

# SMALL BUSINESS EXPORT ASSISTANCE

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON INTERNATIONAL FINANCE  
OF THE  
COMMITTEE ON  
BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE  
NINETY-SIXTH CONGRESS  
SECOND SESSION  
ON  
S. 2040, S. 2097 and S. 2104  
TO INCREASE EXPORT OPPORTUNITIES  
FOR SMALL BUSINESSES

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APRIL 28, 1980

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Printed for the use of the  
Committee on Banking, Housing, and Urban Affairs



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# SMALL BUSINESS EXPORT ASSISTANCE

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MONDAY, APRIL 28, 1980

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
SUBCOMMITTEE ON INTERNATIONAL FINANCE,  
Washington, D. C.

The subcommittee met at 9:30 a.m., in room 5302, Dirksen Senate Office Building, Senator Adlai E. Stevenson (chairman of the subcommittee) presiding.

Present: Senators Stevenson, Stewart, and Lugar.

Also present: Senators Baucus and Jepsen.

## OPENING STATEMENT OF SENATOR STEVENSON

Senator STEVENSON. The subcommittee will come to order.

This morning we receive testimony on legislation to assist small business exporters. Three bills have been introduced which focus on governmental assistance to help small business export directly to foreign markets: S. 2097, the Joint Export Marketing Assistance Act, introduced by Senator Jepsen; S. 2040, the Small Business Export Expansion Act, introduced by Senator Nelson; and S. 2104, the Small Business Export Development Act, introduced by Senator Weicker.

The latter two bills were referred to the Small Business Committee with an agreement that if and when reported they would be referred sequentially to the Banking Committee. The Small Business Committee marked up S. 2040 and S. 2104 and incorporated elements of each into a committee bill which will be reported to the Senate today and referred to this committee.

The hearing this morning will enable this committee to receive comments on the new bill.

S. 2379, the Export Trading Company Act, which I introduced, and the Webb-Pomerene provision proposed by Senator Danforth, seek to help small businesses export indirectly through trading companies. They are complementary to the bills before us today.

[Copies of the bills may be found beginning at p. 111.]

Senator STEVENSON. It's a great pleasure for me to introduce first this morning my good friend and colleague from Indiana, Senator Lugar.

## STATEMENT OF SENATOR LUGAR

Senator LUGAR. Mr. Chairman, it's a privilege for me to appear before this distinguished subcommittee this morning and introduce to you a Hoosier, Donald Moreau, the executive director of the Indiana Department of Commerce and the new president of the National Association of State Development Agencies.

He has come to testify on behalf of legislation that is before us this morning from the perspective of a State that is very active in exports. Indiana, as Mr. Moreau will testify, presently ranks as the ninth largest exporter of manufactured products and therefore has a very natural and substantial interest in this legislation, and particularly its small business orientation of it.

Donald Moreau comes to this committee this morning after serving over a quarter of a century as an officer in our military service, rising to the rank of colonel. He enjoyed in the interim between his military career and his current service to the city of Indianapolis a successful manufacturing career. He now serves as executive director of the Indiana Department of Commerce under Lt. Governor Robert Orr. He is the principal appointee responsible for international trade and business development in our State that intersects the international trade aspect for energy programs for the State of Indiana. Recently he has been active with this committee's staff in evaluating and working on vital aspects of Indiana's participation in the Chrysler legislation as our legislature has moved to act in that respect along with our Governor and Lt. Governor.

So it's a privilege to introduce him. I have read his testimony and I ardently support what he's going to have to say this morning. I give you Don Moreau.

Senator STEVENSON. Thank you, Senator Lugar. We look forward to hearing from Mr. Moreau.

**STATEMENT OF DONALD W. MOREAU, EXECUTIVE DIRECTOR,  
DEPARTMENT OF COMMERCE, STATE OF INDIANA**

Mr. MOREAU. Mr. Chairman, I'd like to cover very briefly some of the major points of my presentation because we have written testimony here for your staff and yourself to look at.

Senator STEVENSON. Thank you. We'd appreciate that. I will invite all the witnesses this morning to summarize their statements. If so, the full statements will be entered in the record.

Mr. MOREAU. Thank you very kindly, sir.

This is not the first time I have been associated with this committee. I was involved here over the last couple years in the SBDC, the Small Business Development Center, concept so I have had considerable relationships with the Senate on this point.

The major point that I would like to make is in behalf of the export trading company concept and how we perceive that. We are in the State currently putting together our own Indiana Export, Inc. This is a novel program which is really a takeoff of the lessons learned with the Massachusetts Corp., the Connecticut operations, the operations in Japan and Taiwan, and even some of the council organizations in the State.

We are, in fact, in conjunction with the private sector, in the process of creating a nonprofit organization which is designed strictly to provide technical assistance and service to those small industries that cannot afford this service in trying to enter the export marketplace.

In our studies we have conducted, we have over 800 companies interested in moving into the marketplace, but it's very difficult and the up-front costs are very prohibitive. The gambles are high

and many of the small companies find it financially difficult to start.

The theory behind the Indiana Export, Inc. is based on the fact that you have to have specialists of various commodity fields and this is very much different than what is normally the conduct of performance by States or the U.S. Department of Commerce.

We are looking at developing an expertise base that can take a various series of industries, various commodities, through all the problems of marketing that particular item, whether it be electronics gear, paper products, special tools, equipment—things of that nature. This is based on private sector development of almost 50 people today representing international bankers, freight forwarders, and export manufacturers.

#### FEDERAL PROGRAMS

We are currently working with two Federal programs to provide the necessary funding for the first 2 years. One is the Governors discretionary fund program under the CETA area and the other is the 304 program with EDA, and that's where we are looking for initial funding.

We are basically concerned that your legislation makes sure that it interfaces the State with these delivery systems. There is an important need to tie the State in with any action forthcoming on any trading company basically because the State is today a primary delivery system in the area of international trade.

I have a very aggressive staff involved very aggressively in the export business today. This company will expand our efforts. We are also very much supportive of your new approach toward the line of credit with small business. This is very vital to the success of a small exporter and I think the actions that you're taking to remove the redtape is going to be also more important.

On the issue of the funding for these various trading companies, you initially talked about 2 to 1. I'd like to throw a new thought to you to discuss. Generally, one of these companies is going to have a very difficult time addressing the problem up front, and I would only propose that you consider maintaining the current 2-to-1 ratio but providing an initial small grant without match in the early stages of the development of an export facility.

I'd like to stop now, Senator Stevenson, and leave time for questions on this issue.

Senator STEVENSON. Thank you, Mr. Moreau.

We have several bills before the committee. In addition to the bill to which you have referred, which I believe is the new consolidated bill reported by the Small Business Committee, there is another bill I have introduced to authorize the creation of trading companies. The number of that one is S. 2379.

Mr. MOREAU. Right.

Senator STEVENSON. Are you familiar with that one, too?

Mr. MOREAU. Yes, sir; I was speaking basically to S. 2379.

Senator STEVENSON. I see.

Mr. MOREAU. I ad libbed a little bit on the other aspects of it.

Senator STEVENSON. That's what I wanted clarified because the question of whether States should be permitted to operate the kind

of trading companies contemplated by S. 2379 has created some controversy and some opposition.

The administration, for example, feels that States should not be permitted under S. 2379 to operate the kind of trading companies that are contemplated.

I think one of the reasons for the opposition is the feeling that States would be unfair competitors for the private sector businesses.

Do you contemplate Indiana and other States actually taking title to goods and selling in the world? This goes beyond the provision of just technical assistance to exporters.

Mr. MOREAU. No; we do not perceive that there is that need to go that far. Our perception is that the primary need today is technical assistance, providing the means and ways to enter the marketplace. Our concept that we are developing, which will be incorporated and we hope off the ground by this summer, does not contemplate holding goods and services. I think there's still a lot that has to be looked at in that particular context as to whether you need to go that far.

Regardless, though, of where you go, I'm not advocating that the States necessarily have to be the ones that run the export trading company. What I'm proposing is that the States have to be part of the linkage between the U.S. Department of Commerce and any trading company.

Let me expand on that just a minute. Basically today, the States are the primary delivery system in promoting international operations which include exports. Now if in fact you're going to recreate those particular services in a State through this export trading company, you are then in fact doubling or again overlapping functions.

Now, our concept with our company is that we will still provide the promotional activities and the normal general type services which will be accessible to this company and therefore we will pay the freight for that particular facet of their need, where in fact we will then be a client referral system to the Indiana Export Co. to help them get the clients moving toward the end product. And I think if those things are not taken into consideration you're going to end up with another commodity or another entity that's sitting out in the middle of the States that's not coordinated and not tied together, and then you're not going to get the mileage that you're expecting out of the program.

Senator STEVENSON. Doesn't the kind of service that you do contemplate duplicate the services rendered by private companies?

#### EXPORT MANAGEMENT COMPANY

Mr. MOREAU. Of course, that's the major question that was asked by our export management company, so we went to them—we have about 80 percent of them now involved in this nonprofit organization. Their contention is that if in fact you have a business that's having difficulty getting in the marketplace and it doesn't have the funds, you will never go to the export management company to start with because he can't pay his way. The export management companies in Indiana are saying that since you're only going to get

them started, we've got a much better crack at picking them up after they have entered and put their foot in the water.

Our concept is that we will only carry—with the Indiana Exporting Corp. we will only carry that until they have had their first one or two orders. Then they're on their own. And we have made our point as a nonprofit organization. Then it's up to them to do one of two things: either they go to an export management company service or they create their own international division within their own corporate structure.

We think that's healthy and we do not believe that's competitive with the private sector because in fact our nonprofit organization is run by the private sector; it's not run by the Indiana Department of Commerce; which I think is an intriguing balance—intriguing marriage program.

Senator STEVENSON. Well, that's very helpful. I'm delighted to see Indiana's initiative under your leadership and we will try to be of help.

Mr. MOREAU. Very good, sir. I might say that the National Association of State Development Agencies has this as a major agenda item Tuesday and we anticipate there will be a resolution passed which will in fact put all the States behind this program very aggressively.

[Complete statement of Mr. Moreau follows.]

Statement of  
Donald W. Moreau  
Executive Director  
Indiana Department of Commerce

Mr. Chairman and Honorable Members of the Committee, I am Donald W. Moreau, Executive Director of the Indiana Department of Commerce and the new president of the National Association of State Development Agencies (NASDA). I am pleased to appear today on behalf of the Indiana Department of Commerce in support of the Export Expansion Act.

Indiana has long recognized the importance of international trade in maintaining a stable and prosperous domestic economy. The Indiana Department of Commerce under the direction of Lt. Governor Robert D. Orr commends the effort being made by Congress to focus greater attention on our nation's severe trade imbalance and the need for the development of a comprehensive national export policy. We support legislation directing itself toward this goal.

Indiana presently ranks as the ninth largest exporter of manufactured products in the nation with the major exports being transportation equipment, electric equipment and non-electric machinery, and the sixth largest exporter of agricultural products. Over 80,000 Hoosier jobs are dependent on the over \$3 billions worth of export sales generated annually. Contrary to the common misconception that Indiana is a land locked state, we have an excellent port system consisting of a Lake Michigan port, Burns Harbor and two ports, Clark Maritime Centre and Southwind Maritime, located on the Ohio River. In 1979, Burns Harbor alone handled over 1,145,500 tons of cargo, much of which was destined internationally, amounting to an increase of 14% from the previous year.

Indiana's active participation in the international market place is in large part due to the support and assistance provided by the International Trade Division at the Indiana Department of Commerce. Through an extensive educational

program geared toward the small manufacturer, the state has successfully expanded Hoosier exports and generated increased export awareness in the small business community.

The export promotion program, which received the President's Award for excellence in exporting in 1976, consists of a series of export seminars geared towards the new-to-export firm, conferences on doing business in specific overseas markets, dissemination of trade leads and joint venture/licensing opportunities through a monthly publication, organized participation of Indiana companies in targeted trade shows and trade missions throughout the world along with the sponsorship of numerous other export-oriented programs. These promotion activities have been greatly augmented by Indiana's overseas offices located in the Netherlands and Colombia. A close working relationship has also been maintained with the U.S. Department of Commerce and local Chambers of Commerce and world trade clubs around the state.

The International Trade Division and the U.S. Department of Commerce have been successful in their attempts to penetrate the domestic orientation of the U.S. businessman, but I perceive that a vacuum exists in our export expansion efforts not being filled by the programs initiated by the state and federal governments. We have provided the small manufacturer with the encouragement, the opportunities, and the information necessary to take the first step into participating in the profitable, but sometimes risky international market. The new exporter has not, however been held by the hand as he stumbles through the intricacies of translating foreign languages, customs, freight forwarding and export financing, nor have we insisted that if indeed this manufacturer has a product saleable internationally, the company be willing to commit its time and resources to this emerging market.

The fact remains that the U.S. only exports 7% of its GNP with 200 U.S. corporations accounting for 80% of U.S. exports while 20,000 small firms, recognized by

the U.S. Department of Commerce, manufacture a product with an export potential, but have confined their sales to the domestic market. A survey taken by the Indiana Department of Commerce indicated that while 57% of those Indiana companies responding to the survey were involved in international trade, 70% generated export sales amounting to only 3% of their total annual sales. Only 3% of the surveyed firms indicated that the exports composed greater than 25% of their total sales. The results of the survey also indicated that nearly 40% of those firms responding desired to further investigate the international market. These results clearly show that a tremendous amount of untapped export potential exists in this state alone.

Although these small businesses may have demonstrated an interest in expanding their horizons, it is necessary to convince the company decision makers that these new markets represent increased profits and should not be viewed as too frightening or complicated an endeavor to undertake. To allay the fears of this uncertain exporter, he must be provided with specialized assistance through the entire export program beginning with the market determination to the finalizing of the export sale. Without this personalized attention, the manufacturer may be so overwhelmed and confused by the reams of information made available to him by numerous government agencies, that he does little more than throw his hands up in despair.

I would like to introduce to the committee a unique and innovative concept developed under my direction by the Indiana Department of Commerce which we perceive will fill the vacuum presently existing in our small business export programs. The Lieutenant Governor has proposed the formation of a non-profit corporation entitled Indiana Export, Inc. (IEI) whose sole objective is to expand Indiana exports by providing direct export marketing assistance to small and medium sized Indiana manufacturers with the ultimate goal of enabling them to become active participants in the international marketplace.

Indiana Exports, Inc. was developed after extensive research was undertaken to determine how best an organization such as IEI could benefit both the private sector and the manufacturer. Exports programs throughout the country and the world were examined closely, including the successful Small Business Export Program initiated by Massport, the Connecticut Economic Development Corporation, the Japanese External Trade Organization, the Far East Trade Service, Inc. and the China External Trade Development Council in order to formulate ideas for developing a corporation best suited to meet the needs of Indiana.

IEI will provide individual assistance and services in the following areas to selected small business manufacturers:

- 1) Export Counseling
- 2) Market Research
- 3) Overseas Trips and Fairs
- 4) Assistance from Overseas Offices

(See attached addendum for detailed information on potential programs)

IEI is envisioned to be a non-profit corporation staffed by specialists having a concentrated international background in a specific industry. These staff professionals will work closely with selected small and medium sized businesses within targeted industry groups in developing overseas markets for their products.

Companies will be selected as clients based upon their willingness to meet the demand of exporting in allocation of time and resources, the sales potential of their product as determined by a preliminary market analysis, the financial history of the company, and the company's ability to meet the increased production demanded by an expanded market.

It is necessary that this corporation work closely with the state and U.S. Department of Commerce drawing upon the valuable information available from these organi-

zations. The Board of Directors, who will act as the governing body for the corporation, will include representatives from these government bodies in addition to freight forwarders, international bankers, export management companies, international attorneys, representatives from small and medium-sized businesses and trade associations. IEI will constantly utilize this available expertise.

The corporation which will be funded initially by state grants is envisioned to be privately funded after the first two years through membership fees, contributions from industry and community organizations, and a percentage of export sales generated by the IEI. Although associated with state government, we are a strong proponent of expanded private sector involvement in export promotion and believe that this sector can work compatibly rather than competitively with the government towards the common goal of improving U.S. export performance.

The IEI concept, not yet fully defined, is being actively explored by Indiana's international community, and is expected to be incorporated in the next several months. National attention has been focused on the Indiana Export, Inc. proposal as it represents a unique approach to state development. We strongly believe that a successful IEI could serve as a model for similar development companies throughout the country.

I will now briefly comment on portions of the Small Business Export Expansion Act before the Committee directing my comments primarily to Title II of the bill.

At the outset we find this bill to be a vast improvement over the bills first introduced in the Small Business Committee. We welcome the grant program proposed by the bill for the purpose of encouraging small business export growth through trading centers although we feel that the 2 to 1 matching program does not realistically direct itself toward the goal of initiating increased private sector involvement. We strongly recommend that the program

be changed to a one for one matching of federal to private monies and that the restriction on the use of fees as a part of the private matching grant be dropped. The trading center would find itself hard pressed to generate enough private capital to meet the grant as it now stands, ie. \$300,000 to receive \$150,000 of federal money. In view of the fact that formation of the local trading center, is a novel concept, the private sector is hesitant to commit funds to the export trading center until it has proven in the initial stages to be a successful operation. We would also recommend that the grant money be made available to each state rather than just ten selected regions. Many states have already been investigating the development of programs such as proposed any many more would be encouraged to do so with this grant money available for start-up on an annual basis of three years.

We are pleased that the Department of Commerce will be administering the grant money and supporting the export trading centers as opposed to the Small Business Administration in view of the Department's expanded involvement with the trade function through the President's reorganization.

We strongly support the direct and indirect involvement of the state with local small business export development. The state is intimately familiar with the needs of their particular community and should structure their export development centers accordingly. The Secretary must necessarily evaluate the programs and progress of each export development center on an individual basis as one program that is suitable to one state's needs may be totally ineffective in another. We would hope that the state applicants would receive priority for grant money as they are at the most local level. They are unfortunately placed in competition with federally initiated Small Business Development Centers.

As I previously mentioned in the context of Indiana Export, Inc., we strongly favor

private sector involvement and feel that the strong representation of this sector on the advisory board is essential.

Lastly, we strongly support the increased availability of export financing in the form of loans, loan guarantees, and revolving lines of credit through the Small Business Administration. The small exporter's greatest complaint is the lack of available financing. This deterrent needs to be addressed as a top priority.

