

“Making it in America: Innovate Locally, Export Globally.”

Remarks by Don Gallion

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I am Don Gallion, a founder, former President, CEO and Chairman for 22 years of FCX Systems, Inc. which was started February 10, 1987. In 2009 I stepped down to Senior Vice President of the Company to allow a new Investor Company to put their own President in place. FCX Systems is a Design and Manufacturing Company located in Morgantown, WV. We design, manufacture, and sale Power Supplies and Air Conditioning Equipment to the Aviation Industry, both Military and Commercially. FCX started Exporting in 1988 and currently sells product in 78 countries on all seven continents.

I am and have been a member of the West Virginia Export Council for 21 years and Chairmen of the West Virginia Export Council for the past 19 years. The West Virginia Export Council is one of 61 DECs (District Export Councils) throughout the United States. DECs were formed when the President of the United States in 1960 asked the Secretary of Commerce to enlist the efforts of US Business in enlarging export opportunities for American Firms. Responding to the challenge, the National Expansion Council was formed. From the recommendations of this Council, the President signed an executive Order in 1973. This order directed the Secretary of Commerce to establish District Export Councils throughout the US. In 1974 the Secretary established the first 41 DECs, which West Virginia was one of these. Under the Secretary’s guidelines, the District Export Councils were created to specifically promote Exports in their local communities. This is still our mission today; try to help West Virginia Companies to Export. This is done a number of ways. We do one on one meetings with potential export ready companies. We hold seminars and conferences explaining how to do certain Export related activities. We speak to groups, schools, and organizations about Exporting. We visit clients with the West Virginia Development Office as well as the DOC offices in the state. We also help be the coordinator in our state (West Virginia) to keep all the various Export Assistance Help Groups on the same page and working together.

We are extremely fortunate in West Virginia in that all Export assistance groups work together to accomplish the most good for West Virginia Companies. We

have the State Development Office, Department of Commerce(USEAC), West Virginia Export Council, SBA, EXIM Bank, Universities, and many Representatives and Senators Local Offices. These are great sources for West Virginia Companies. Unlike other States, these groups all work together to help our West Virginia manufactures'. This unified approach is very rare and unique to West Virginia. I also spent 7 years as head of the National District Export Council spending a lot of time with our 1600 members, Department of Commerce, and states from all over the country. From this experience, I can tell you that no other state comes close to working as well as West Virginia does with all its' Export Assistance Partners. Other states are envious of West Virginia in this function. This working relationship allows the most help for the fewest dollars spend and greatly benefits West Virginia Exporters.

West Virginia Manufacturers are much like most US manufacturers, currently on the down turn. Those that have an Export piece to their business are doing better than those that do not. Many International Economies are recovering much faster than the United States. FCX Systems is currently seeing 72% of its' future near term business potential from overseas. The biggest barrier facing Manufacturers aside from a slow economy is tight money. Everywhere I go I hear the same complaint. *"I can't get credit." "Credit has dried up." "There is no cash for Inventory purchases." This is holding back* companies from being able to recover more so than the lack of orders.

Let's take a look at why Exporting is so important to Companies aside from the fact they are a good market opportunity. It is simple, the Global Economy. Everyone has heard about the Global Economy more times than you care to think about. We have heard it on the TV, in newspapers, magazines, radio shows, and business Journals to just name a few places. It has had a lot of traction for a number of years. Did you ever stop to think about what the Global Economy really is? Well let's dissect it a little. First there is Global, which must mean the whole world. What about the whole world? What does our Economy have to do with the whole world?

Next we have Economy. What does the Economy really mean? It is a word that is used a lot, but what does it really mean? After debating this for a sometime, I decided to look it up. I went to the dictionary and it said economy is a system of

producing and distributing the material needs of a society. Therefore, the Global Economy is telling us the World is impacting our system of producing and distributing the material needs of our society. Our Material needs, our distribution, and our society is all now world based. That could be a little scary.

