



January 30, 2020

The Honorable Lindsey Graham
290 Russell Senate Office Building
Washington, DC 20510

The Honorable Robert Menendez
528 Hart Senate Office Building
Washington, D.C. 20510

RE: The Defending American Security from Kremlin Aggression Act (DASKA)

Dear Senator Graham and Senator Menendez:

Small businesses and entrepreneurs are the heart and soul of the U.S. economy, vital drivers of innovation and job creation in America and around the world. Thank you for your ongoing support of their efforts. As a long-time leading advocacy organization for small businesses and entrepreneurs, I write on behalf of the Small Business & Entrepreneurship Council (SBE Council) to express our concerns about the potentially damaging toll that the Defending American Security from Kremlin Aggression Act (DASKA) would impose on thousands of U.S. small businesses throughout the country.

Of course, DASKA is being driven by the best of intentions. Russian President Vladimir Putin is a notorious bad actor who has put U.S. national security at risk. However, and as you well know, U.S. economic security is a vital piece of national security, which DASKA would serve to undermine: it would largely punish U.S. companies instead of Putin.

As written, the legislation would enrich Russian interests at the expense of U.S. firms across a variety of key sectors, from energy and aerospace to agribusiness and consumer goods. It would force many of the nearly 3,000 U.S. companies doing business in Russia to exit joint ventures with Russian firms or even shutter operations there. That would damage numerous large corporations, but also the vast number of small and medium-sized businesses that supply the materials, parts and various services that large firms need to operate and effectively compete.

Though small business often receives less attention than their larger counterparts, they are vital to the U.S. economy as you well know. More than 95 percent of U.S. businesses employ less than 20 workers, with small businesses accounting for at least 60 percent of job growth. Virtually all Fortune 500 companies started as a small business. Small businesses are connected to – and partner with – larger firms primarily through the supply chain that includes producers, vendors,

warehouses, distribution centers and retailers. They also dominate in U.S. trade: small and mid-size businesses account for 97.5% of U.S. exporting firms.

Small businesses fuel America's big corporate supply chain in numbers that are staggering: the Business Roundtable has found that the typical U.S. multinational buys goods and services from more than 6,000 American small businesses – and spends more than \$3 billion on those purchases. That means that any time DASKA sanctions force even a single U.S. company out of the Russian market, the disruption to the supply chain would harm thousands of small businesses nationwide. Smaller businesses are even less equipped than larger firms to handle jolts in the market. They would be forced to react by scaling back investment or expansion plans, and laying off workers or cutting worker hours. For the small firm whose main business centers on supplying a single large company, the impact could be devastating.

Small businesses are the lifeblood of communities nationwide, and the domino effect of disruption would be felt in many local communities. Here are a few sectors that would be especially hurt by DASKA, with the impact on larger companies rippling down to the thousands of smaller companies that supply them:

Aerospace:

Boeing has invested billions of dollars in Russia for decades, and Russia is virtually the sole source for the titanium the aerospace company needs to build its planes. Just 17 months ago, Boeing publicly named Russia as one of its largest growth markets.

DASKA would make it much harder for Boeing to acquire that crucial titanium, which could cause significant economic damage to many of 20,000 plus small businesses that supply the company. The damaging effects would be felt in South Carolina, home to Boeing's "second 787 Dreamliner final assembly and delivery facility," along with a "new state-of-the-art, 256,000-square-foot decorative paint facility that opened in late 2016."

Agri-Business:

DASKA would impact the Russia operations of U.S. agri-business firms such as Cargill, which began furnishing grain supplies to the USSR in 1964; opened a Moscow office in 1991 and now employs about 2,500 people in Russia. The negative effects of DASKA would cause spin-off damage to the U.S. small businesses in Cargill's supply chain.

Consumer Goods:

Proctor & Gamble, also called P&G, has two plants in Russia that produce a wide range of grooming tools and accessories. The firm has invested more than \$700 million in local production in Russia since 1991 and employs nearly 1,500 people in that country.

The numbers behind P&G's total supply and distribution operations from its Russia business illustrates the broader damage DASKA would wreak: those operations employ about 10,000 people.

Energy:

DASKA would significantly harm U.S. energy companies that employ thousands of Americans, drive economic growth and help to ensure our energy security. Industry groups estimate that the legislation would force American companies to withdraw from nearly 150 energy projects that involve Russian firms in more than 50 countries.

Among those firms is ExxonMobil, which employs 1,000 people in Russia and co-operates the Sakhalin-1 Project, which has produced more than 100 million tons of oil safely delivered to international markets.

Any disruption to the Russia operations of ExxonMobil and other energy firms would cause significant damage to the numerous smaller U.S. companies involved in their operations. And it must be remembered that America's energy industry is driven and dominated by small businesses. For example, among U.S. oil and gas extraction businesses: 89.5% of employer firms have fewer than 20 employees; and 96.4% fewer than 100 employees. Across every energy sector – from drilling and oils and gas wells businesses, machinery and equipment manufacturing, support activities, and pipeline and related structures construction businesses – small businesses play both a dominant and innovative role.

In short, while DASKA is well intentioned, the legislation as written would cause substantial harm to many thousands of small businesses that are a critically important part of the U.S. economy. It will negatively harm the workers who buy from small businesses in local communities. I understand that business and other groups have submitted proposed changes to Congress that would mitigate these negative effects, while targeting sanctions that absolutely need to address Russia's bad behavior, specifically those perpetrated by Putin.

On behalf of SBE Council, I would like to thank you for your long-time support of America's small business and entrepreneurial sector. We request a fix on DASKA that will hold Putin accountable, while allowing small businesses and their employees to continue to work to strengthen the U.S. economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Kerrigan". The signature is fluid and cursive, with a large initial "K".

Karen Kerrigan
President & CEO

CC: Senate Foreign Relations Committee Members
House Foreign Affairs Committee Members
Senate Majority Leader Mitch McConnell
Senate Majority Whip John Thune
House Speaker Nancy Pelosi
House Majority Leader Steny Hoyer

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