Again, this export development bill is strongly endorsed by the Indiana Department of Commerce and we thank you for allowing us the opportunity to testify before this Committee today.

ADDENDUM

## 1) Export Counseling

- Analyzing markets to determine the nature of a company's export potential
- Identifying and contacting of potential overseas customers and distributors for a company's products. This identification process will be carried out jointly by the Indiana company and Indiana's over seas offices along with IEI.

## 2) Market Research

Market research studies can be performed by staff of IEI in cooperation with the business departments of several universities around the state.

This is an area where the overseas offices of the State of Indiana will play a very important role. Their assistance is greatly needed in order to acquire the depth and quality of marketing information needed to assist the small businessman in outlining his market strategy.

- identification of size and growth potential of markets which use company's products.
- Analysis of existing trade restrictions and regulations in a particular market.
- Analysis of distribution and transportation of company's products to determine export selling price.
- Identification of competition through using trade directories and trade fair publications as well as contacts with distributors. Research of competitor's prices and quality of product.

## 3) Overseas Trips and Fairs

IEI will organize and supervise specialized trips overseas for small firms in the various targeted industry sectors.

These export trips will be highly personalized for each participant. An individualized itinerary composed of meetings with pre-screened customers, agents and distributors will be set up for each participant. The appointments will be set up on the basis of studies and contacts made by IEI and the Indiana overseas office. In addition to arranging appointments, IEI can assist in making travel arrangements.

A complete evaluation and follow-up process will be conducted with the trip participant upon his return from an overseas trip.

## 3) Assistance from Overseas Offices

IEI will maintain a strong liaison with the State of Indiana's offices in Europe and Colombia. The assistance of their staff will be needed to perform some market research, identify customers, etc.

Senator STEVENSON. Good. Thank you, Mr. Moreau.

Our next witness is Mr. Harold Theiste, Associate Deputy Administrator for Programs, Small Business Administration.

Mr. THEISTE. Good morning.

Senator STEVENSON. Good morning, sir, and if you could summarize, too, I would be happy to enter the full statement in the record.

**STATEMENT OF HAROLD A. THEISTE, ASSOCIATE DEPUTY ADMINISTRATOR FOR PROGRAMS, SMALL BUSINESS ADMINISTRATION**

Mr. THEISTE. All right. I have a short summary prepared in anticipation of this.

I am pleased, Mr. Chairman, to appear before this committee on the matter of encouraging exporting by the small business community. The potential offered by the export market is great in terms of increased sales and employment opportunities for small business.

The role of small and medium sized businesses becomes increasingly important if we are to lessen the current imbalance between what we sell overseas and what we buy from abroad.

The Small Business Administration shares the concern of the Congress in seeking innovative, yet appropriate, ways to respond to the unique needs, and, oftentimes, misperceptions of the potential small business exporter.

Before I comment on specific sections of the legislation being considered today, I would like to point out some of the actions being taken at SBA concerning exporting.

As you are aware, Administrator Weaver is the present Chairman of an Interagency Committee on Small Business Export and Investment currently made up of senior officials of the Department of Commerce, the Export-Import Bank, the Overseas Private Investment Corporation, and the Department of Agriculture.

During its meetings, the members of the committee have discussed and shared their views on how to best utilize their programs and resources to serve the needs of the small business exporter.

**PILOT PROGRAM INITIATED**

Together with the Export-Import Bank, we recently initiated a pilot program in five cities to test the feasibility and receptivity of a revolving line of credit program specifically designed to help small businesses finance their export orders.

The initial reaction to this plan indicates that we may have to restructure certain aspects of the program differently. We expect to carefully consider the recommendations presented to us and to make appropriate changes within the next 30 days.

This revolving line of credit program, together with our regular term lending and contract loan programs, fit in, we believe, with the intentions of title I, section 103.

In addition, we have recently completed an inventory of our volunteer counseling program of retired business executives, which we call SCORE, to ascertain their international trade expertise. Approximately 300 successful businessmen and women have indi-

cated export-import experience. We expect to increase that number through specialized recruitment and outreach programs.

As part of our Small Business Development Center program, Rutgers University, the University of Georgia, and the University of Missouri have established international trade programs of assistance to small business exports. The agency has also funded the initial costs for the operation of an international trade center at the University of Alabama in Tuscaloosa.

We are also undertaking a training program to upgrade the export knowledge of the personnel in our field offices. We have designated international trade as a collateral duty for at least one person in each of our 65 district offices.

Title I of the bill being considered on small business export legislation directs the agency to provide financial assistance to small business exporters. As I have already pointed out, we feel our current short-term and long-term lending programs can presently provide the type of assistance described in title I, and therefore we see no need for special authorizing legislation for this purpose.

We are pleased, however, that the bill retains for the agency the flexibility needed to make prudent credit judgments on the conditions, terms and degree of participation of the agency in such export-related loans.

We note the provision of section 106 which would raise the maximum total "outstanding and committed (by participation or otherwise)" amount of a loan for export-related purposes to \$750,000. This provision should relate to export-related loans made under the agency's guarantee authority only and not for loans made directly by SBA.

This provision is consistent with other legislation previously submitted by the administration proposing an increase in our guarantee authority to \$750,000 from the present \$500,000.

It is our feeling, Mr. Chairman, that we are already undertaking many of the objectives of this section through prudent management decisions that involve no new budgetary or personnel allocations.

When the circumstances warrant, we will take what we consider to be other reasonable and appropriate actions. For example, Administrator Weaver has this month directed our regional administrators in those areas covered by our pilot revolving line of credit program to designate international trade specialists for their regional staffs to implement and monitor the pilot program.

In those two Federal regions which will be selected to pilot the one-stop-shop SBA centers, described in section 106, SBA will participate fully in their establishment. We support the concept of a trial period for the program.

Concerning title II, it's our feeling that the Federal Government should work with State governments, academic institutions, port authorities, profitmaking companies and other public or quasi-public organizations to develop a coordinated program of assistance to small business exporters. SBA-supported Small Business Development Centers, we believe, should be partners in this endeavor as well.

For these reasons, we support the intentions set forth in title II provided they can be accomplished within the budget objectives

established by the administration. Due to this period of fiscal austerity, it is felt that the needs of small business might be better met through other legislation than as outlined in S. 2097 which could be revised to thrust more specifically to all forms of qualified small businesses.

[Complete statement of Mr. Theiste follows:]



## SMALL BUSINESS ADMINISTRATION

..... Washington, D.C. ....

STATEMENT OF  
 HAROLD A. THEISTE  
 ASSOCIATE DEPUTY ADMINISTRATOR FOR PROGRAMS  
 SMALL BUSINESS ADMINISTRATION  
 BEFORE THE  
 SUBCOMMITTEE ON INTERNATIONAL FINANCE  
 SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS  
 UNITED STATES SENATE

APRIL 28, 1980

I am pleased, Mr. Chairman, that you and the members of this committee are encouraging exporting by the small business community. The potential offered by export markets is great in terms of increased profit and employment opportunities for small business.

With the trade deficit last year amounting to \$24.7 billion and the traditional markets of small business being challenged by rising imports from abroad, it is increasingly evident that the expansion of U.S. exports can contribute significantly to the strength and growth of our economy.

Since most large businesses are already in the export market, the role of small businesses becomes increasingly important if we are to lessen the current imbalance between what we sell overseas and what we buy from abroad.

The bills that you are considering today represent your concern that something must be done and done as quickly as possible.

The Small Business Administration shares the concern of the Congress in seeking innovative, yet appropriate, ways to respond to the unique needs and, oftentimes, misperceptions of the small business exporter.

Providing timely and understandable information on overseas market opportunities for their products or services, specific guidance in accomplishing the steps necessary to successfully sell overseas, and access to the investment and working capital required to undertake successful export operations are some of these vital needs.

Before I comment on specific sections of the legislation being considered today, I would like to point out some of the actions that are being taken at SBA under our present legislative authority concerning exporting.

As you are aware, Administrator Weaver is the present Chairman of an Interagency Committee on Small Business Export and Investment currently made up of senior officials of the Department of Commerce, the Export-Import Bank, the Overseas Private Investment Corporation, and the Department of Agriculture.

During its meetings, the members of the committee have discussed and shared their views on how to best utilize their programs and resources to serve the needs of the small business exporter.

Since 1978, this Committee has sponsored over 60 seminars across the country which have been attended by over 12,000 participants. These conferences are designed to motivate the small business community to consider exporting its products or services. During these programs, representatives from the agencies as well as from the local banking and exporting community explain the services which each has to offer the small business exporter.

Together with the Export-Import Bank, we recently initiated a pilot program in five cities to test the feasibility and receptivity of a Revolving Line of Credit Program specifically designed to help small businesses finance their export orders.

The initial reaction to this plan indicates that we may have to restructure certain aspects of the Program differently. We expect to carefully consider the recommendations presented to us and make appropriate changes within the next 30 days.

We hope that our experiences with the Program after six months and the willingness of the banking and small business communities to participate will encourage our expanding this Program to other parts of the country.

This Revolving Line of Credit Program, together with our regular term lending and contract loan programs fit in, we believe, with the intentions of Title I of S. 103.

In addition, we have recently completed an inventory of our volunteer counseling program of retired business executives (SCORE) to ascertain their international trade expertise. Approximately 300 successful businessmen and women have indicated export-import experience and are eager to share their knowledge with other small business people desiring to enter into or expand their export sales. We expect to increase that number through specialized recruitment and outreach programs.

Recently, the Port Authority of New York and New Jersey asked some of these SCORE volunteers in New York who have export experience to work with them in their EDA grant to assist New York and New Jersey exporters.

As part of our Small Business Development Center Program, Rutgers University, the University of Georgia, and the University of Missouri have established international trade programs of assistance to small business exporters. Their aims are very much similar to those of Title II of S. 201. The Agency has funded the initial costs for the operation of an International Trade Center at the University of Alabama in Tuscaloosa.

We are also undertaking a training program to upgrade the export knowledge of personnel in our field offices. We have designated international trade as a collateral duty for at least one person in each of our field offices.

They, together with SCORE executives and others, will attend the training program which is designed to acquaint them with, among other things, the export services of Federal agencies and the private sector that are necessary for the small business exporter to know.

With this basic knowledge, we hope our field personnel will then be better able to refer additional small business exporters to the local Commerce Department office for more in-depth export assistance.

We are sure that by taking these steps, we will be better equipped to work with the Commerce Department and others to help increase the number of successful small business exporters and the aggregate value of their shipments.

The task before us all is a large one. We welcome the opportunity to work with the Congress, the Commerce Department, and other Executive agencies in order to bear our appropriate share of this important task.

Title I of the bill being considered on small business export legislation directs the Agency to provide financial assistance to small business exporters. As I have

already pointed out, we feel that our current short-term and long-term lending programs can presently provide the type of assistance described in Title I.

We note the provision of Section 106 which would raise the maximum total "outstanding and committed (by participation or otherwise)" amount of a loan for export-related purposes to \$750,000. It should be made clear that this provision should relate to export-related loans made under the Agency's guarantee authority only.

This provision is in keeping with legislation submitted by the Administration relating to the maximum ceiling allowable on all loans made under our guarantee authority which we urge be raised to \$750,000 also. Concerning Section 105 of the bill, I have already pointed out some of the efforts being undertaken by the Agency in providing other export assistance to small businesses through the Agency's unique counseling programs.

Given current budgetary restraints desired by the Congress and the President, good management practices and fiscal responsibility would indicate the need for continued flexibility to channel Agency resources and personnel as the Agency sees fit in the most efficient manner possible.

It is our feeling, Mr. Chairman, that we are already undertaking many of the objectives of this section through prudent management decisions that involve no new budgetary or personnel allocations.

We have assigned to Agency field office personnel specific responsibility for international trade as a collateral duty. We are in the process of developing the export training program which should significantly upgrade our field personnel's export knowledge as suggested in this section.

When the circumstances warrant, we will take, what we consider to be, other reasonable and appropriate actions. For example, Administrator Weaver has this month directed our Regional Administrators in those areas served by our Revolving Line of Credit Program to designate an international trade specialists for their Regional staffs. This person will have the responsibility, among others, to implement and monitor the Revolving Line of Credit Program. These personnel positions are being absorbed from our current allocation.

In those regions which are not currently participating in the Line of Credit Program, a person on the Regional Administrator's current staff will be responsible on a part-time basis for coordinating the Agency's programs for small businesses with the Commerce Department offices and other organizations in the area.

In those two Federal regions which will be selected to pilot the one-stop-shop center described in Section 106, we support the concept of a trial period for the program. It is that the Small Business Administration take an active part in the establishment, operation, and evaluation of these centers in coordination with the other agencies involved.

Title II of the bill authorizes the Secretary of Commerce to make grants, contracts, or cooperative agreements with qualified applicants to help small businesses develop and implement an international marketing program.

It is our feeling that the Federal Government should work with state governments, academic institutions, port authorities, and other public or quasi-public organizations to develop a coordinated program of assistance to small business exporters. SBA-supported Small Business Development Centers, we believe, should be partners in this endeavor as well.

While we endorse the purpose of the bill -- to facilitate increased small business involvement in international trade -- we feel that our existing legislative authority is sufficient.

Comments on S. 2097

You have asked that I comment also on S. 2097 as part of today's hearings.

Aside from the fact that appropriate partnerships and sole proprietorships should also be considered for any such assistance, it is our feeling that the language of the bill should be more specific in terms of

- 1) defining the size of the businesses that could be assisted under the provisions of the bill;
- 2) providing a clearer definition in Section 4(b) of what is meant by "any Federal agency involved in the product to be marketed;" and

- 3) stating whether the "Federal share of participation" Section 5(b) is in the form of a grant or a loan (which should have an interest provision and a more specific payback period).

However, due to this period of fiscal austerity, it is felt that the needs of small business might be better met through other legislation; we, therefore, oppose its enactment.

We are most willing to work with the Commerce Department and with the committee to explore appropriate avenues of financing such export trading company ventures.

Mr. THEISTE. Those are the extent of my comments. I have not commented specifically on S. 2379. I would be happy to answer any questions you may have regarding that legislation as well.

Senator STEVENSON. Well, you indicated that the needs of all businesses might be better met by some other method. Did you have some other method in mind?

#### PARTNERSHIP

Mr. THEISTE. Well, I was referring to S. 2097 which relates to partnership between Government and business in establishing an export marketing program. I feel that SBA's program for small business investment companies, the kinds of things outlined in S. 2379 and the authorities of SBA in the SBDC concept, which we have been supporting, altogether would accomplish many of the purposes outlined in S. 2097.

Senator STEVENSON. Well, S. 2379 includes guarantees of loans secured by inventory and export accounts receivable. The authority in that legislation is similar to authority already being used by SBA, is it not, under their January 22 program for revolving lines of credit to small business exporters?

Mr. THEISTE. The concept is similar. However, the provision in S. 2379 would permit the Eximbank to guarantee loans up to \$1 million per loan and \$2.5 million altogether. SBA's authority at the present time is limited to \$500,000 total. We have proposed to raise that to \$750,000, but there still would be the gap between \$750,000 and \$2.5 million.

Senator STEVENSON. You referred to a recent reaction to that pilot program for revolving lines of credit. What has the reaction been?

Mr. THEISTE. Well, the pilot program has one ingredient in it which we felt compelled to place due to our previous experience with revolving lines of credit loans, and that is we limited our guarantee to cover 75 percent of the total loan rather than go up to 90 percent as our other legislation authorizes. That has come across very poorly in the private sector and the banks and we feel now we can address increasing that authority for those kinds of

loans up to our full 90 percent. We think that will overcome some of the objections and we think we can handle it wisely.

There are other comments that have been made by the banking community which we think would facilitate the use of the program. I don't have them with me. I would be happy to supply that to the committee, but they have to do with the mechanics of how the program is administered.

Senator STEVENSON. How much credit was extended under that program of 75 percent?

Mr. THEISTE. In the first month we have had few approvals. It's been in effect for 1 month.

Senator STEVENSON. That's the 75-percent limit?

Mr. THEISTE. Yes.

Senator STEVENSON. And in September 1978, President Carter said that SBA would end up with \$100 million in support of small exporters over some undefined period. How much of that has been loaned for that purpose; do you know?

Mr. THEISTE. I would be happy to provide that information for the committee as well. I don't have that with me at the present time.

[See p. 40.]

Senator STEVENSON. Now let me just ask, before I recognize Senator Jepsen who's here, if you will clarify the Small Business Administration's position with respect to the new consolidated bill that was reported by the Small Business Committee. Are you familiar with that bill?

Mr. THEISTE. Yes, I am.

Senator STEVENSON. I didn't understand fully what you said. What is the SBA's position with respect to this bill?

Mr. THEISTE. Well, first of all, we feel that many of the provisions of the bill are already within the statutory authority and serve to place emphasis as opposed to giving us any new authority.

#### NINETY-PERCENT GUARANTEED LOANS

For example, the bill would provide us the authority to make 90 percent guaranteed loans for export purposes. It has one feature which we think makes sense on a pilot basis, to establish two regional one-stop centers so that the Department of Commerce, SBA, the Eximbank, and other export interested agencies would work together in having one office that would address the small business export needs. We think that makes sense as a pilot program to test.

In addition, the bill would require SBA to establish individuals in every region who are expert at exporting and we think that could be implemented and should be done. We think we have already taken steps in that direction through identifying individuals in every district office who have that as a special emphasis and by establishing an individual in each of our four regions where we are testing the pilot program.

Senator STEVENSON. Does this give you any new authorities, this bill?

Mr. THEISTE. Yes. One thing would be the increasing the maximum loan size to \$750,000. However, we have already asked for this authority as a general authority for all of our loans.

Senator STEVENSON. That's the only new authority that you get under this legislation?

Mr. THEISTE. In our opinion, that's true.

Senator STEVENSON. But it mandates these regional centers. Does it mandate anything that—

Mr. THEISTE. It mandates SBA to establish at each regional office one full-time expert on exports.

Senator STEVENSON. And you agree with that?

Mr. THEISTE. Yes.

Senator STEVENSON. Does it mandate anything else that SBA must do?

Mr. THEISTE. It sets up this pilot one-stop center in two regions as a test and we agree with that as well.

Senator STEVENSON. Anything else?

Mr. THEISTE. That is the only thing that is really unique about the bill.