We all thought we knew what the Global Economy was all about, but when you put in these terms, it is quiet profound. We are dealing with a World Wide Economy, in which our economy is just a little piece of the pie. We no longer have independent economies based solely on local or state or even country actions. These actions still impact us, but they also impact people half way around the World from us. Those people's actions also impact us. This means our ability to work for a living, feed our families, save money and even our market is now a world affair.

Today our world is a much smaller place than it used to be. Cell phones, computers, faster and faster jet aircraft, and the internet, have all contributed to the smaller world we find ourselves in today. Our world has forever changed and will continue to shrink with newer and newer technology. It is getting smaller by the day, at least in terms of how we travel around it, how we deal with communications and create deals throughout the world. It is now easy to see, why today, no one can ignore the Global Economy.

Not that many years ago, any company could be content selling product in it's' neighborhood, its' state, or at least on a national basis. Only large Fortune 500 companies dared to EXPORT. The rest of us would never consider it. Today, if a company is not Exporting, they will wake up one day and find they are out of business. Out of business you say, how that can be? It is real simple, thanks to the Global Economy; their competitor is no longer some one down the street or even two states away. Today their competitor is half way around the world. If they are not selling on his soil, be assured, he will be selling on theirs. Some day in the not to distant future, they may wake up and find their competitor has taken

their customer base. They are suddenly left without a business. They can't just sit there and let this happen. They produce a quality product that is desired around the world. They can and must Export. All companies must export.

Without Export participation, a company will not be a long term player. It is my opinion; all companies must participate in the Global Economy to survive in the long term. You not only need to Export as a company, we must export as a nation. We have seen our core businesses change as the Global Economy has impacted our competitiveness, but our nation must Export more today than ever before. Throughout history, Presidents have pushed our nation to Export. Here is what a couple has had to say.

President Regan –“We have the talent, the skills, and the products to compete. We just need to encourage American Business to take the Challenge.”

President Clinton – “World Trade, whether conducted in Person, on paper, or on-line, remains the cornerstone of America’s Economic Growth.”

Additionally, a cornerstone to President Obama’s Economic Recovery was to ask American Business to double their Exports in the next five years.

So it is easy to see that Exporting is important to our National Economy. All our companies make high quality products that are desired around the world. They can all Export. All we have to do is make an effort and reach out to any of the number of West Virginia export assistance organizations that are available for help. They need to know where to get answers to their questions and they need to take the fear of Exporting away. We have that to offer, we just need to be sure our companies know about it. I previously talked about these organizations, but I

just wanted to list them with a small explanation of the Export assistance they provide.

West Virginia Development Office- International Division – This group takes West Virginia Companies on Trade Missions to various countries. They take companies to Trade Shows in other countries as well. They call on West Virginia Companies to help them with all aspects of Exporting. They work closely with all export assistance groups, but practically with the Department of Commerce Export Assistance Centers (USEAC) in Charleston and Wheeling and the West Virginia Export Council.

West Virginia Export Council –They work one on one with West Virginia Exporters answering any concerns or questions they have. Their very experienced membership, consisting of both experienced Exporters and Export related occupations and are all appointed by the Secretary of Commerce, can address any Export question or problem that comes along. They hold Seminars and teach various aspects of Exporting. They have conducted a class for the last eight years in conjunction with West Virginia University called the Export Management Class. This class has helped over Fifty West Virginia Companies Export for the first time. It has also trained over 300 students in Exporting operations. Additionally we talk at schools and other organizations promoting Exporting. We also contribute funds we raise to help companies attend State sponsored Trade trips. We also act as the overseer to all the other Export Groups to see we do not compete, overlap, or head in the wrong direction.

