want to get it distributed.

We'll start working together with the Commerce Commission and others to start promoting legislation that we need to improve our operation.

Thank you.

(HEARING CONCLUDED)