Senator STEVENSON. It doesn't do very much. It either mandates you to do something that you now have the authority to do or to—

Mr. THEISTE. Well, I'm speaking now from SBA's standpoint. There's one major section in there relating to a whole program for the Department of Commerce to provide grants for the establishment of export assistance companies and I think—not companies—but export assistance organizations, and that, of course, would be a new provision and I think the Commerce Department can best address that.

Senator STEVENSON. Well, we'll hear from Mrs. Siedman later about that.

Mr. Theiste, I'd like to recognize Senator Jepsen now. Could you wait, though, a few minutes because I'm told Senator Stewart is on his way and would like to ask you a couple questions.

Mr. THEISTE. I would be happy to, Mr. Chairman.

Senator STEVENSON. Now it is a pleasure to recognize my friend and colleague from Iowa, Senator Jepsen.

#### STATEMENT OF ROGER W. JEPSEN, U.S. SENATOR FROM THE STATE OF IOWA

Senator JEPSEN. Thank you, Mr. Chairman.

I note from the May 5th issue of Fortune that your State of Illinois was in a see-saw battle, it says, with California for the number one position as an export center.

Senator STEVENSON. That battle has been going on for years and, in the absence of my friend on this committee from California, we win it every time; but Senator Cranston denies it every time.

Senator JEPSEN. As your immediate neighbors to the west, we want you to know we are on your team and are pulling for you.

Thank you, Mr. Chairman, for giving me this opportunity to present what may well be one of the most important pieces of legislation or proposals that may be presented this year as far as the economy of my State is concerned.

As you know—and we share some of the same agricultural economies in Iowa and Illinois—the agricultural economy in my State and most agricultural States leaves something to be desired, to put it mildly.

## EXPORTS MARKETING

The combination of inflation and high interest rates, accompanied by the sledge hammer blow of a grain embargo, presents Iowa, my State, with one of the most dismal economic futures that Iowa has faced possibly since the depression days. Granted, there is a certain amount of psychology involved in this which is very hurtful, but typical of Iowans. I have been reinforced in my firm belief that the only way to approach this is not to be defeated but, rather, to roll up our sleeves, tighten our belts, and go to work and work our way out of it. And exports marketing is the name of the game.

The marketplace must provide for our farmers and, of course, the marketplace provides for business and industry as well and foreign markets are of paramount importance. In Iowa we have a twin empire state of agriculture and industry. One of our cities, Cedar Rapids, Iowa, per capita has the highest percentage of exports of any city or town in the Nation. So the expansion of exports is an area of paramount importance to the State of Iowa and to our Nation.

Mr. Chairman, the expansion of exports is an area of paramount importance to the State of Iowa and to our Nation. During the last 16 years, Iowa's exporting has grown from less than \$0.5 billion in 1960 to more than \$2.9 billion in 1976. Approximately 20 percent of Iowa's manufacturers export more than twice the national average of 9 percent. Export expansion and promotion is critical to reducing the 1978 trade deficit of \$29 billion.

Mr. Chairman, little attention has been given to the small- and medium-size exporters. I introduced the Joint Export Marketing Assistance Act, S. 2097, in an effort to assist the smaller exporters of this country. S. 2097 would offer a program designed to reduce the financial risks entailed in initial export market development. This legislation will provide support and help to encourage the small- and medium-size firms of our Nation to take advantage of potential exporting opportunities and to commit themselves to a serious ongoing export program.

I am not an advocate of Government expansion and Government spending, that is why I am sponsoring legislation that would require businessmen to return the Government's money after they have successfully marketed their products in foreign countries. That is, the Joint Export Marketing Assistance Act will not provide a Government subsidy, since repayment of the Government's share of the marketing costs is required, except in cases where the new marketing effort fails. Individual firms as well as groups of exporters would be eligible for assistance under this legislation.

Funding for joint export marketing assistance was included in the original 1980 Commerce budget.

Though many programs exist that attempt to benefit U.S. exporters, my bill can be distinguished from existing programs in three ways as indicated in the fiscal year 1980 congressional budget submission for joint export marketing assistance.

**First. Assistance**—Since potential small exporters fear high risk in foreign marketing efforts, this program will relieve some of the financial burden. For example, a small- or medium-size firm may need to invest between \$30,000 and \$100,000 during the initial 2 to 3 years of its export development activities before obtaining signifi-

cant export sales. For a small- or medium-size firm this can constitute a significant financial exposure. To reduce this financial risk which is not addressed by traditional Government loan programs, the joint export marketing assistance program will share specified cost relating to initial overseas market development activities with individual firms or groups of firms on a contractual basis. Only marketing costs that can be specifically related to initial development of foreign markets for U.S. products are eligible for assistance.

Second. The requirements of the program—As I previously mentioned, participants will be required to repay Government costs based on total sales in the market during a period specified in the contract. The repayment provisions will be designed to minimize the possibility of default by participants. Firms seeking financial support will be required to prepare detailed development proposals setting forth a comprehensive market plan that offers a reasonable prospect for sustained export sales after Government support is withdrawn. This is an important point because it will help to insure sound investment and assures a commonsense and responsible approach to Government involvement in export development.

Third. Eligibility—Only firms with a proven track record and viable financial assets will be allowed to participate in this export assistance program. Emphasis will be given to the smaller exporter.

Mr. Chairman, in these times of recession and high inflation, it is especially important that we encourage more exporting among our small and medium businessmen who then can provide more jobs in this field. If we curtail export promotion efforts in hard times, overseas markets may not be ready for more prosperous times when our businessmen can better afford to export.

When we talk about promoted exports, Mr. Chairman, the businessmen of Iowa seek a partnership with Government. We must look for programs that change the role of Government from regulator to partner.

With a little encouragement and a little less paperwork, our businessmen will more than pay back their Government partner its investment.

Thank you.

Senator STEVENSON. I thank you, sir.

Section 6 of your bill authorizes to be appropriated such sums as may be necessary. We ordinarily like to put dollar limits in the authorizations. Do you have any to suggest?

Senator JEPSEN. Well, it has been recommended for a \$2.5 million amount in the fiscal year 1980 congressional budget submission.

Senator STEVENSON. That was for fiscal 1981? I thought—I guess the administration suggested a figure of about \$2.5 million for 1980.

Senator JEPSEN. Yes; and I have their breakdown on that. In this \$2.5 million, they have \$70,000 needed for people on the administrative end of it and the balance of it would be going directly to provide this assistance service. I was pleased to see that balance of a very small part that was taken to work on the administrative end of it.

The Department of Commerce has also recommended some additional things on page 14 of their report on the background for the Senate Export Caucus Status, September 1979, which could well be and should probably be amended into and considered in this bill. They have been very supportive of this, Mr. Chairman.

#### NONCOMPETING CORPORATIONS

Senator STEVENSON. Finally, Senator Jepsen, I note that in your statement there are references to groups of noncompeting corporations—"The Secretary may enter into cooperative agreements with groups of noncompeting corporations"—as a basis of research under section 3—"Groups of noncompeting corporations may prepare and submit proposals and incorporate specific marketing actions," and so forth.

Why should that be confined to noncompeting corporations?

Senator JEPSEN. If it reads in such a manner that it's confined to that, I think we should—I don't know why it should be. It may be an error in the drafting.

Senator STEVENSON. I think we ought to take a hard look at that provision. I'm glad you feel likewise.

Offhand, I don't see why it should be confined to noncompeting corporations either.

Senator JEPSEN. Thank you. I will have my staff coordinate with your staff to correct it.

Senator STEVENSON. Thank you very much, sir.

Senator JEPSEN. Thank you, sir.

Senator STEVENSON. Our next witness is Mrs. Herta Siedman, Assistant Secretary of Commerce for Trade Development. She's not here. We'll come back to Mrs. Siedman.

Let me, at this time, insert a statement of Senator Leahy in the record as though read.

[Statement follows:]

#### STATEMENT OF PATRICK J. LEAHY, U.S. SENATOR FROM THE STATE OF VERMONT

Senator LEAHY. Mr. Chairman, I am pleased to have the opportunity to testify today in support of the Small Business Export Expansion Act of 1980.

I believe this act will equip many small businesses wishing to export with the tools they need to overcome the formidable obstacles presently confronting them.

As a nation we can no longer afford to overlook and neglect our full export potential. The Small Business Export Expansion Act—by providing small businesses with educational and marketing assistance, better access to export information and assistance, and a program for limited financial, technical and management assistance—represents a giant step forward toward the full realization of our national export potential.

I especially wish to commend the Senate Select Committee on Small Business for their wisdom in including the "encouragement of increased tourism in the United States" among the purposes of the act they recently reported.

Mr. Chairman, I believe that foreign tourism—that is foreign travel to the United States—may well be the U.S. product with the greatest potential for expansion in the world market today.

In 1979, international tourism receipts for the United States were \$10 billion, and those receipts sustained an estimated 300,000 jobs in travel-related enterprises. It is particularly appropriate that I mention this in connection with the Small Business Export Expansion Act, because a full 98 percent of travel-related enterprises are small businesses.

America itself is a product with tremendous international appeal at this time. It is easily obtainable, and it is being sold at a price which is considerably cheaper than the competition. As you know, Mr. Chairman, travel expenditures by foreign visitors generate foreign currency gains for the United States. They should, therefore, be viewed as exports and included in all Government export promotion efforts.

In testimony in support of the Small Business Export Expansion Act, it has been stated repeatedly that an estimated 20,000 U.S. firms could export but do not. I believe another 20,000 of the 1 million firms within the U.S. travel industry share this same untapped export potential.

For these reasons, Mr. Chairman, I urge that your committee favorably consider the inclusion of tourism promotion among the purposes to be furthered by the Small Business Export Expansion Act.

Before I conclude my testimony, I would like to make one brief observation with respect to the version of the act recently reported by the Small Business Committee.

In section 201 of the Small Business Committee bill, Federal grants to establish small business international marketing programs are required to be matched on a 2 for 1 basis. I believe a 1 for 1 match is more appropriate, and also feel that the grant recipients should be permitted to charge a fee for their services to defray a portion of their program costs.

Mr. Chairman, I will conclude my testimony by thanking you and the committee for your efforts on this most important and timely piece of legislation. I look forward to working with you on the bill in the months ahead.

Senator STEVENSON. Our next witnesses will be a panel consisting of Forrest H. Boles, president of the Chamber of Commerce of the State of Montana; William Morris of the department of economic and community development, Nashville, Tenn.; and Mr. Robert S. Willard, vice president for government relations of the Information Industry Association.

Gentlemen, please come forward.

**STATEMENTS OF FORREST H. BOLES, PRESIDENT, CHAMBER OF COMMERCE, STATE OF MONTANA; WILLIAM MORRIS, DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT, NASHVILLE, TENN.; AND ROBERT S. WILLARD, VICE PRESIDENT, GOVERNMENT RELATIONS, INFORMATION INDUSTRY ASSOCIATION**

Senator STEVENSON. Who is missing?

Mr. MORRIS. I am William Morris, Mr. Chairman.

Mr. WILLARD. I am Robert Willard.

Senator STEVENSON. Gentlemen, if you have statements, we would be happy to enter them into the record if you would like to summarize.

Mr. MORRIS?

Mr. MORRIS. Thank you, sir. I believe I have given you my remarks for the record.

There are two or three paragraphs, four I believe in particular, that I would like to lift up in response to what we have talked about this morning in my remarks to the committee.

The second paragraph on page 1 relates both to S. 2379—and when I wrote these remarks, I was working with only S. 2104, and S. 2040, because I did not get the new information until last night about 9 o'clock.

Most encouraging of all, however, is the wisdom in the design of the legislation which recognized that professional help, to be truly of service, must be offered to these businesses in their own communities, on a daily basis, and with their individual needs always in mind. The key is confidence and trust built between the professional advisers and the businesses over a long period of time.

In our judgment, this is very important if we are going to be successful in bringing small- to medium-sized exporters into the exporting arena. It must be done at the local level; it cannot be done at either the national level or at the State level. It has to be done in the local communities. These bills address themselves to that particular situation.

On page 2, I would like to ask you to look at paragraph 2, because I think this is something we have done in Tennessee that we feel will have tremendous impact on our future export marketing.

Understanding where Tennessee products could best be sold in the world has been a prime consideration from the outset for us. Therefore, we sought to find a way to analyze export sales possibilities for our business through detailed market research.

#### CONTRACT SIGNED

After extensive evaluation, initial funds were committed and a contract was signed with a nonprofit market research institution to survey in depth a first grouping of our major exportable product lines.

The studies currently being done are to be given free of charge to all Tennessee businesses who can make use of them. In essence the studies—similar to the U.S. Department of Commerce's TEMPS plan—will provide the following:

Based on a United Nations export econometric computer model, an analysis of 97 country markets for Tennessee products; export sales forecasts for these products through 1983; executive summaries of the 12 best export markets per product; and a general outline of our export marketing strategy.

We think this is a step in the right direction, because one of the basic problems you have in the exporting area today with the small and medium exporter is being able to tell him where in the overseas market his product will best sell, and therefore encouraging him to make the expenditures necessary to go after that market.

On page 3, I would call your attention to the third paragraph: One further accomplishment of considerable merit is the publication of a 150-page manual describing the procedure of exporting in a step-by-step fashion. We regard this manual as one of the best of its kind published by any State agency today. The manual is given to all Tennessee businesses at their request at no charge.

This particular manual [indicating], which I will be happy to leave for the committee—

Senator STEVENSON. Thank you. We would be happy to have that for the use of the committee.

Also, do you have a prepared statement, Mr. Morris? Staff tells me that we do not have copies of it.

Mr. MORRIS. Oh, I'm sorry. I left it with the young lady in the back office.

Senator STEVENSON. Thank you.

How much longer do you want to go? I don't want to keep Senator Stewart waiting. And Mr. Theiste has a plane to catch, apparently.

Mr. MORRIS. I think in 2 or 3 minutes I can finish.

Senator STEVENSON. All right, why don't you finish up, and then we will recall Mr. Theiste.

Mr. MORRIS. One thing that we are concerned about in the bill as proposed is the match which is 2 for 1, particularly if you are talking about a State agency. We would recommend that it be a 50-50 matching fund, if at all possible.

The second thing we are concerned about is the fact that it sets forth possibly only 10 areas in the United States who could qualify, or in essence only 10 States. We are concerned that this would limit—would be too limiting in its effect on the various State organizations.

[Complete statement of Mr. Morris follows.]

## TESTIMONY OF

W. H. MORRIS, JR.

DEPUTY COMMISSIONER

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

STATE OF TENNESSEE

I wish to commend the Senate for its foresight in the consideration of proposed legislation to stimulate the economy through increased exporting activity. With specific reference to states' small business export development programs described in S-2104 and S-2040, I would like to acknowledge that Tennessee supports all measures which address the critical deficiency in professional export assistance to America's smaller businesses. Both of these bills require precisely the action necessary to begin to remove the barriers all too evident to business people interested in international trading.

Most encouraging of all, however, is the wisdom in the design of the legislation which recognized that professional help, to be truly of service, must be offered to these businesses in their own communities, on a daily basis and with their individual needs always in mind. The key is confidence and trust built between the professional advisors and the businesses over a long period of time.

We are particularly proud of the strides thus far taken in Tennessee to accomplish exactly that. Please allow me to explain in summary, within the context to the assistance mandated by these bills, what is being done in our state today. Soon after Governor Lamar Alexander took office a Tennessee Office of Export Trade Promotion was created, and Governor Alexander has continued to actively support international trade. The responsibility of the Tennessee Office of Export Trade Promotion was defined to be the implementation, in whatever manner feasible, of a program to involve the state's industrial and agricultural sectors more successfully in world markets. A very competent staff was hired, experienced through both academic and practical training in the combined fields of export management, foreign marketing and international banking. In March of

1979 we officially began, as a government, to undertake increased exporting from Tennessee.

Understanding where Tennessee products could best be sold in the world has been a prime consideration from the outset for us. Therefore, we sought to find a way to analyze export sales possibilities for our businesses through detailed market research. After extensive evaluation, initial funds were committed and a contract was signed with a non-profit market research institution to survey in depth a first grouping of our major exportable product-lines. The studies currently being done are to be given free-of-charge to all Tennessee businesses who can make use of them. In essence the studies, similar to the United States Department of Commerce's Tailored Export Marketing Plans (TEMPS), will provide the following:

- 1) based on a United Nations export econometric computer model, an analysis of 97 country markets for Tennessee products,
- 2) export sales forecasts for these products through 1983,
- 3) executive summaries of the twelve best export markets per product and
- 4) a general outline of an export marketing strategy.

We are extremely excited about this project because it is a first step in helping our small businesses understand the demand for their production abroad. We further look forward to the day that additional funding can be appropriated to include studies done on virtually all products made in Tennessee.

Fundamental education in exporting has likewise commanded much of our attention. Fully recognizing the complexity of export pricing, financing, shipping, insurance, documentation and foreign business customs, we proceeded to construct an export information center in state government. Relying on cooperation with the U.S. Department of Commerce's trade specialists, we launched a public awareness blitz across the state. During the first year of operation in 1979, the staff of the

state's export office made over three-hundred industrial calls to establish initial good working relationships with Tennessee's more promising small businesses.

Additionally, ten regional export conferences were held in all sections of the state to introduce to entire communities, the proposition of increased foreign trade from Tennessee. This year we will continue systematic daily industrial calls on-site, promote monthly regional conferences again and experiment with a new idea----one day business courses in exporting held at the offices of small businesses requesting individualized presentations for all their employees involved in international activity. The intent of this education campaign is constant general and specific counselling and training.

One further accomplishment of considerable merit is the publication of a 150-page manual describing the procedure of exporting in a step-by-step fashion. We regard this manual as one of the best of its kind published by any state agency today. The manual is given to all Tennessee business on their request at no charge. We are delighted to provide all these educational services to our business constituency and hope with sustained monies that continuing improvements can be made and greater numbers of businesses reached.

Turning to the activities more directly associated with identifying and contacting potential foreign customers and distributors for Tennessee's products, we are most pleased with the results that can be reported over the past year in our state. We have determined that ours is a role of introductions. By that I mean we have experienced hard dollar results for our businesses by acting as intermediaries between buyer and seller in the marketplace.

Governor Alexander and other state officials made a personal visit to the Republic of China in November of 1979. The agribusiness and industrial sectors of Tennessee signed this month contracts in excess of \$490 million with the government procurement mission from Taiwan. Tennessee suppliers of cotton, coal, soybeans, tobacco, and industrial hardware were the beneficiaries.