Department of Commerce (USEAC)—These offices located in Charleston and Wheeling do a great job for West Virginia. In my opinion this might be the best spend Federal Dollars to come into our state. If this group had more to spend, we could see West Virginia Exports rise in accordance to the Budget supplied these amazing people. They council people, set up Gold Key appointments, get

information from overseas offices, conduct training, help the Development Office with Trade Missions and Shows, as well as speak on behalf of Exporting. They also work with the West Virginia Export Council serving as its' Executive Secretary.

Small Business Administration and EXIM Bank – Both Groups work together and Independent. EXIM has the high balances of loan available, but also the most red tape. They both offer special loan programs for US Companies that Export. In some cases they will even loan your foreign customer the money to buy your product. Export receivable insurance is offered as well giving you the ability to offer more favorable terms and increase your Export sales.

The above are the biggest Export assistance help West Virginia Companies have. It is great and it has brought West Virginia a long ways in just a few years to truly understanding Exporting. We all still have a ways to go to continue this education process, but it is nice to see progress. The last 5 years, West Virginia has out paced the nation in Export growth. See below.

Year	US Export Growth	WV Export Growth
2006	14%	25%
2007	12%	23%
2008	12%	42%
2009	14%	18%
2010	21%	33%

As this shows, West Virginia is making big steps in getting West Virginia Companies to Export. As I discussed earlier, President Obama has asked the nation to double Exports in 5 years. Last year West Virginia doubled its' Exports in the last five year period. In 2006 West Virginia Exported \$3.2 Billion. In 2010 we had grown exports to \$6.4 Billion. So it is easy to see West Virginia is making big strides in Exporting. This is extremely important when you consider the Global Economy.

Also it is important when you consider that 98% of the World Customer base is outside the United States. Of all exporters in the US, 95% are small Business, 85% are selling to only one country, and we must not forget, our competitor is now half way around the World and we must compete. We must go out and get our fair share.

Barriers facing Exporters are problems that the Federal Government needs to address. First we don't get to compete on a level playing field. All of our foreign competitors have trade agreements with other countries where they trade with each other tax free or nearly tax free. Our products are taxed coming into the countries; therefore our sale price is higher than our competitors. We need the Senate to approve existing trade deals and help US companies create the jobs our nation needs. We need to push the President to negotiate more trade deals and give US Companies a fair chance. After all, most of these countries enjoy Free trade status with the US anyway. So they sell their products to us tax free, but we don't get the same treatment while selling our products to their countries. We can compete with anyone, but not when the playing field is leaning toward our competition. This can be very discouraging especially to new companies trying to Export for the first time.

Another barrier, we as Exporters face is trying to get our customers into the US to see the product they want to buy or are buying, to train customer service personnel, and to conduct meetings. I understand terrorism better than most. I have to worry about it almost every day as I travel throughout the world. However, we must put some sense back into the Visa application process. At the moment it is like the bully at the school yard that gets a charge out of beating people up because they can. Our agents seem to get a charge by denying our customers Visas and then refusing to even talk about it. Exporters, me included, lose sales every day because we can't get the customer a Visa to make a legitimate business trip to our country. I lost two sales opportunities totaling over a half million dollars this week alone. Yes, we need control, but we also must control those dictating visas. There must be a better way.

Both of these laws have a very negative impact on US Exporters and will slow if not stop new Exporters. In summary, West Virginia Manufacturers are doing well if they are Exporting. The need for more credit is a big problem for not only West

Virginia manufactures, but manufacturers as a whole. We have spent Billions of dollars trying to create jobs. Surely we can create cash for our Nations banks to help free up cash to small business. I believe we created a program to do this, but I can tell you, it is not working. We are doing better with Exports in West Virginia, but we need to continue to push harder for more companies to get involved both in West Virginia and throughout the country. The Federal Government needs to address the barriers they have thrown up for Exporters and give us a more level playing field. The Department of Commerce is one Government agency that is helping this Nations business. Let's quit trying to reduce their budget year after year and give them monies they need to not only continue to help American Business, but expand their programs so they can help even more American Business. If we try to address these issues, we all will be better off.