shows that in the last two recessions small and medium-sized enterprises (SMEs, defined as having fewer than 500 employees) led the jobs recovery, with SMEs beginning to increase hiring while large companies were still shedding positions.

- In a Forbes interview, David Wei, chief executive of Alibaba.com, the huge Chinese-based Internet service where businesses find and sell to each other, said the US has been his most important market for buyers, but few US businesses are registered as sellers. Americans, he said, are “blinded” to opportunities overseas because of the size of their domestic market.

- My annual reread of the famed Austrian economist Joseph Schumpeter, who defined entrepreneurship as the “creative destruction” of rigid, existing thinking and therefore the source of innovation and technological change.

- Fareed Zakaria noted in an essay in Newsweek (Dec. 14, 2009): “The history of great powers suggests that maintaining their position requires, most crucially, tending to the sources of their power: economic growth and technological innovation. It also means concentrating on the centers of global power, not the periphery … it is important to remember that in the coming century it will be America’s dominant position in Asia … that will be pivotal to its role as a global superpower.”

My experience is that when bad times hit, it often leads to a surge of new enterprises as people who had nice corporate jobs are suddenly forced onto the street and their creative juices ignite their entrepreneurial dynamite. In the 1970s, Boeing’s troubles led to the caustic phrase, “Would the last one out of Seattle please turn out the lights.” As a young engineer expecting a long career and comfortable pension with Boeing, I got a rude awakening — and went on to an exciting and profitable business career.

Asian and even American businesses have long seen the US as chiefly an export destination for Asian products. But as the effects of the recent economic crisis in the US continue to show up in weak employment numbers, there are signs that US policy makers are beginning to see that future job growth will require businesses to begin to see Asia as a vibrant and natural export market for US products, writes aerospace entrepreneur Spencer H. Kim.

US PRESIDENT Barack Obama has announced a goal to double the country’s exports in five years. Secretary of Commerce Gary Locke has outlined the “National Export Initiative” to implement the plan. Make no mistake about it, this is important, for both the United States and Asia. It is the most visible result of the conclusion that “exports = jobs” and that the two are the catalysts for getting the US economy back on track. Given the economy’s importance to Asia, this means American exports, and jobs, are now also an Asian concern.

With these thoughts buzzing in my mind, four disparate items I read recently came back to me, and gave me some insight into how we — and by this I mean both the US and Asia — might take concrete action to stimulate both job creation and a better focus on international business opportunities for Americans.

- The US Small Business Administration Web site
I had been afraid that the approach to the current recession was to try to patch things up and hope the good old days will somehow return. Could we do more to stimulate the small businesses and entrepreneurs who will lead a jobs recovery? Many new businesspeople use the equity in their home for start-up funds. With so many underwater mortgages, this route is closed for many budding entrepreneurs. Current laws create a lot of disincentives and costs for hiring new people. Banks are being super-cautious. Government Small Business Administration loans come full of red tape. New hires mean insurance costs. Can we analyze things better and devise tax and other laws, as well as loan rules, so we stimulate the kind of economic activity that maximizes job creation?

There is no doubt that SMEs drive employment in the US. In the last 15 years they have generally created 60 to 80 percent of new employment each year. What is even more relevant is that in the years following the last two recessions in the US prior to this one — 1991 and 2001 — SMEs accounted for all net job creation in the recovery phase. In 1991 the US lost 1.2 million jobs; in the 1992-93 recovery, SMEs added 2.6 million jobs while big business was still losing another 161,000. In 2001, the US lost 2.6 million jobs, 2.2 million of those from big companies. In the 2002-03 recovery, SMEs added 5 million jobs while big business was shedding another 500,000 employees.

In this recession, the US employment picture has been persistently difficult. Unemployment still runs at nearly 10 percent, creating a real political problem if the equation is perceived to be “trade = jobs lost to foreigners,” which can lead to calls for protectionism. But if people can be made to perceive the reality that “exports = jobs,” then a more vigorous American trade policy is possible, and the American market remains open to Asia.

The National Export Initiative (NEI) gives me...
some optimism. Secretary Locke’s speech outlining the NEI says it calls for, “a more robust effort … to expand trade advocacy in all its forms, especially for small and medium-sized enterprises. This effort includes educating US companies about opportunities overseas, directly connecting them with new customers and advocating more forcefully for their interests.”

He called for “improving access to credit, with a focus on small and medium-sized businesses that want to export.” The initiative creates an “Export Promotion Cabinet” reporting to the president and consisting of top leaders from the Commerce, State and Treasury Departments, the US Trade Representative, the Small Business Administration, the Export Import Bank and the US Department of Agriculture. A concrete, integrated plan is to be developed by the end of this summer.

Will the NEI work? Can we get the blinkers off American business, especially the SMEs and entrepreneurs, and focus on the opportunities for export as technology gives greater direct access to markets and buyers globally? The Alibaba.com numbers are instructive. Alibaba has 45 million registered users, typically enterprises with between 50 and 100 employees; 35 million are Chinese and 10 million are non-Chinese, of which 1.9 million are in the US. But only 70,000 of these 1.9 million are registered as sellers, the rest are buyers only.

Economists predict that much of the Pacific Rim’s growth in the coming decade will be on the Asian side. The US needs to recover its economic vitality for it to continue to play its role as a reliable market for Asia. The paradigm should no longer only be Americans finding a cheap manufacturer for something they want to sell in the US, it should also be Asians becoming a buyer for high-quality products and services produced in the US, and for American SMEs actively searching for Asian customers.

The political reality is that for the US market to remain fully open to Asia, it is likely the unemployment picture has to improve. The economic reality is that there are literally tens of thousands of American SMEs that produce top quality products and services that can help the bottom line of Asian businesses and the needs of Asian consumers. But these realities have not yet fully dawned for those on either side of the Pacific. The connection has to be made; the technology to do so is available.

We have a major teachable moment approaching, both for exports and to reinforce Zakaria’s point that the US and Asia need each other in the coming century. The US will chair the Asia-Pacific Economic Cooperation (APEC) forum in 2011, and President Obama will host the presidents and prime ministers of APEC, who together represent 41 percent of the world’s population, 54 percent of world GDP and 43 percent of world trade, in Honolulu in November of that year.

APEC is the only organization that ties all the major economic players of the Pacific Rim together formally. Hopefully the media attention in the US on the Honolulu meeting and the various sectoral meetings that will precede it throughout the year in various US cities will raise awareness about the economic opportunities in the APEC region. Likewise, hopefully Asians will begin to see the vibrancy of the US as a place to buy and to seek safe and reliable suppliers.

The economic events of the last two years have been traumatic. But out of trouble often arises opportunity. As Schumpeter so famously observed, if the trauma leads to creative destruction of old ways of thinking, then the entrepreneurial spirit can be awakened and unfettered. Those American SMEs with world-class products and services must now become international players, for the good of America and for the good of Asia and the rest of the global trading community.

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