This work continues at full speed with the ultimate objective always being that of placing the Tennessee business person in direct contact with the foreign buyer. We are very cognizant of the wealth of opportunities available to us through organized export sales events abroad. Therefore, we are aggressively pursuing the sponsorship of United States embassy-sactioned trade missions (Industry-Organized-Government-Approved) missions and the international trade show or exhibition under the auspices of the United States Department of Commerce.

As a matter of fact, our first exhibition was completed in February of this year. With arrangements made by the state, seven of our manufacturers participated in Commerce's Construction and Mining Show in Mexico City. They collectively reported \$1.5 million in floor sales, projected a total of \$7 million in sales over the next 12 months and signed several licensing and representation agreements.

Our first IOGA foreign trade mission is scheduled for June this year. Again with coordination from the state, twelve of our companies will travel with us to Guatemala and Columbia for one-week of business appointments pre-arranged by the respective United States embassies in those countries. Export business worth several million dollars is expected to be generated from contacts with prescreened buyers in those countries.

The Tennessee Office of Export Trade Promotion's travel plans presently call for more preliminary work to be done with the commercial sections of our embassies in Latin America, Europe and the Far East this calendar year. With an adequate budget, more foreign customers will be identified, more foreign trade missions scheduled and more international trade shows arranged for our smaller businesses.

We are believers in export trade in this state and again applaud the Senate Select Committee on Small Business for its efforts in proposing legislation to fund programs within the states to work patiently with small businesses in increasing their export interests and export revenues. Our program is new but we have no difficulty in attesting to its value.

Senator STEVENSON. Thank you, sir.

Now if you gentlemen will stay right where you are. Mr. Theiste, would you return, please?

[Mr. Theiste returns to the witness table.]

Senator STEVENSON. Senator Stewart?

Senator STEWART. Mr. Chairman, I would like to say how much I appreciate the fact that you are holding these hearings today. I know of your long involvement in the export field and you have established a record in the Senate that you can certainly be proud of. I would like to ask some questions, if I could.

During executive session, the Small Business Committee voted to give the SBA latitude in setting loan guarantee levels of up to 90 percent. Since March of 1980, SBA has had a 75 percent revolving line of export credit. However, the Small Business Committee was repeatedly told that this program was not working, and partially because of that guarantee level.

In addition, we heard the other day before the Small Business Committee that you intended to increase the loan guarantee level to 90 percent. If you do intend to do that—and I would like to know if you do—when do you intend to do that?

Mr THEISTE We are in the process of drafting a proposal to that extent right now I would imagine that it will take approximately 15 days for it to go through the necessary reviews, because there are other changes that we are proposing at the same time. But I fully anticipate that, as I said to the chairman, within 30 days we will have that information.

#### GRANT RECIPIENT FEES

Senator STEWART Should grant recipients be able to impose a fee that would ultimately become a part of the recipient's portion of the matching funds? What do you feel about that?

Mr THEISTE. Is this under the provision that would give the Commerce Department authority to make grants?

Senator STEWART Let's say the Commerce Department got the authority to make grants. If the grant recipients were able to impose a fee for their services, would you be favorable, or unfavorable to that? This would become a part of their matching fund.

Mr. THEISTE. Generally I think a fee is a necessary part of any kind of assistance. When something is offered for free, it does two things. It demeans the value of the assistance to some degree in the minds of the recipients; and I think also that it does not cause the recipient to properly do his homework in requesting the assistance.

I believe, however, that any fees should be as low as possible—"nominal," if that is the right word—in getting the companies started in the analysis of the export requirements.

Senator STEWART. What about the use of the fee by the grant recipient to become a part of their matching fund? Would there be any objection to that?

Mr. THEISTE. I would see no objection to that, from my way of thinking. We have not discussed that particular provision fully within the SBA.

Senator STEWART. The White House Conference's Export Task Force recommended increasing small business membership on the President's Export Council. As the agency advocating the small business interest, do you feel it is necessary to statutorily mandate this Council—the President's Export Council—and small business' membership on it?

Mr. THEISTE. I think the Council—we have established an informal working relationship with SBA and Eximbank, the Department of Commerce, Agriculture, OPIC. That is working very well. I see no need at the present time for legislation establishing a more permanent kind of Council.

We have gone with a proposal whereby the Council would have the total support of the President through an Executive order. We also see no objection to statutorily establishing it.

Senator STEWART. Well, of course I certainly would not want to suggest this—not at this particular time—but Presidents have a tendency to change from time to time, and your informal arrangement might change.

I think what I was getting at is: Do you think you need some kind of permanence in the situation, and some kind of assurance to the small business entities that they would be represented?

There has been a concern in the past on the part of small businesses that they are not receiving the kind of treatment that they should receive as far as exporting the goods and services from time to time are concerned. That is what we are getting at.

Mr. THEISTE. I think that would be a positive step. The specific formulation of the Council at last count I think was 35 members proposed in the legislation that we are considering. Whether or not that kind of a formulation would act in the best interests of small business, or whether it would become something different from that, I think that each of the agencies involved has a specific role to play. And I think the relationship with the committees in Congress, continuing to place emphasis on achieving certain objectives through the administration, and the President and the other members of the administration putting emphasis in that direction, the same thing can be achieved.

A council of that nature, being permanent like that, would still need the emphasis of the Congress and the—

Senator STEWART. Oh, I understand that. The only thing I am thinking about is, if you do statutorily react to it, legislatively

react to it, and make sure that small business has a place there, then the emphasis you give it from the congressional standpoint might be a little bit better.

Would more businesses be willing and able to provide hands-on assistance if the grant program was a 1-for-1 match, instead of a 2-for-1 match?

Mr. THEISTE. I will have to defer on that question. I think that the Department of Commerce may have a better feel for that. The 2-for-1 match would individualize the assistance more to the particular geography. I think there would be a greater involvement of the organizations involved. They would be more responsive to the local needs. A 1-for-1 would be one step less than that.

Of course on the other side of the equation, a 1-for-1 is easier to set up by these companies and easier to get them going. So that is a balance that I think would have to be looked at more closely than what I have done so far.

Senator STEWART. Which would you favor?

Mr. THEISTE. I typically favor a 1-to-1.

#### SBA SPENDS \$5 MILLION OUT OF \$100 MILLION

Senator STEWART. Since 1978, SBA has had \$100 million to spend on development of exports through the loan program. I have been told by staff that they have only spent \$5 million of that \$100 million. Why is that?

Mr. THEISTE. That question was asked me by the chairman, and the number \$5 million is the number that we have spent. I do not know the exact reasons. We have done what we can to interest small business in the area of exporting. We have had over the past 2 years, roughly 65 regional conferences on small business exporting, where we have encouraged small businesses to get into the export business.

We thought by doing that we could stimulate the interest, and thereby would have more demand for our loan money. The fact that only \$5 million in loans has been made for these purposes may be due to two things.

It may be, first of all, that the stated purpose of the loan is not always exporting when some of it will go to exporting. In formulating some businesses, it may be for working capital, and part of the money will go for exporting.

It may be that small businesses are not getting the word that there is an emphasis on loan making for small businesses for exporting, even though that word is going out through these conferences. Or it may be that small businesses are not getting into the export business in as rapid a number as we think they should.

Senator STEWART. I understand you have to catch a plane at 11 o'clock and I am not going to keep you any longer, but that answer just does not satisfy me as to why we have not been more active, and frankly more aggressive in that area. An expenditure of \$5 million out of \$100 million certainly does not indicate to me that we have been doing the job, either through the Small Business Administration or through oversight, to get more small businesses interested in exporting.

I would just like a better answer than that.

Mr. THEISTE. Well, since these are loans, it is not a matter that we can—it is not spending the money; it is attracting businesses to come in.

Senator STEWART. Well, then, maybe that is where we have failed—you, and the Small Business Administration, and those of us who serve on the oversight committee. It is just something I am not pleased with.

I don't want to make you miss your plane.

Mr. THEISTE. Well, my plane is not at 11. I have to leave here at 11 if I am going to catch it.

I would be happy to explore that further. I don't think we are going to get any better answer than that, based on the information that we have. We have put on the conferences in conjunction with the Department of Commerce and the Eximbank, where we have promoted—and done it in all areas of the country—we have promoted the concept of exporting by small business.

Senator STEWART. Well, maybe your joint effort there might have been part of the reason the small business entities didn't participate. Maybe there should have been something done on an independent basis. I don't know, but I think it is something we need to explore, and not necessarily right now.

Is there anything you oppose in the bill?

Mr. THEISTE. Well, there is nothing I would say that we oppose directly. The Office of International Trade is something which SBA has had established for a number of years. Legislatively mandating this is something which, whenever you legislatively mandate an organization, you run the risk that the organization is going to be carried on forever, whether or not it has a purpose. I think in the case of exporting, that that purpose will go on for many, many years before we ever come to the point where we have achieved the job. So that does not give me a particular problem.

#### FULL-TIME REPRESENTATIVES

The establishment of full-time representatives in every region is something that we would like to tie more to result. If we want to do that, what specific results are we after? And what we should be alert to is, given the results we want to achieve, what is the best way to do that?

We are willing to try having an expert on exports in each region, but if that does not do the job maybe there is another approach that should be taken. That is our only concern about that particular provision.

Senator STEWART. You want more flexibility in that area?

Mr. THEISTE. Yes. We think that any kind of an approach to achieving some particular mission should have an end goal involved. This is what we have done with the establishing of an individual in each of the four regions where we have the pilot loan program going on. There we want these individuals to be accountable for achieving a certain level of small business interest related to companies that are going into exporting, so that they can justify their mission out there. And if they don't do it, either it is because the organization is wrong, the idea is wrong, or the individuals are wrong; and we want to be able to assess that. I think the same would apply for having an individual in every region.

Senator STEWART. But that is all that you can find that you all oppose in the legislation?

Mr. THEISTE. Yes. I just reviewed the titles. Title I establishes that office. It also give us authority for \$750,000 as our maximum loan size. We support that.

It would establish, or formalize in law what we call our "Bank Certification Program," which we support.

Title II has to do with the grants the Commerce Department makes. I think that Commerce is in the best position to discuss that.

Senator STEWART. They don't want to do that.

Mr. THEISTE. Generally we think that having that kind of assistance available is a good thing. We think that the Small Business Development Centers of SBA can accomplish that purpose.

Title III is the National Export Council. We have no objection to that.

Title IV, I have no knowledge of what that all means. That is the overseas officers, and that is completely foreign to what SBA does.

Senator STEWART. That's all I have.

Thank you, Mr. Chairman.

Senator STEVENSON. Thank you, Mr. Theiste.

Mr. THEISTE. Thank you, Mr. Chairman.

[Mr. Theiste leaves the witness table.]

Senator STEVENSON. Now, Mr. Morris, would you mind moving over one seat so that I can introduce our colleague, Senator Baucus, who I believe will introduce the next witness.

Senator Baucus?

#### STATEMENT OF MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. Thank you, Mr. Chairman, Senator Stewart.

It is my pleasure to introduce the president of the Montana Chamber of Commerce who will testify primarily on title II of the bill.

As you know, Mr Chairman, Montana is a small business State. We do not have large, basic industry as does Illinois or Alabama. We are essentially an agricultural State very abundant with raw agricultural products, raw resources which by and large are shipped out of the State for refinement and processing elsewhere in the country.

We do have one industry which is very important to our State. That is, tourism. It is extremely important to Montana, as it is to other States in the Union, but I think comparatively more important to our State than perhaps most others.

Tourism, as you know, has been hurt because of the energy crisis, high gasoline prices, and inflation. It is for that reason that we are looking toward solutions to solve that basic problem which we face in our State.

It is my pleasure to now introduce Mr. Forrest Boles, nicknamed "Buck Boles," from our State of Montana, who I think has done a terrific job in representing not only the chamber of commerce, but our State in helping to promote a good, solid economy.

Mr. Chairman, it is my pleasure to introduce Buck Boles.

Senator STEVENSON. Thank you, Mr. Baucus.

Mr. Boles, if you have a prepared statement, we would be happy to enter it in the record if you would like to summarize.

Mr. BOLES. Mr. Chairman, I am sorry but I do not have a formal statement to present. It will be verbal.

Thank you, Senator Baucus.

Mr. Chairman, members of the committee, I am pleased to be here, and I appreciate the opportunity to make some comments to you in regard to this piece of legislation.

As the Senator mentioned, I am going to be commenting primarily on title II. Export in Montana is a growing effort in general. We do export grains to the Pacific rim countries in large quantity. We have some small businesses in Montana that are in the export business. We export irrigation pumps all over the world, and Big Bud tractors.

#### EMPHASIZE INTERNATIONAL TOURISM

As Senator Baucus mentioned, tourism is the third largest industry in Montana. Last year we experienced a downturn of 25 to 30 percent in that industry. So we have begun to emphasize international tourism as a measure to increase that business.

Right now there is a joint effort between the State of Montana and the private sector to encourage tourism from Canada. The Old West Regional Commission is promoting tourism in Europe for the five Old West States, and we of course support that effort.

The Montana Chamber of Commerce is working to form what is called a "friendship service" to coordinate the several exchange programs on the international scale—the people to people program, the friendship force, the YMCA exchange program, and others.

It is our thought that this amendment added to the bill by Senator Baucus in the Small Business Committee would be very helpful to the tourism industry and to Montana. We hope that you would give that favorable consideration.

We realize that in this time of budget balancing and an economy that is on the downturn, that this kind of program deserves a lot of attention but we hope that you would favorably consider it.

We favor the program, in addition, because it does require the individual applicant to match two-for-one with the Federal Government. We think that that assures a strong commitment by that applicant and assures a more successful program.

Senator, that concludes my remarks. Thank you very much.

Senator STEVENSON. Thank you, sir.

Senator Baucus, you are welcome to join us up here, if you would like. What I would propose to do next is go to the final member of the panel, and then come back to all of the panel members.

Senator BAUCUS. Well, thank you, Mr. Chairman. As you know, I do have commitments that were previously scheduled. I do appreciate the opportunity very much.

Senator STEVENSON. Thank you, sir.

Then, Mr. Willard?

Mr. WILLARD. Thank you, Mr. Chairman.

My name is Bob Willard. I represent the Information Industry Association. We have submitted a prepared statement. I understand that it has been included in the record, and I will just present a summary of the statement at this time.

IIA is a trade association comprised of 128 companies, both large and small businesses, with total annual information business revenues exceeding \$1.5 billion. Our members are in all phases of the information business—collecting, organizing, packaging, distributing, wholesaling, and retailing information, and providing information technology equipment, and services. We have described some of our companies in our statement and have included a list of our full membership.

We very much appreciate the opportunity to appear before you to present our thoughts on the Small Business Export Expansion Act of 1980. We have devoted a lot of attention to the subject of export expansion in the past year and a half. We have observed a number of disincentives to exporting.

#### INFORMATION ASPECTS OF THE BILL

We feel that this bill represents an important step toward removing some of these disincentives, especially in the area of financing and Government redtape. The lack of adequate information on international trade opportunities is of course another disincentive to exporting. We would like to concentrate our comments on the information aspects of this bill.

Stated simply, our position is that the export information requirements of small business can be met by the existing information marketplace, and that government entities should not compete in this marketplace with commercial information products and services.

A number of our member companies are providing right now the type of export information that the market place has shown there is a need for. Many of the customers of these companies are small businesses. Other member companies are ready to develop and offer additional information products and services, that their entrepreneurial skills tell them the market will demand in the future.

These companies have invested, and will continue to invest, their own capital at their own risk to develop information services to meet the needs of the export community. We want to make sure that they can continue to meet this need, and that no well-intentioned Government program to provide similar information will compete unfairly with them.

I would like to discuss this problem of Government competition in the marketplace just a little before commenting on the legislation.

You may know about a recent SBA report entitled "Government Competition: A Threat to Small Business." In it, there are a number of examples of direct economic competition by the Government with small, private, for-profit enterprises.

The authors of the report conclude that the preference for the private sector has declined, with no satisfactory reason. They suggest that it is important that Congress mandate by statute or resolution the preference for the private sector as national policy.

We think this is especially important in the areas of information. Government, with its long tradition of dispensing information, is too willing to establish new information activities when some public servant feels a certain information service is deficient in the marketplace. We feel such activity is unwarranted.

First of all, there is no reason to spend public funds to create and market an information product when there is a good chance the private sector can be encouraged to provide it.

More importantly, a Government entity competing in the information marketplace can drive other competitors out and can lead to a situation where the Government is the only source of information. This completely eliminates the opportunity for the diversity of information sources that this Nation throughout its history has so consistently sought to provide.

John Shenefield, the Assistant Attorney General, has discussed the problem of Government competition. Essentially, he said that a Government enterprise, with its access to capital and day-to-day financing, will probably never lose.

Put another way, the information business that goes head to head with Uncle Sam and his deep pockets is sure to come out second best.

There is certainly a role for the Government with regard to making information available, however. This subcommittee should seek to establish that role insofar as export information is concerned.

Charles Schultze, now Chairman of the Council of Economic Advisers, has offered some suggestions in his book, "The Public Use of the Private Interest."

He observes that when the Government decides to intervene to accomplish some social good—for example, we might suggest the provision of export information—we usually tend to see only one way of intervening. That is, for the Government to do it itself, instead of creating incentives so that the private sector would accomplish the goal.

How can we apply this observation and the attendant concept of incentives to the private sector to meet the public need for export information?

The first step is the most important. It is one which this subcommittee can directly address in the context of the legislation. That is, the removal of disincentives.

We strongly urge that the committee make it a clear part of the legislative history that the intent of the Small Business Export Expansion Act is not to authorize or encourage the development of large, centralized, Government-owned-and-operated export information data bases.

The next steps are not so clear, nor may they be within the purview of this subcommittee while dealing with this bill, but we do give some examples of possible incentives in our statement.

In summary, we urge this subcommittee to acknowledge that the need for export information is real, and the best way to assure its widespread availability is through the Government's encouraging private-sector commercial operations.

Let me now offer some comments on the bill.

The bill legislatively mandates an Office of International Trade within the Small Business Administration. We are encouraged by the provisions which talk about providing access to export information. Providing access to information is critically different from providing the information itself. It should be the congressional intent that the proposed Office of International Trade be fully

aware of the multitude of export information products and services available from private commercial sources, and be capable of advising potential exporters on the use of such products and services.

The Office of International Trade should not be expected to develop and market such products and services themselves. In this regard, we would especially urge that the reference to specific information programs in the Department of Commerce—specifically, the Worldwide Information & Trade System, and the World Trade Data Report, WITS, and WTDR—should be deleted from the bill.

WITS is a very controversial program that we have been involved with for the past 18 months. Our prepared statement, along with our testimony on the WITS fiscal year 1981 appropriation request, goes into this subject in detail. The substance of our position is that WITS will indeed compete directly and substantially with private-sector offerings, while costing the government \$20 to \$25 million in its first 5 years.

We do not know if there will be a WITS program in the future, or if so how it will be put together. We do think it would be a serious mistake to refer in law to a program that has never been fully examined or authorized by Congress.

On the other hand, we believe it would be very constructive if you could add some language that clearly indicates to the new SBA office its responsibility to use private-sector information sources.

In our statement we also suggest report language that would reinforce the concept of reliance on private-sector information sources. Where lists and directories are called for, we suggest that they be obtained from private sources. Where reports are required, we ask that they be published only if they are unavailable elsewhere.

Where training is required, we urge that the training include an exposure to what information services are available in the information marketplace.

With regard to both the Advisory Boards established in title II and the National Export Council in title III, we believe they would be greatly enhanced with the addition of individuals who have experience in collecting and putting to use export information. We would be glad to identify such individuals.

We also suggest for the National Export Council a Committee on Export Information. The Department of Commerce has already indicated a willingness to explore this suggestion within the President's Export Council, but so far there has been no action.

This concludes our observations on the Small Business Export Expansion Act of 1980. We hope that our suggestions can be incorporated in a bill that will be reported out of your committee. We would certainly support such a bill.

Again, we thank you for the chance to testify on this legislation, and I would be glad to answer any questions.

[Complete presentation of Mr. Willard follows:]

Statement of the  
**INFORMATION INDUSTRY ASSOCIATION**

concerning the

**Small Business Export Expansion Act of 1980**

presented before the

**Subcommittee on International Finance  
Committee on Banking, Housing, and Urban Affairs  
United States Senate**

by

**Robert S. Willard  
Vice President, Government Relations**

**April 28, 1980**

Mr. Chairman, my name is Bob Willard, and I represent the Information Industry Association, a trade association comprised of 128 companies with annual information business revenues exceeding \$1.5 billion. There are large companies in our membership, but a good number of our members are in the category of small business. Our members are in all phases of the information business: collecting, organizing, packaging, distributing, wholesaling, retailing, and providing information technology equipment and services. Included in our membership are A. C. Nielsen Company (the television rating company headquartered in Northbrook, Illinois), Dun & Bradstreet, Inc. (which maintains in Parsippany, New Jersey a database of 4 million business establishments), Lockheed Information Systems and SDC Search Service (two international database distribution services with headquarters in Palo Alto and Santa Monica, California respectively), Warner-Eddison Associates, Inc. (an information retailer whose president was a delegate from Massachusetts to the White House Con-

ference on Small Business), Institute for Scientific Information, Inc. (an indexing and document delivery service in Philadelphia), Information Handling Services (a micropublishing and database developing company in Englewood, Colorado), and Ergosyst Associates, Inc. (an information consulting firm in Lawrence, Kansas). A full list of our membership is attached.

We very much appreciate the opportunity to appear before you to present our thoughts on the "Small Business Export Expansion Act of 1980" as marked up by the Senate Select Committee on Small Business last week. We have been very concerned with the subject of export expansion for the past eighteen months. The bill before this subcommittee is an important step toward solving the serious balance of payments situation facing this nation. We feel that the financial assistance portions of the bill, specifically the expansion of the guaranteed loan program, the creation of a revolving line of credit program for export financing and the

matching grant for small business international marketing programs (even at the \$150,000 level per program), can encourage a number of new-to-exporting small businesses, as well as already-exporting small businesses, to play an increased role in this country's international trade. We also believe the two location pilot approach to the "one-stop information center on Federal Government export assistance and financing programs available to small business" will provide an opportunity to experiment with different ways to avoid the bureaucratic runaround that can face a small businessperson who is attempting to determine what federal assistance is available.

We would like to concentrate our comments on the information aspects of this bill. Stated simply, our position is that the export information requirements of small business can be met by the existing information marketplace, and that government entities should not compete in this marketplace with commercial information products and services. A number of our member companies are providing right now the type of export information that the marketplace has shown there is a need for; many of the customers of these companies are small businesses. Other member companies are ready to develop and offer additional information products and services that their entrepreneurial skills tell them the market will demand in the future. These companies have invested and will continue to invest their own capital to develop information services to meet the needs of the export community. Obviously they cannot compete on a cost basis with programs underwritten at the taxpayers' expense and survive.

We are concerned that the objective of improving export information available to small business can have as an unintended result the damage or destruction of other businesses, small as well as large, which currently provide such information as a success

ful enterprise. Therefore, we urge that the Congress be particularly sensitive to this objective of the bill under consideration.

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Before turning attention to specific elements of the legislation, let me expand on this point of government competition in the information marketplace. The Small Business Administration has just (in March) published a report entitled "Government Competition: A Threat to Small Business." (We would contend that this report would lose none of its import if its title concluded "A Threat to All Business.") The issue identified in the report is "the use Government has made of its authority to create tax-supported instrumentalities which engage in direct economic competition with small, private, for-profit enterprises." The authors of the report conclude that the preference for the private sector has declined with no satisfactory reason and they suggest that "it is important that Congress mandate by statute or resolution the preference for the private sector as national policy."

Too often, in our opinion, government agencies determine that some need exists. Immediately, steps are taken by that agency to meet the need itself. This is especially true in areas of information, principally because government claims a time-honored tradition of being an information provider. Yet as commercial enterprises become more involved in information handling activities, there is less reason for government to expend its resources in such activities. In fact, there is a very strong reason for government not to be involved in such activities. Information is most valuable when it is available from a diversity of sources. The quality, accuracy, completeness, timeliness, etc. of one information product is best tested against a competing, similar product. It is our traditional belief in the value of multiple information sources that has led to the en-

couragement of diversity in broadcasting, newspapers, education, and so on. The presence of the Government as a competitor in the information marketplace can have a very chilling effect on this objective of diversity.

John Shenefield, Associate Attorney General, when he was head of the Antitrust Division at the Department of Justice, spoke about the problem of government competition in general. "It has proven exceedingly difficult for politicians and bureaucrats, when the government owns a particular enterprise, not to manipulate the prices charged by such an enterprise for a variety of usually well meaning purposes. . . ." he observed. "Even the most inefficient and wasteful of government enterprises will never lose. For such enterprises have access, of course, to sources of capital and day-to-day financial nourishment quite independent of their commercial operations."

Put another way, the information business that goes head to head with Uncle Sam and his deep pockets is sure to come out second best. If the private commercial source cannot compete, the government remains the only source of information, and with that situation you lose all chance of diversity.

What should the approach then be? What is the role of government in meeting the public goal of assuring access to a diversity of needed information (more specifically, in the context of these hearings, needed export information)? Charles L. Schultze, now Chairman of the Council of Economic Advisers, discussed the subject in lectures at Harvard University in 1976 and expanded upon it the next year in a book entitled The Public Use of the Private Interest. When the government decides it should intervene to accomplish some social good (for example, we might suggest, the provision of export information), it was Schultze's observation that "we usually tend to see only one way of intervening — namely, removing a set of decisions from the decentralized and incen-

tive-oriented private market and transferring them to the command-and-control techniques of the government bureaucracy. . . . Instead of creating incentives so that the public goals become private interests, private interests are left unchanged and obedience to the public goals is commanded."

How can we apply this observation and the attendant concept of incentives for the private sector to meet the public need for export information? The first step is the most important and it is one which this subcommittee can directly address in the context of the legislation, that is, the removal of disincentives. We strongly urge the subcommittee to make it a clear part of the legislative history that the intent of the Small Business Export Expansion Act is not to authorize or encourage the development of large, centralized, government owned and operated export information databases.

The next steps are not so clear, but will more easily fall in place after the first. The Commission of European Communities is facing this issue now. In a meeting with the European Committee of this Association, P. L. van Velze, Directorate General, Scientific and Technical Information and Information Management, described some recent developments. He reported on a workshop of the European Information Industry which developed some recommendations that would have applicability to the American situation, for example, reducing subsidies which create unfavorable conditions for free competition, and encouraging private enterprise to take over and market information services developed by government programs and subsidies. Also, in his talk, van Velze identified additional incentives such as including in educational curricula the subject of using information services, organizing publicity campaigns on the value of information, and offering tax deduction and accelerated depreciation allowances for information investments.

Such incentives are probably beyond the purview of the legislation currently under consideration, but nevertheless the subcommittee should take cognizance of the issue. The need for export information is real and the best way to assure its widespread availability is through the government's encouraging of private sector commercial operations.

\* \* \* \* \*

Let me now turn my attention to the four titles of the Small Business Export Expansion Act of 1980.

#### Title I

We will focus first on that section of Title I of the bill which creates a new Section 16 of the Small Business Act that establishes an Office of International Trade within the Small Business Administration. We are encouraged with the provisions of paragraph (b)(1) which talks about providing access to export information (although we caution that the modifier "complete" is very difficult to apply to an entity as potentially unbounded as "export information.") Providing access to information is critically different from providing the information itself. It should be the Congressional intent that the proposed Office of International Trade be fully aware of the multitude of export information products and services available from private commercial sources and be capable of advising potential exporters on the use of such products and services; the Office of International Trade should not be expected to develop and market such products and services itself.

In this regard, we have some specific changes to the language of the proposed Section 16 that we would urge this subcommittee to consider and implement. First, and of most critical importance, the reference to specific information programs in the Department of Commerce — "the world-wide

information and trade system and world trade data reports" (WITS and WTDR) — should be deleted from the bill. Our industry has been negotiating with both the Department of Commerce and the Congressional Appropriation committees on the subject of WITS for the past eighteen months. The substance of our position is that WITS will indeed compete directly and substantially with private sector offerings. Congress, in appropriating \$4 million for WITS in FY 1980, endorsed report language which said:

The conferees are agreed that the Industry and Trade Administration will fully involve the private information industry in the development of WITS. The conferees also expect the Industry and Trade Administration to insure that private sector efforts are enhanced and that ITA does not duplicate or compete with the private sector. (House Report 96-402)

We recently testified before both House and Senate Appropriations subcommittees with regard to Commerce's request for continued WITS funding for FY 1981 at the same \$4 million level. The thrust of our testimony was that we see little to no evidence of a sincere effort on the part of the Department of Commerce to comply with the full intent of the Congressional report language. We also stressed that at a time when budget concerns are paramount, it is far more effective and efficient to use existing information services than for government to spend money duplicating what already exists in the private sector. We will not repeat all the points of our testimony now, but I am providing the committee copies of the testimony presented by us and by two of our member companies.

There may or may not be a WITS program in the future depending on the will of the Appropriations committees and the Congress. Ideally, there should be a WITS that is built on a strong foundation of private sector

information capabilities.) Nevertheless, we think it would be a mistake to include in statute a program that has never been fully examined or authorized by Congress, other than through appropriations, and we therefore urge you to delete the phrase that begins "including..." from Sec. 16(b)(1)(A). Instead, we would ask that you conclude this subparagraph with the phrase "and assistance in obtaining export information from private sector sources." This statement would clearly indicate to the new SBA Office its responsibility to use private sector information sources.

Report language would be helpful in reinforcing the concept of reliance on private sector information sources with regard to other aspects of this new Section 16. In subparagraphs (B) and (C) of Sec. 16(b)(1) there are requirements to maintain a list of sources of export financing and a directory of organizations that provide export information and assistance. Sec. 16(b)(3)(B) also calls for a similar directory on a regional basis. We urge this subcommittee to make clear that it is not necessary for SBA to collect and organize such information itself if a reasonably equivalent information product is available from the marketplace. Similarly, in subsection (b)(1)(D), there is a requirement to prepare and publish reports that SBA "determines to be necessary," such necessity should only be determined if similar reports are not already available from some other source.

Subparagraph (A) of Section 16(b)(3) is another area where we suggest a specific language change in the bill that would recognize private sector services. We suggest this subparagraph should read "(A) assist small businesses in obtaining export information and assistance from other Federal departments and agencies and from private commercial sources;" (new language underlined).

As a final comment on this proposed new

Section 16, we would encourage you to include in the report language an explanation of the training required by subsection (b)(3)(E). Specific reference to training in availability and use of private commercial information services and products should be included.

## Title II

Our comments on Title II are limited. With regard to the advisory board called for in Section 201(c), we feel it would be helpful to include in the membership at least one information specialist, specifically one versed in export and other business related information. This requirement should be stated at least in report language. We would be happy to recommend candidates for these boards.

Concerning Section 203, we would simply urge that the Congress make clear that the intent of this section is to share management information on the efficient and effective operation of the small business international marketing program, and should not be interpreted as justification for establishing a large, centralized clearinghouse of export information.

(An additional observation is prompted by the reference to "fees collected from recipients of such assistance" in Sec. 201(d). Throughout the legislation, there is no explicit reference to fees being charged to recipients of export assistance, but we assume that such charges are implicit, based on the User Charge Statute (31 U.S.C. 483a) and OMB Circular A-25. We do not intend to discuss this concept at any length in our testimony; however, we would bring to the attention of this subcommittee a recent GAO report, entitled "The Congress Should Consider Exploring Opportunities to Expand and Improve the Application of User Charges by Federal Agencies" (PAD-80-25, March 23, 1980). This report acknowledges that "User charges can help reduce general Federal tax

collections by partially substituting for taxes and by reducing the demand for goods and services whose production is currently financed by general tax receipts." Equally important, in our opinion, is the fact that when user charges are set for government products and services at a level roughly equivalent to their cost, it is more likely that any competition between the government and private sector entities providing similar goods and services will be on a more equitable basis.)

### Title III

We applaud the statutory establishment of the National Export Council in Title III. Here we have two suggestions. First, because of the critical nature information plays in preparing a company to export, it would be essential to have included among the "eighteen private citizens" called for in Sec. 301(a)(4) individuals who have firsthand knowledge of the information business. We would suggest that at least three of the members represent information activities that either collect or provide access to export information, and again, we could provide the President names of qualified individuals. Second, along these same lines, we would suggest that in addition to the subordinate committees identified in Section 302(d), there should be a committee on export information which would serve as a forum for discussing such issues as the role of the private sector, the needs of users of export information, how to use information to cut through government redtape, etc.

### Title IV

Finally, we would suggest some legislative history for Title IV that echos our earlier point on training. This title, which provides the job description for overseas commercial officers, wisely directs the Secretary of Commerce to design training sessions for the commercial officers (Section 402). We strongly urge that this training include an exposure to private commercial information sources. Our industry would certainly work with the Department in developing such a program. Secondly, again repeating an earlier point, we would request that the semiannual reports to the Secretary from the commercial officers, required by Section 405(c), not be used as justification for information collection activities in competition with American private sector companies. Rather, we would hope that whenever possible the commercial officer can meet the requirements of this section by incorporating information collected by the private sector.

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This concludes our observations on the "Small Business Export Expansion Act of 1980." We hope that our suggestions can be incorporated in a bill that will be reported out of your committee; we would certainly support such a bill. Again we thank you for the chance to testify on this bill. I would be glad to answer your questions.

1980 INFORMATION INDUSTRY ASSOCIATION  
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TESTIMONY  
OF THE  
INFORMATION INDUSTRY ASSOCIATION  
  
CONCERNING THE REQUESTED APPROPRIATION  
FOR THE  
WORLDWIDE INFORMATION AND TRADE SYSTEM (WITS)  
  
BEFORE THE  
SUBCOMMITTEES ON STATE, JUSTICE, COMMERCE, AND THE JUDICIARY  
COMMITTEES ON APPROPRIATIONS  
  
UNITED STATES SENATE                      U.S. HOUSE OF REPRESENTATIVES  
March 31, 1980                                      April 1, 1980

We appreciate the opportunity to appear before this subcommittee to discuss with you our concerns on the continuing efforts of the International Trade Administration of the Department of Commerce to see that valuable trade information is made available to potential exporters.

The Information Industry Association is a trade association, founded in 1968, that is comprised of 128 information companies with total annual information business revenues exceeding \$1.5 billion. There are large companies in the membership, but a good number of our members are in the category of small business. Our members are in all phases of the information business: collecting, organizing, packaging, distributing, wholesaling, retailing, and providing information technology equipment and services. Companies such as Dun & Bradstreet, Find/SVP, Information Handling Services, Journal of Commerce, and McGraw-Hill are included in our membership; a full listing is attached to this statement. Some of our members have a direct interest in the Commerce Department appropriation but most, if not all, share a common concern over establishing a government information program clearly in competition with private sector efforts. It is this point we would like to discuss today.

Specifically, we want to focus on critical issues in the development of a large scale, computer-based information system which has been identified as WITS, the Worldwide Information and Trade System. Our Association focused on this matter early

on, and made our concerns known to you last year. Some of these concerns have indeed been addressed as reflected in the conference report language accompanying last year's appropriation bill.

The conferees are agreed that the Industry and Trade Administration will fully involve the private information industry in the development of WITS. The conferees also expect the Industry and Trade Administration to insure that private sector efforts are enhanced and that ITA does not duplicate or compete with the private sector. (House Report 96-402)

Although addressed, our concerns have not diminished. Comments and actions by the Department of Commerce indicate that they intend to go forward and develop WITS on a basis which would largely ignore the existing information products, systems and services developed by a significant number of companies, large and small, in the private sector. Commerce would then sell the information to recover their investment costs, investment costs which would not be required if the products of industry were used. As a result, the incentive for American business to invest in developing new information products, systems and services, and to improve existing products, systems and services, would be thwarted if a taxpayer supported, government sponsored system is allowed to go forward.

These actions do not meet the mandate of your report language.

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Before proceeding, however, let me assure you that we are in full agreement with the objectives of President Carter's Administration with regard to improving the international trade picture. The disincentives to exporting are many and we believe more attention should be focused on these. For example, in a statement on February 27th, the President discussed five major export disincentives: "uncertainty as to the application or interpretation of the Foreign Corrupt Practices Act; overlapping antiboycott laws and regulations; foreign policy export controls such as sanctions in support of human rights; nuclear materials export controls; and restraints on conventional arms sales to foreign countries." With regard to the problem of small business entering the international

marketplace, a number of specific impediments have been identified. In Commerce Department testimony before the Senate Small Business Committee on March 13th, the small businessman's difficulty in obtaining financing to begin export sales and the problem of coping with complex regulatory reporting requirements, both in the U.S. and in the destination market were discussed. Last year when the Secretary of Commerce traveled around the country to discuss exporting, she heard directly from small business that one of the major impediments to their exporting was government redtape. When representatives of small business came to Washington last January for the White House Conference on Small Business, the recommendations given highest priority by the group addressing international trade were in the areas of tax policies, expanded Eximbank and Small Business Administration financing programs, unification of diverse government export services, establishment of a cabinet level trade administration, and grant programs to encourage export support techniques. The small business marketplace is the justification for WITS. But small business did not identify WITS as a high priority need to stimulate international trade. WITS may be "nice to have" but with our nation's inflation rate and extraordinary interest rates for money, "nice to have" items have no place in the fiscal year 1981 budget.

Of course access to information about potential markets is an important element in exporting. In the March 13 Commerce testimony, it was stated that potential exporters "seek specific data on the market for their products, specific trade leads, and information on the cultural and marketing practices in the new market." We applaud this recognition of the importance that information plays in the exporter's decision. Where we have difficulty, is accepting the Commerce Department's techniques for improving access to this information.

In our letter to Chairman Hollings on July 12, 1979, we stated that "We oppose a government owned and operated data base information business created at taxpayer expense which duplicates and competes with private sector data base services."

Moreover we endorsed funding at the House approved level of only 20% of the \$5 million requested by Commerce. After lengthy consideration, the House and Senate agreed to a funding level of \$4 million, but they included in the report language the strict instructions concerning how this appropriation could be used, that we quoted earlier.

We were very pleased with this mandate contained in the report language. We felt that it gave an affirmative requirement to the Department of Commerce to work with the private sector in developing WITS. Commerce has not always complied with this requirement. Clearly, the Information Industry Association has established itself as a party of interest in the development of WITS, but at times during the past months, Commerce has taken steps without "fully involv(ing)" us. Meetings were held and documents were issued with little or no attempt to assure that IIA was informed. Obviously, if Commerce is to comply with the Congressional directive, one step, at a minimum, is to communicate directly with us on all significant developments.

Commerce did communicate directly and formally with us on a few occasions, and I would like to discuss these contacts. First, we received a letter dated October 30, 1979, proposing a method for including private sector data in one of the WITS files. Briefly, this proposal suggested that potential information providers could include in their bid an estimate of "possible lost revenues which the vendor might have realized from direct sale of its proprietary data to WITS users." IIA distributed this letter to interested members who responded directly to Commerce. Significant in the response was the fact that if such a procedure was followed, an established company that had commercial activity to protect would necessarily submit a larger bid than a new company would, and would therefore be excluded from participation.

Although this Commerce proposal was not deemed workable by our members, it is interesting to note that our member companies have offered an alternative proposal, that is to develop the entire WITS program at their own risk and cost without development cost to the government. The offer noted that the WITS program would be developed to

the specifications of the Department of Commerce and the marketplace. The member companies asked only one thing of the Department of Commerce; that one thing is for the Department of Commerce to subscribe to the industry developed WITS program on a multi-year basis. This offer was rejected by the Department of Commerce.

Another contact between the Department and us developed a few days before President Carter submitted his FY 1981 budget to the Hill. A meeting was set up between members of the International Trade Administration and members of the industry. This meeting which continued on three separate days resulted in a series of statements which the industry would like to see applied to implementation of WITS, but on which there is still some disagreement. Follow-on meetings will be held as soon as the Department of Commerce takes the necessary steps to announce in the Federal Register that such meetings will be held. Commerce is also exploring the possible establishment of a subcommittee to the President's Export Committee to continue to deal with questions of information policy in exporting. We look forward to hearing from Commerce on continuing in this vein.

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Although our principal concern with the development of WITS is the competitive impact on the information marketplace, as we indicated above, we also would like to draw to this subcommittee's attention some serious problems we have identified regarding the Commerce Department's method of implementing this program.

WITS is a "major system" as defined by OMB Circular A-109, and by Commerce's Implementing order (DAO 208-3). As such, Commerce is required to consider all alternatives which would meet the "mission need". The mission need is stated in the following objectives of WITS:

"(1) to promote U.S. exports by delivering foreign market information, purchase leads, and U.S. supplier information to the appropriate users, either directly or via intermediaries.

(2) To build upon current ITA information programs, thereby

embracing the effectiveness of ITA efforts to promote American exports."

These objectives were stated in the WITS feasibility study dated June 29, 1979.

The development cycle prescribed by OMB Circular A-109 then requires Commerce to "allow competitive exploration of alternative system design concepts in response to mission needs" and to "rely on private industry". Furthermore, the Circular, in paragraph 11, states that "Care should be exercised...not to conform mission needs or program objectives to any known systems or products that might foreclose consideration of alternatives."

Yet, Commerce's development studies have focused on only two alternatives, both of which represent essentially a single technology — a predefined computerized, data base management system. The only difference is whether the system will be operated on in-house hardware or contracted hardware.

Commerce must, if it is to avoid a sham analysis, consider a variety of alternatives for meeting the mission need. As examples, we offer the following alternatives to a centralized data system:

- a) distributed data processing, employing a local storage, switching network, possibly incorporating both government and private sector nodes;
- b) batch processing for overnight or delayed delivery from large-scale central storage;
- c) batch routing of inquiries for response by private enterprise;
- d) microfilm-based inquiry, retrieval and storage systems, (1) with no ADP requirement or (2) with automated indexing and/or referral;
- e) paper-copy storage with or without automated indexing and/or referral;
- f) increased staffing, while relying on current systems;
- g) improved versions of the current systems, with or without staff reallocations.

These alternatives are very real, and realistic. The single-minded approach adopted by Commerce thus far is admittedly within the capabilities of current technology. However, is it cost-effective? Is it the right mix of technological capability for the current state-of-the-art for export promotion? In these hearings last year, then Assistant Secretary Well stated that this was a trial-and-error environment, that the kinds of information necessary were as yet uncertain; that the eventual costs of the system are unknown; and that no quantification of the benefits has been attempted.

In summary, WITS management has allowed the consideration of only one set of alternatives, not the competitive study of a number of ideas that is required by common sense and the Executive Branch's own regulations.

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A prime tenet in the data processing field is that if you automate a bad system, you end up with an automated bad system. Commerce has made it clear that some of their information services such as AITR, TOPS, and other available systems are not working well. The reasoning is that the data is not accurate, not timely, and not used. In order to correct these problems, WITS is being promoted as the ultimate solution. However, it is essential to note that:

- o No changes are proposed in the staff who are generating, submitting, entering and receiving this data.
- o Local entry puts the onus of correct and timely data entry on the same personnel who are contributing to the quality of current data systems.
- o No continuing training program is described or budgeted in the cost projections.
- o Existing systems are not distinctly different from WITS in terms of their data content and referral techniques. Yet Commerce has criticized these systems as inadequate.

If the Department cannot make the individual, partial systems work effectively after a number of years of operation, how then can we expect Commerce to develop and operate a new, dramatically larger system that is technologically quite complex?

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A recent GAO report covered an analysis of nine major ADP system development efforts. Of these, eight had serious problems. On the average, the systems cost twice as much and took twice as long as originally estimated for completion. In the same study, GAO surveyed 163 contractors and 113 agency project officers. Over half of the respondents indicated cost overruns were common, while almost two-thirds indicated calendar overruns were common. This data does not engender confidence in the Executive Branch's ability to define, develop, manage or control sophisticated ADP efforts.

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The commercial service has a current staff of 900 in district and foreign offices. Only 260 of these officers are based domestically, trying to promote exports from 300,000 manufacturers and many hundreds of thousands of distributors and service organizations. If one assumed that WITS' \$5 million were invested in additional staff, a 65% increase in staff effort would result. Can WITS do better than that in terms of ultimate effectiveness?

We believe WITS, if ever developed, will cost more, take longer, and not significantly increase export development. We believe that, in the meantime, trade information may suffer because private enterprise will not invest in new products, services or competition against the government's entry into the marketplace. We believe that this development may well also result in competition against private industry domestically. We believe that WITS must be scrapped.

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Before concluding, we would like to suggest that there are some fundamental questions that Congress must consider before appropriating any further funds for WITS.

- o What will the full cost of planning, developing and operating WITS be over the full system life cycle? How much of this will be recovered by user fees?
- o What is a reasonable estimate of the number of new exporting companies and the number of companies increasing

their exports as a result of WITS? Who will these companies be? What will the dollar volume of the new exporting activity come to?

- o How will government compensate private sector owners of proprietary information used in WITS? How will the government be compensated for private sector use of government-generated information?
- o How strong is the commitment to contract out all of the various stages of WITS development (e.g. data collection, maintenance, dissemination, etc.)?
- o What "security" provisions will be included in the system to assure access only by authorized users? What specifically will be done to prevent the system from being used by overseas manufacturers to identify potential American customers, as opposed to suppliers?

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Clearly, the Department of Commerce has programs of significantly higher importance and criticality than the development of WITS. The success rate of the Department of Commerce in developing information products is very low when considering the Textile Information Management System, the American International Trade Register, the World Trade Data Reports, etc. Already, the WITS development effort is behind schedule and, consequently, it is probably over budget.

We strongly recommend that the FY 1981 appropriations for WITS be eliminated and that the resources and energies of this effort be redirected to other current and more critical problems.

Thank you.

STATEMENT BY  
ROBERT BECHTEL  
EXECUTIVE VICE PRESIDENT  
THE DUN & BRADSTREET CORPORATION

My name is Robert Bechtel. I am an Executive Vice President of The Dun & Bradstreet Corporation. Dun & Bradstreet is the world's leading company engaged exclusively in developing and disseminating business information. I am responsible for the operations of our business information subsidiaries, both in the United States and throughout the world. Prior to my present position, I was President of Dun & Bradstreet International, Ltd., the subsidiary responsible for our foreign operations. We have operated overseas since 1857, and have 6,000 employees in 150 cities abroad.

I am here to discuss a Department of Commerce project, the World-wide Information and Trade System, called WITS. This program is intended to enhance U.S. exports by providing helpful information to U.S. companies interested in markets abroad, and also by providing more information about U.S. products and companies to potential customers overseas.

For many decades, a fundamental function of D&B's worldwide business information services has been to foster international trade. For example, we now supply export-related information services to more than 9,000 U.S. businesses; we have information readily available on more than 5,000,000 foreign businesses in more than 100 countries. We understand and share the goal of providing better information to increase American exports.

Our concern is that the Department of Commerce, in developing WITS, is pursuing a course which will be exceptionally and unnecessarily costly to taxpayers while failing at the same time to provide the best possible service to exporters. Moreover, the government will be competing

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unfairly with many private companies. We would like to suggest an alternative course which we believe, based on our extensive experience, will provide better service at far lower cost.

One of the basic deficiencies in the Department's plan for WITS is that it tends to reinvent the wheel. That is, the plan calls for the Department to build and maintain, at taxpayer expense, government owned and operated data files although substantially similar information -- indeed, much more -- already is available more economically in the private sector. Obviously, gathering data that already exists is costly and wasteful.

Your committee recognized this problem during Congressional consideration of the Department's budget last year. In approving a reduced appropriation for WITS, the Senate-House conference committee could hardly have given a clearer mandate. The committee stated in its report:

"The conferees are agreed that the Industry and Trade Administration will fully involve the private information industry in the development of WITS. The conferees also expect the Industry and Trade Administration to ensure that private sector efforts are enhanced and that ITA does not duplicate or compete with the private sector." (Emphasis added.)

I am testifying today because the Department has not responded to this Congressional directive with regard to the information industry. Although the Department has planned to contract with the private sector to provide for storage and distribution of information contained in the

WITS system, it continues to insist upon creating government data banks that patently will do what Congress told the Department not to do — that is, substantially duplicate and compete with similar files in the private sector. While we appreciate that the Department has been quite willing to meet with us and with the Information Industry Association to discuss the matter, we can detect no firm, substantial change in the Department's original design for WITS, despite the Congressional directive.

Let me explain further. Under the Department's proposal, the Department would either contract with a private vendor to supply certain specified items of information about foreign companies in each relevant foreign country, or undertake to gather this information itself. The data from the vendor, of course, would be limited to the Department's rigid specifications. This information then would be incorporated into the Department's WITS data system. The Department would draw upon this government-owned and controlled information base to respond to inquiries from exporters and potential exporters.

The Department contends that it is following the Congressional mandate because it may contract with a private vendor for the information in some countries. But the Department would then use the information it purchased to compete with the vendor who supplied it, or other vendors who are already serving U.S. exporters.

The Department has acknowledged, in a letter to the Information Industry Association, that private companies with large existing information services to U.S. exporters may suffer substantial losses in revenue as their customers obtain information from WITS rather than

through the private sector. The Department has suggested a strange, catch-22 solution to this problem. It has indicated that companies could include their anticipated losses in the price they bid for the contract to supply data to WITS. The trouble, of course, is that the most qualified companies with the most accurate, up-to-date information for WITS -- the companies with the most existing export-related business -- would have to add the most substantial sums to their bid price to protect against the projected loss of revenue. This would make it virtually impossible for them to bid successfully against foreign companies or others which have not provided information to U.S. exporters, and thus would have no pertinent existing revenues to recover in their bid price.

Moreover, all companies that are unsuccessful in their bids, or companies that choose not to bid, obviously would have no opportunity whatever to offset their losses to taxpayer-supported competition from WITS.

To compound the problem, the Department has made clear that foreign companies may receive the awards to supply information to WITS. Thus the U.S. Government would become importers in a program designed to assist exporters. These same foreign firms, strengthened by the awards from the Department, can then better compete with American firms in foreign markets, further reducing the flow of taxable dividends to the United States.

A brief review of the situation in a single country is illustrative and informative. In a pilot project in France, the Department already

has contracted to pay a French firm to supply 28 items of data, the items specified by the Department for the WITS program, on 4,600 French companies. Yet Dun and Bradstreet, established in France in 1882, already delivers annually 128,000 reports on 90,000 French companies. We have paper information files readily available on 238,000 French businesses. We have a separate, special computerized file on 30,000 French companies, from which we can extract highly selective information.

The Department has emphasized that the D&B files do not contain eight of the 28 items the Department has specified for WITS. Our experience is that these eight items are seldom required by customers and the cost of keeping them available and up to date at all times exceeds any benefit. It is far more economical to obtain these items on a when-needed basis, which we can readily do.

The net result in this example is that the U.S. government is paying a French firm to supply data to be placed in a government computer file to be used to compete with an American firm which already has vast quantities of similar information on many more companies.

Altogether, the WITS pilot program has a goal of updating the Department's information on 24,500 companies in nine countries. D&B already has a computerized file on 118,600 companies in these same nine countries, all of the data continually updated.

The Department also has contended that it will not be competing with private business because WITS will serve medium-sized and small businesses which are too small to utilize existing private services.

Whether WITS will attract significant numbers of new exporters is, of course, highly speculative, and our experience with thousands of exporters leads us to be doubtful. The Department itself has no estimate of the additional exports to be expected from WITS, and thus has no cost-benefit analysis. At any rate, the fact is that 68 percent of D&B's U.S. customers for international information services are medium-sized to small businesses, the targets for WITS.

The Department's concept for WITS is, indeed, a strange approach to complying with the Committee's command "to ensure that private sector efforts are enhanced." Perhaps stranger still, the Department has contended that the mere fact that funds were appropriated last year for WITS signifies that Congress has approved and authenticated the Department's plan for WITS. This rationale overlooks the fact that in approving the appropriation, Congress called for a change in course which is not yet evident.

Apart from the issue of duplication and government competition with private business, we are convinced that the plan for WITS is unnecessarily expensive. The Department is planning to file in its computerized, on-line system more information than many exporters are likely to need. Certainly most potential exporters will not need all of this data on an instantly retrievable basis. The more detailed the information, the more costly it is to gather, store and keep up to date. If this information is going to be accessed only a small percentage of the time, then it is unlikely that it pays to have it in the system. This is especially true if the need for the data is not time critical.

A potential exporter interested in identifying foreign prospects is really not interested initially in bank and trade references. He is involved in a marketing effort, and he needs the computer first to suggest a prospect list and then to narrow it down. Once a relationship starts to develop, there is time to gather the less-often-used, more detailed data. But in WITS all these elements are given the same priority. They are all treated equally, gathered and stored at the same time, and available on-line. We think this is costly and wasteful.

The fact that WITS will use tax-paid funds to substantially duplicate and compete with private services might be less objectionable if the end result were to provide the best feasible service to American exporters, but this is not the case. I would like to turn now to an alternative design for WITS, which we have suggested to the Department, which would provide more and better information to exporters and would enhance, not undermine, the private sector.

Under this plan, WITS would simply link its computer system with, or otherwise arrange to use, the existing computerized files of private companies which have stores of information that could be useful to exporters. The government would place its own non-duplicative information directly in the WITS computers, as would any smaller companies with relevant information not stored in computer systems.

An exporter or potential exporter would contact the Department to outline his interests and needs. Trained Commerce officers would provide him expert advice on the types of information available from different sources and help the user select the information that would be most

useful. The Commerce officer, employing a remote terminal, could then order the desired information from the private sector computer files and/or WITS' own data banks.

The Department, of course, would play an important role in informing the business community about the system and encouraging its use, as part of the Department's export expansion program. The Department also would make an invaluable contribution by maintaining and operating the system for delivery of information to users.

This plan would maintain a truly competitive marketplace, where the WITS user could choose information vendors on the basis of quality and cost. The plan would provide for easy entry of new vendors and/or new information services. Each vendor would continue to bear the expense of creating his own file and maintaining it up to date. This would provide a substantial saving to taxpayers. We are well aware of the costs of creating and maintaining the kinds of files needed for WITS, and they are not small. From our experience, the true annual cost of gathering and keeping up to date the amount of data is likely to exceed the appropriation requested for WITS. And under our proposal, all information suppliers would have a fair opportunity to compete to provide the best service at the lowest cost.

WITS, then, would have instantly available at nominal cost a massive amount of information to serve the needs of exporters — far more information about more companies at far less cost to the Department than the contract system planned by the Department. Since the WITS

system we propose would generate inquiries to the private sector, companies would link their data banks to the WITS system at very little or no expense to the Department. While users would pay a fee for inquiries to the private sector data banks, the fee would be much less than they would pay for a similar inquiry now. The private firms could charge less because Commerce would assume most of the responsibility for marketing the system and all of the expense for delivery of the information to the individual user.

We are convinced the fees for inquiry into the private data banks would in no way be so large as to deter use, even for small business. In the unlikely event that fees should become a problem, it would seem entirely appropriate for WITS to subsidize the fees paid by users, as a sound investment toward the public policy goal of export expansion.

The system also would offer exporters a far more flexible range of information. Under the Department's plan, WITS would offer only specified bits of information. Under the system we suggest, Commerce officers would have literally at their fingertips virtually all the relevant information within the information banks of government and business. The Department's officers could perform an enormously valuable service in helping WITS clients tailor inquiries to their specific needs, paying for no more than they need.

For example, an initial inquiry might order limited information about a relatively large number of companies; from this base, the user could seek more detailed information on a few of the more promising companies. If the user is primarily interested in financial information

about a foreign company, the inquiry can be limited to that; if the exporter is interested primarily in product information, the inquiry might go to a different source specializing in that area. There would be no need for fixed, rigid forms that might cover more information than needed in one field but not enough in another field. Modern information handling technologies could easily be programmed to perform the highly flexible service we have in mind.

We believe the information already available from the combined resources of the private sector and government would answer virtually all user needs. If, as the Department contends, experience would show gaps in existing data banks, that would indicate a market the private sector probably would be anxious to develop; or the government could develop any needed additional information through its own staff or by contract, at a fraction of the cost of the current Department plan.

The alternative system we suggest obviously fulfills the Congressional directive: it entails a cooperative program enhancing the services provided by both government and business, avoiding duplication or competition between the two sectors. Even more important, it would provide the maximum information for export expansion in a uniquely flexible format, at far less cost to taxpayers.

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We believe it would be a serious mistake to permit WITS to continue on its present course. Before the first operational stage of WITS is put in place, there is time to redirect the program to make it consistent with the intent of Congress as expressed in the Conference

Committee report last year. Accordingly, we respectfully urge the Committee, while continuing funds for planning, to defer funding for the first operational phase of WITS until the Department has redesigned the program to make efficient use of existing and future private data bases, and not duplicate or compete with them. By serving such notice now, we believe the Committee could assure that WITS will be developed in ways that reach its full potential for efficient, effective service in promoting American exports.

## TESTIMONY OF ERIC RIDDER

Before the Subcommittee on State, Justice,  
Commerce, the Judiciary and Related Agencies  
House Committee on Appropriations  
for the U.S. Department of Commerce's  
Worldwide Information and Trade System

April 1, 1980

Mr. Chairman and members of the Subcommittee, my name is Eric Ridder. I am the publisher of The Journal of Commerce, the daily business newspaper of the Knight-Ridder news chain. I am also the publisher of The Export Bulletin, a weekly report on all U.S. exports, and the U.S. Exporters/U.S. Buying Guide, a directory of U.S. exporters.

I appreciate the opportunity to testify today about the Department of Commerce's Worldwide Information and Trade System (WITS). I am concerned as a newspaperman and a businessman. As a businessman, I am concerned that my company, which has invested its own capital and creativity to develop a product, is now facing competition from the Federal Government. It is fundamentally unfair for the government to compete with private business with a product capitalized and subsidized at taxpayers' expense. At a time when the Congress and the President are desperately searching for ways to cut the budget, it is inconceivable to me that the Administration continues to seek funds for a multi-million dollar project which does little more than duplicate and compete with private sector information services.

As a newspaperman, I am alarmed about the First Amendment implications of WITS. Publications simply cannot compete with the Government as a major competitor. Suppliers of public information, such as our publications, could soon disappear. The

creation of a government monopoly is as chilling and detrimental to a free press as a prior restraint on publication.

Commerce claims that private export information services are too expensive and that they do not offer in one place all the necessary information. This rationale for WITS could just as easily be used by the government to justify the establishment of a government newspaper to compete with a daily newspaper. Certainly, the Miami Herald does not publish all the news some people might desire. And we do have to charge for the paper. Does this mean the government would be justified in setting up its own newspaper at a cheaper price? Armed with the WITS rationale, there are virtually no limits on what the government could do.

The free exchange of information through a free and competitive press is a fundamental liberty. It is an indispensable condition of nearly every other form of freedom.

The mere possibility of government competition will have a very real chilling effect on publications such as The Journal of Commerce. If that competition becomes a reality, the implications are even graver. Who will be able to compete with it? We will wake up one day and press activity will be controlled by the government as competitor.

Of course, the Federal Government has always collected information about its citizens, the economy, and our resources, in conjunction with the performance of legitimate government

functions. Much of this information has been made available to the public. This is a basic and important government role. However, WITS differs from these traditional activities in one fundamental way. The WITS information will be actively and sophisticatedly marketed in direct competition with the private sector, rather than simply being made available to the interested public.

Moreover, much of the data for WITS is being collected solely for the purpose of setting up this competitive system. I am aware that Commerce claims it does routinely collect the WITS information for other government purposes. This simply is not true. Just a few months ago, the Department sent out a 14 page questionnaire to approximately 300,000 businesses to collect the information on U.S. exporters needed for WITS. If the government already routinely collects such information, why was such an extraordinary massive mailing necessary? The answer is that WITS is far more than the mere dissemination of information it collects for real governmental functions.

The Journal of Commerce provides a number of publications and services designed for the exporting public. Our services have been designed to serve the small and medium-sized companies as well as the large sophisticated ones. Since 1827 The Journal has been tabulating and publishing information on U.S. foreign trade. In 1976, as a result of substantial and costly research, The Journal decided to publish a comprehensive Exporters

Directory/U.S. Buying Guide. The price of the Directory is only \$150. The Directory contains information on more than 38,000 U.S. firms and their products. The first version of the Directory was published in 1977, and a 1979-1980 version of the Directory has just recently been issued. The Directory has been very well received. Although our major customers are U.S. companies that provide services to exporters, we are also beginning to build-up a good-sized foreign market. For example, the Japan Trade Mission is one of our major clients. Our sales to overseas markets has increased 80% in the last year.

The WITS file on U.S. suppliers will virtually duplicate our Directory information. The degree of overlap of the information can be seen from the attached chart. Once WITS is operational, it can be expected to cut deeply into the market for The Journal's Directory.

Even though the WITS file on U.S. suppliers is designed with the foreign customers in mind, our domestic clients will have easy access to WITS. Why should they continue to buy our information when they can get it more cheaply from a Federal program capitalized and subsidized by taxpayers' dollars?

The Journal of Commerce has invested substantial capital in developing its export information services. Collecting the initial data for the Directory was a major undertaking, and maintaining the Directory information requires substantial resources. The Journal employs 175 people in its foreign trade

information program, the majority of whom collect, verify, and process the information offered in the Directory and elsewhere. Information for the Directory is continually updated based on the information we collect for the Export Bulletin. Every day we check the shipper's manifests on exports leaving all U.S. ports. If this information reveals an exporter who is not listed in the Directory, we contact the exporter to obtain the information for the Directory. Obviously, the more names and information contained in the Directory, the more valuable it is as an information product. Thus, there is a definite incentive for The Journal to be as thorough and accurate as possible. This kind of incentive does not exist for a government information system such as WITS.

WITS' adverse competitive effect on The Journal is not limited to the Exporters Directory. The Journal offers other export information services, specifically the Export Bulletin and its Export Information Tabulation (EXIT), which may be affected as well. The Export Bulletin is a weekly report of domestic cargoes leaving U.S. ports. It lists actual shipments by product, shipper, quantity shipped, U.S. port of exit, name, city and state of the shipper. The EXIT service provides substantially the same information on tape. Both the Export Bulletin and EXIT are used by companies to identify U.S. companies who are exporting. According to the Department of Commerce, WITS will keep up-to-date information on U.S.

companies' export experience. Presumably this means who is shipping what, where, and when. Computer listings of this information will be available upon request.

Department of Commerce officials have sought to quiet our concerns about possible duplication and competition by asserting that while WITS will compete with the Directory, it will not compete with the Export Bulletin or EXIT. The Journal disagrees with this assessment. Many of The Journal's Export Bulletin and EXIT customers may find they can obtain the same information at lower costs from WITS.

WITS has various implications for The Journal's current development plans. The Journal realized that a hard bound Directory had limitations, so we invested substantial capital to have our EXIT and Directory information computerized. The EXIT data will be accessible by computer from anyplace in the world by June 1, 1980 and the Directory by 1981.

Because WITS will be accessible through remote terminals, and because the WITS data base will be so similar to The Journal's data base, WITS will compete directly with this new service.

Moreover, WITS will have a chilling effect on any future expansion plans of The Journal. Expansion of information services requires a substantial commitment by a private business. People must be hired, new data collected, and new computer or other communications equipment leased or purchased.

All this costs money. Faced with the prospect that the government may step in and take one's market, any prudent publisher will think long and hard before undertaking anything new. The loser in all of this is the free marketplace. Expansion will not occur; innovation and improvements will come less quickly or may not come at all. All of this will be the direct result of WITS.

As I mentioned earlier, the Department of Commerce justifies its WITS activities on two separate grounds. Both are deficient in a number of respects. First, Commerce claims that no single service in the private sector offers all the data which will be offered through WITS. This is true. However, the justification is based on two very questionable assumptions. The first is that all of the information slated for WITS is essential if exports are to be increased. Since Commerce has just initiated its survey of potential WITS users to determine what information is needed, it is highly presumptuous of them to make any claims as to what kind of information is essential. Interestingly, foreign users surveyed in connection with another Commerce project characterized some of the WITS information as superfluous.

The second assumption is that all essential export information must be available from a single source. While one-stop shopping might be convenient, Commerce has never documented the necessity for this. Moreover, if the assumption is true, Commerce has failed to adequately study the possibility of

servicing as a broker or clearinghouse for information from the private sector. This would avoid the necessity of Commerce duplicating the private sector's information while providing assistance to the public at the same time.

The other major justification for WITS is that private sector information services are too expensive for small and medium-sized companies, who may be potential exporters. If this statement is correct, which we dispute, then there must be a better solution than having the government make the substantial capital outlay to duplicate what the private sector already offers just so it can sell it more cheaply. Not only is it unfair to the private sector, but is a gross waste of taxpayers' money. It would be far less costly to simply subsidize small companies' use of existing services if Commerce's claim is true.

I resent the fact that the Commerce Department has tried to portray the private sector as serving only large corporations and big businesses. The Journal has consistently offered inexpensive services geared to the small inexperienced exporter as well as more sophisticated services for the experienced exporter. Many of our customers are small and medium-sized companies. I strongly contend that these small businesses are far better served by a free and competitive marketplace than they will be by a government monopoly.

The WITS project is symptomatic of a very deep seated problem at the Department of Commerce. The Department seems

unable to recognize that information is a product, just as shoes or clothing or any other manufactured good. The private information industry is a multi-billion dollar industry. While the Department would not consider going into competition with the shoe industry, it is not the least bit hesitant to compete with the private information sector.

Information collected by The Journal under a freedom of information request shows just how casually the Department made its decision to undertake WITS. While giving lip service to the idea that it did not want to compete with the private sector, the Department made very little effort to determine precisely what services are offered in the private sector before it designed WITS. That effort was virtually nil with respect to services providing information on U.S. exporters. In a two hundred page report on business needs in export marketing, the Department spent barely a page discussing directories of U.S. firms. The report acknowledged that some of these directories receive wide circulation abroad, but it completely failed to recognize that WITS would compete with such directories in both the domestic and the foreign market.

In light of the major problems posed by WITS, I urge this Subcommittee to deny the Department of Commerce's appropriation request for WITS. This does not mean that the objective to increase exports through better information services should be

sacrificed. The objective can be accomplished through cooperation with the private sector.

The Department should be instructed to reevaluate its design for WITS and use existing publication services as the basic building block for WITS. Such an approach would be far more efficient because it removes the need for the government to spend money duplicating what already exists in the publishing and information sector.

This approach has another major advantage: a competitive marketplace. This means that the imagination and innovation of the private sector will continue to be available for export information. With the private sector, the incentive to constantly improve and upgrade the quality of the service always exists. With WITS as planned, those incentives will be lost.

Most importantly, this approach eliminates the very real threat to press freedom from the government as an information competitor. By saying no to WITS, this Subcommittee will be reaffirming the importance of a free information marketplace. Government domination or control of information dissemination is not compatible with the concept of a free society. It would be unacceptable to sacrifice our First Amendment principles under any circumstances. It is absurd to sacrifice them for a project as unnecessary and costly as WITS.

WITS Duplication of Journal of Commerce Services

<u>Kind of Information</u>	<u>WITS</u>	<u>Journal of Commerce *</u>
Firm Name	yes	yes
Address *	yes	yes
Telex	yes	yes
Cable	yes	yes
Key Company Contact for Export Marketing	yes	yes
Telephone	yes	yes
Year Firm Established	yes	yes
Description of Firms Export Staff	yes	no
Firms Experience in Exporting	yes	yes
Firms Annual Sales	yes	yes
Annual Export Sales	yes	no
Number of Employees	yes	yes
Nato Bidder Qualification	yes	no
Foreign Marketing Objectives	yes	no
Foreign Markets Selling To	yes	yes
Foreign Markets Interested In	yes	no
Utilization of Department of Commerce Assistance Programs	yes	no
Firm is a Subsidiary	yes	no
Type of Business	yes	yes

Brand Names/Trademarks	yes	no
Products or Services	yes	yes
Bank References	yes	yes
Trade References	yes	no
Foreign Sales Representatives	yes	no
Other Information About Company (300 word limit)	yes	no
Port of Exit	no	yes
International Freight Forwarder	no	yes

\* All of the listed information is not available on every company because certain companies have been unwilling to have such information published.

Senator STEVENSON. Thank you, sir. Don't foreign governments collect and disseminate export information to the private sector?

Mr. WILLARD. Yes, sir.

Senator STEVENSON. Along the lines of WITS?

Mr. WILLARD. Yes, sir.

Senator STEVENSON. Well, aren't we at a disadvantage by not doing so ourselves?

Mr. WILLARD. No, because we have put together a different approach to meeting public needs. I think we have proven over the 200-year history of this Government that the best approach is to provide incentives for the private sector to do it, and then to let them go ahead and compete and get a best product out, rather than relying on what might be called the least objectionable product.

Senator STEVENSON. Well, we would not be here today if 200 years of experience, including the terrible experience of the last 6 years, had not demonstrated that the private sector as it is cannot cut it.

Now, I agree with you about disincentives, and I hope we can do something to get rid of disincentives. But I guess maybe the problem I am having is understanding what you refer to by the incentives that we should be offering.

You want access to information, but you do not want the Government to disseminate the information. I do not see what the difference is.

Mr. WILLARD. Edgar Griffiths, the president of RCA, recently gave a speech in Geneva. He said. "If you provide a man with a fish, you feed him for today. If you provide him with the knowledge about how to fish, you feed him for a lifetime."

We would like the Government's role to be showing individuals how to use the multitude of information products that are available, and then let them go at it. One of our member companies, Dun

& Bradstreet, in their appropriation testimony suggested that there might be individual circumstances where a potential exporter really needs some export information and demonstrates that he cannot afford it from the private sector.

#### SUBSIDIZE POTENTIAL EXPORTER

Then perhaps the best approach is to subsidize that particular potential exporter, and let him buy a competitively available product, rather than having the Government create a competitive product that will drive out the other ones.

Senator STEVENSON. Incidentally, Mrs. Siedman is prepared to demonstrate the WITS system after this hearing in the office right behind me. If the witnesses would like to stay for that demonstration, they are welcome to do so.

Mr. Boles, is your primary interest this morning in making sure that tourism is made eligible for the title II grants in this bill? Is that what your principal concern was?

Mr. BOLES. Yes, sir, Mr. Chairman. I support that amendment offered by Senator Baucus. I also feel that the bill itself has merit, in the short time I have had to review it. We are interested in international trade, other than the promotion of international tourism.

Senator STEVENSON. Yes; and your feeling is that it is ambiguous, or it does not include tourism?

Mr. BOLES. Well, I believe that Senator Baucus' amendment was specifically directed at including tourism in the eligibility for those grants and loans.

Senator STEVENSON. I see. I see. And it was adopted. That is what I didn't understand very well.

Mr. Morris, do you have any response to the comments of Mr. Willard about competition from the public sector? I assume that applies to State governments as well as the Federal Government?

Mr. MORRIS. Yes, sir. First of all, I should have introduced myself to you. I am deputy commissioner of economic development, and I apologize for the fact that my testimony has not gotten to your desk.

Senator STEVENSON. That was our fault.

Mr. MORRIS. I was a small businessman for some 30 years, before taking leave of my senses some 12 months ago to join the State government. [Laughter.]

So, I start out being a small businessman first, and a State employee second.

I think the answer to that lies in the information available in some States by the private interests is in much greater abundance than it is in a lot of other States. I think you have to look at the availability and the cost.

I believe in the free enterprise system, but the biggest problem we have in exporting today with a small- and medium-sized exporter is that it is infinitely easier for him to add a manufacturer's representative to work another State than it is to get involved in the export arena. We have to do something to make it possible for him to make that first shipment. Once he makes that first export shipment, then you will not have to bother with him anymore.

Many times, they will not pay the necessary fees to gather the information that they need. That is why in Tennessee we are trying to do that for them, to help them make that first shipment. Once they make that first shipment, then they will be working with the free enterprise system and with the established companies from there on.

Senator STEVENSON. What do you do to help to make that first shipment? Do you provide them with information?

Mr MORRIS. As I mentioned, we put together a book that literally takes a person who has never exported in his life, and takes him by the hand and leads him through all of the steps to become an exporter. Included in there is the fact that he can work with export management companies, he can work with freight forwarders. We go this route.

Another thing we do, we hold seminars in the communities throughout the State. One of the problems you have with a regional seminar is the people who need to be there do not come. What we do is go into the individual communities.

On top of that, if we have a manufacturing concern that we and he perceive has an overseas market, we will go into that company and take three or four of the people out of our office and literally train his people and get them to have the knowledge to make that first export shipment.

These are the things we are doing. As I mentioned in my testimony, we are doing research now so that we can establish what markets are available for Tennessee industries overseas, and which are the best products we have to sell overseas.

Mr Chairman, I think it takes a commitment not only on the part of the Federal Government, but it is going to take a real commitment on the part of the States if we are to be successful in the export arena.

Senator STEVENSON. Right.

Is that unfair competition, Mr. Willard?

#### UNFAIR COMPETITION

Mr WILLARD. Senator, I don't think so. I recall what one of the earlier witnesses said; Mr. Moreau indicated the idea of a partnership. I don't think we are trying to characterize WITS as an issue that is defined in black and white. We are taking the stand we do with the current generation of WITS as being something which has been conceived—we received the first document on it in August of 1978. That document defined a system which would be set up in a way that we saw as definitely competitive with what our individual members were doing.

We talked to Congress about the appropriation last year and the appropriation was reduced from \$5 million to \$4 million, and very specific language was added to the appropriation—not to the appropriation itself, but to the accompanying report—saying that the International Trade Administration should cooperate with the private sector in developing WITS, should enhance private-sector capabilities, and should not compete with or duplicate private-sector entities.

We have been working together with the Department, or trying to at least; but so far we do not really feel that there has been a

full-scale commitment to the concept that Congress directed last year. We still see descriptions of the system exactly as they were 1½ years ago.

We have been working with them. We have proposed joint briefings. We have proposed the idea of a switching mechanism where, rather than the Department of Commerce collecting the data itself and marketing it, they would have a computer facility that could interconnect with private sector capabilities and provide access to that information without having to reproduce it and compete with it.

But this is not as Commerce designed the system originally, and there does not seem to be a willingness to change the design of that system.

Senator STEVENSON. That sounds like a big subsidy. The taxpayers collect the information, and then the private sector sells it. How do you respond to that?

Mr. WILLARD. Well, no, Senator. That is one of the oldest red herrings.

I am familiar with your activity, for example, in the Earth Resources Information area. Obviously the pricing of information is a very complex thing. There is the collection activity, but there is the equally valuable—in fact maybe more valuable—idea of adding value to information. That is, of getting it to where it is needed; to adding to it other information that makes it a more intelligible or more useful product.

These activities have economic costs attached to them also. In some cases, Government information is indeed collected by the use of public funds. Then information companies come and massage it, market it, and get it out to where it is needed. They have added value to it, and that is what they are charging for.

In other cases, the information is being collected absolutely independently of any Government activity. Again, from the appropriations testimony that Dun & Bradstreet offered, it was pointed out that in the WITS pilot system that you will have exhibited in the office behind you, the information collected in France was collected by contract with a French company instead of Dun & Bradstreet which has been over there for 80 or 90 years. This results in an outflow of dollars to a foreign country in order to promote exports by this country.

Senator STEVENSON. How about the Trading Companies, S. 2379? Should States' port authorities and the like be authorized to own and operate trading companies?

Mr. WILLARD. Senator, I am not familiar with that legislation. I would say in general the idea of a cooperative partnership arrangement between the various entities is absolutely essential to improve the export conditions in this country.

Senator STEVENSON. Mr. Morris, do you have an answer to that question?

Mr. MORRIS. My feeling is that using the States as an assistance referral agency, as we are doing, is more practical. I think the export marketing concept would be better off left in the private sector.

Senator STEVENSON. There are some who feel differently. The port authorities I think feel differently.

Mr. MORRIS. Yes, sir, one of the things I would want to mention, in our State—and I feel sure this is the same in every State—we are having to go to the manufacturer and sit across from his desk, and show him, and bring him literally into the export arena. And there is no substitute for that.

Senator STEVENSON. Thank you very much, gentlemen.

Our final witness is Mrs. Herta Seidman, the Assistant Secretary of Commerce for Trade Development.

#### STATEMENT OF HERTA SEIDMAN, ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT

Mrs. SEIDMAN. Good morning, Senator.

Senator STEVENSON. Good morning. Welcome back.

Mrs. SEIDMAN. Thank you.

I have entered testimony for the record. If you will permit me, I will just go briefly through some of the salient points.

Senator STEVENSON. Thank you. Your full statement will be entered in the record.

Mrs. SEIDMAN. First, comments on the draft bill. Commendably, the draft bill seeks to take a concrete step in the effort to introduce small and new-to-market firms to the world of exporting. The Commerce Department's view, however, of the new legislation in this vital area must be tempered by the realization that we are living in an era of fiscal austerity.

Secretary Klutznick is firmly committed to improving the Department's services in the trade area, and believes that existing programs are sufficient to achieve these objectives. But he also is in full agreement with the President, that, in these difficult times, we must seek economies throughout the Government and accomplish our objectives in ways that do not create demand for additional resources.

#### OPPOSE PROGRAM OF GRANTS

For that reason, we oppose the program of grants to state and local government entities that is authorized in title I.

As to section 104 of the bill would statutorily create in the Small Business Administration an Office of International Trade and would charge that office to carry out functions identical to those carried out by the Trade Development Organization of the Department of Commerce.

Although the bill calls upon the administrator to work with Commerce in carrying out the functions of this new office, we oppose the statutory creation of such an office. The President's Trade Reorganization established Commerce as the central agency for trade implementation precisely so that duplication of functions and interagency conflicts over the provision of services would be eliminated.

Section 106 of the act would establish the one-stop-shop concept under SBA aegis. As stated in Deputy Assistant Secretary Peter Gould's testimony on March 13, 1980, we endorse the one-stop-shop; however, we intend to accomplish this administratively within our existing trade development programs and through the use of WITS, which I would be happy to show the committee later.

We also oppose the National Export Council title of the bill. It would create a national export council heavily weighted toward

Government participation, and would mandate the inclusion of five small business private sector representatives. We believe that the already existing President's Export Council, constitutes an effective means of addressing the concerns reflected in this proposal.

As to the Commerce Department's commercial offices overseas title, we also oppose it as unnecessary. It would establish a commercial officer corps within the Department of Commerce. The President's trade reorganization that was approved by the Congress last year already transferred responsibility for commercial representation from the Department of State to the Department of Commerce on April 1.

We have moved swiftly to establish the FCS, the Foreign Commercial Service, within Commerce. We have built the basic elements of a new personnel system for the service operating under the Foreign Service Act authority.

Commerce has full and independent control over this personnel system, as it does of the budget and personnel transferred to the Department. Currently the FCS is operating in 65 countries of the world with 162 American offices and 487 foreign nationals.

We are also integrating the commercial attaches with our other trade development functions. Our objective is to create a worldwide, full-service marketing assistance corps. Programs and personnel of the FCS, the domestic field offices of the Commerce Department, and the Washington staff will be linked and their activities targeted more precisely on our greatest export opportunities.

This section of this bill also would mandate functions of the FCS. Recently, the Secretaries of Commerce and State sent a cable to all embassies with FCS officers, setting forth the functions of the Foreign Commercial Service. A copy of that cable is attached to my testimony.

#### LEGISLATIVE CONSTRAINTS

We believe that the functions specified in the cable parallel closely those outlined in the proposed bill, but we believe it is unwise to place formal, statutory constraints on the executive branch. Some flexibility to shift priorities on the margin as needs and demands change is desirable. The Foreign Commercial Service is and must be fundamentally a trade promotion corps, and the Department of Commerce is committed to that idea.

As to Senate bill 2097, which provides for the establishment of a joint export marketing assistance program between the Department of Commerce and "industrial corporations or groups of non-competing corporations with limited experience in exporting," we support the concept of creating such a partnership. However, we already proposed such a partnership in our 1980 budget, which unfortunately did not pass. Therefore, although we support the concept of the bill, we do not feel that it is practical at this time.

Thank you.

Senator STEVENSON. Thank you, Mrs. Seidman.

I have a question from Senator Stewart. He is referring to S. 2040, and S. 2104. The question is: If there were to be a grant program in the final version of this legislation, do you have any differences with the provisions for the grant program as it now stands?

Mrs. SEIDMAN. State and local?

Senator STEVENSON [continuing]. To the bill that was reported, the consolidated bill reported from the Small Business Committee. Have you had a chance to look at that?

Mrs. SEIDMAN. No; I have not.

Senator STEVENSON. Well, maybe we better get that answer from you in writing. My impression is that the Small Business Committee attempted to accommodate all the Commerce Department's problems with those two bills. I think what Senator Stewart wants to establish is whether there are any problems, except for the funding problems.

Mrs. SEIDMAN. I would be delighted to answer that in writing.

Senator STEVENSON. So, maybe you could take a look at it. It has just been reported.

Mrs. SEIDMAN. I have not see the final version.

Senator STEVENSON. It was ordered to be reported on Friday, so that is certainly understandable. But if you could take a look at it, and just let us know if there are any problems other than the funding problems, that would satisfy Senator Stewart and be helpful to all of us.

Senator SEIDMAN. Yes, sir.

[The following was received from Mrs. Seidman for the record:]

*Question.* Do you have any problems, other than funding, with the Nelson Weicker bill?

*Answer.* Your question quite rightly recognizes that the Commerce Department's enthusiasm for new legislation in this vital area is tempered by the realization that we are living in an era of fiscal austerity. Thus, we have not expressed support for the program of grants to state and local entities.

Our other major problems with the bill include the titles on the National Export Council and the Commercial Officers Overseas. On the latter, we believe that since the transfer to the Commerce Department on April 1, 1980 of the 162 commercial officers, we have moved swiftly to establish the FCS as a business-oriented commercial service that meets the goals of this title. Already, we have built the basic elements of a new personnel system for the FCS operating under Foreign Service Act authorities. We also are integrating the FCS functions with our other trade development activities.

The National Export Council title is not that different from the existing President's Export Council to warrant statutory creation. We believe the current makeup of the PEC represents a broadly-based consensus on export issues. Membership includes two firms with sales at or below \$5 million. As more and more small businesses begin exporting, more can be included on the PEC perhaps as early as 1981. We are, of course, committed to the private sector image of the PEC.

As for one-stop shop, we believe we can implement the concept administratively, through training our field office people to better understand about other agencies' programs and by including information on other agencies' programs in the WITS data base. We could also consider detailing personnel from other agencies to serve in our field offices. The important thing, for administrative efficiency's sake, is that if one-stop shop is legislated, it should be done through the Commerce Department. Commerce has more of the programs that export-minded small businesses are interested in and it has export-trained personnel. To establish a whole new operation within another agency's structure would be inefficient, duplicative and inconsistent with recent efforts to centralize operational trade responsibilities.

Senator STEVENSON. Now you heard Mr. Willard's comments with respect to WITS. Is there anything you would like to say in response?

## WITS—ONE-STOP SHOP

Mrs. SEIDMAN. Well, several points. First, we feel that WITS basically provides a lot of the services of the one stop shop through its data files.

We feel that we can also make it available at a competitive cost to small business. During the past year, it has been my impression that the Department of Commerce has been in communication with the firms of the industry trying to negotiate a mutually acceptable form of cooperation.

It is the present intention of the Department of Commerce presently that we should establish a partnership with the information industry. And since my arrival at Commerce in February, I have and will continue to negotiate with the industry so that we can establish that partnership.

It is our intent to use, purchase, or in every appropriate way cooperate with them as to the existing data bases which they have. However, we would also like to be able to retain flexibility as to those data bases which are not available through the private sector. Therefore, we could arrange to either subcontract or gather the information ourselves as to those bases.

But certainly we want to promote the partnership. There is no intent within the Department of Commerce of making it a Commerce-only effort.

Senator STEVENSON. With respect to S. 2097, the Joint Export Marketing Assistance program, is there anything wrong with that, as drafted, besides the funding?

Mrs. SEIDMAN. Well, I believe that in our previous testimony and in our 1980 budget submission, the one major difference between S. 2097 and our proposal was that there was a shorter loan repayment schedule. I believe this would entail a 9-year repayment with repayment to starting only after the fourth year over a period of 5 years. We had recommended a much shorter repayment schedule.

Senator STEVENSON. Why should this be confined to groups of noncompeting corporations? Noncompeting. I asked that question of Senator Jepsen and he did not think it should be.

Mrs. SEIDMAN. Well, perhaps —

Senator STEVENSON. You are familiar with that?

Mrs. SEIDMAN. Yes, I am familiar with it. I have a feeling that it may be because of certain Department of Justice considerations.

Senator STEVENSON. Well, that is what I sort of suspected. Similar considerations in the other contexts, are getting worked out. Therefore, maybe they should get worked out here, also.

Mrs. SEIDMAN. I think that if one could perhaps apply something of the Webb-Pommering approach, then it would not be anticompetitive.

Senator STEVENSON. Well, maybe as you are implying we could find a way in this case to go ahead, as we did in the Trading Company context. We solved that problem.

When will the programs and personnel of the Foreign Commercial Service, the Commerce District Field Offices, and the Washington office be fully integrated?

Mrs. SEIDMAN. Integrated as to management?

Senator STEVENSON. As opposed to linked.

Mrs. SEIDMAN. I don't quite understand the difference of terminology between linked and integrated—may I explain?

Some have thought the integration of the Foreign Commercial Service into the Commerce Department meant the integration of the personnel systems. To me integration means an integration of the delivery system, namely the domestic offices of Commerce, programmatic elements within the Washington setup, and the Foreign Commercial Service.

The integration of the two personnel systems is not something we plan to do, nor has it been mandated to do.

Senator STEVENSON. Among the problems faced by small exporters, you cited the difficulty they have securing credit to begin export sales. They also have difficulty obtaining working capital. What do you think should be done, if anything, to help them get working capital?

Mrs. SEIDMAN. Working capital? I believe there is an SBA pilot in that area certainly as to financing, collateralized by inventory and accounts receivable, I imagine.

If that develops successfully, I think it probably would be the best vehicle.

Senator STEVENSON. The SBA witness earlier indicated that no funds had been used for that program. Zero. Zero dollars.

#### EXIMBANK GUARANTEE

Mrs. SEIDMAN. Well, certainly Eximbank cannot be used.

Senator STEVENSON. What?

Mrs. SEIDMAN. Eximbank probably cannot be used for that because of the minimal dollar limitations.

Senator STEVENSON. Exim's guarantee authority could be used to guarantee loans for inventory financing and accounts receivable.

Mrs. SEIDMAN. Right.

Senator STEVENSON. Do you think that is the way to go?

Mrs. SEIDMAN. But then certainly the appropriations for Exim would have to be increased substantially.

Senator STEVENSON. Yes. Well, counsel is reminding me that there is plenty of guarantee authority, Exim guarantee authority.

Mrs. SEIDMAN. Senator, as you will remember through the Export Trading Co. bills, we were quite—I believe the present Export Council recommended that Eximbank loan guarantees be increased or be used to do this.

Senator STEVENSON. Yes. And what is your view of Title II, which provides the grants for small business international marketing programs, apart from the new fiscal austerity problem? Are Federal grants necessary for such programs? Would they significantly expand U.S. exports?

Mrs. SEIDMAN. For this to be completely effective, I do feel it would require an enormous amount of money to be made available for any of these international marketing programs. And unless such an enormous amount of money can be provided, we feel that perhaps it is not the most recommended form.

Senator STEVENSON. How much are we talking about?

Mrs. SEIDMAN. Well, sir, with a \$27 or \$28 billion deficit, for the program to bring enough small businesses into the exporting arena

to have an immediate and significant role in reducing that deficit would require an enormous subsidy.

Senator STEVENSON. Of how much?

Mrs. SEIDMAN. In the ideal world, \$1 billion, I would imagine, at least.

Senator STEVENSON. But the figure the Commerce Department came up with for the Joint Export Marketing Assistance program that is embodied in S. 2097 was, I believe, \$2½ million for fiscal 1980.

Mrs. SEIDMAN. That is small, too. [Laughter.]

We also feel that the use of WITS would help in that area, together with our own marketing assistance programs which would be targeted on the greatest industry potential and the greatest market potential.

Senator STEVENSON. Well, when you look over this consolidated bill, you might also comment on its adequacy. I am told that the total authority is \$1.5 million?

Mrs. SEIDMAN. \$1.5 million.

Senator STEVENSON. \$1.5 million in grants is nothing.

Mrs. SEIDMAN. Which is very low.

Senator STEVENSON. Yes, that is even lower.

I gather your general feeling is that with the existing services, coupled with the profit incentives and new opportunities that would be created by the Trading Company legislation, is about as much as could be done during this era of austerity?

Mrs. SEIDMAN. You see, even to do a marketing strategy requires a lot of information. For these companies to come and request grants and subsidies, they would need a lot of support to obtain the information for their marketing program. That in itself would require a lot of money.

Senator STEVENSON. There would be an awful lot of overhead—

Mrs. SEIDMAN. That is right.

Senator STEVENSON [continuing]. For a relatively small amount of the grant.

Mrs. SEIDMAN. And certainly to do them individually would dilute one's efforts. To do them for an industry grouping, or a product grouping, in a particular market or a particular region of the world would certainly improve the economies of scale.

Senator STEVENSON. Well, staff tells me that the Small Business Committee thought that starting at this low level was what the Commerce Department wanted and felt was appropriate. It could go up in subsequent years.

Mrs. SEIDMAN. That may be so. I have only been in Commerce since February and I'm only just beginning to deal with such budgetary realities.

Senator STEVENSON. Well, I have no more questions. There may be a couple more.

Mrs. SEIDMAN. May we show you WITS?

Senator STEVENSON. Yes, by all means. I have invited the other witnesses who have testified to come back and see the demonstration.

Thank you, Mrs. Seidman.

Mrs. SEIDMAN. Thank you, sir.

Senator STEVENSON. We will meet in the antechamber behind me.

The subcommittee is adjourned.

[Whereupon, at 11:27 a.m., Monday, April 28, 1980, the subcommittee was adjourned.]

[Complete statement of Mrs. Seidman and copies of the bills being considered at this hearing follow:]

STATEMENT OF  
HERTA LANDE SEIDMAN  
ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT  
BEFORE THE  
INTERNATIONAL FINANCE SUBCOMMITTEE  
OF THE  
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS  
ON  
MONDAY, APRIL 28, 1980

Mr. Chairman, I am pleased to appear before this Subcommittee to discuss the involvement of small businesses in exporting and to comment specifically upon (1) Senator Nelson's Draft Bill of the Small Business Export Expansion Act of 1980 and, (2) S. 2097, which address this issue.

This Hearing is an indication of growing Congressional concern about our unsatisfactory international balance of payments. The Department welcomes this interest, as well as your continuing personal interest, Mr. Chairman, in seeking ways to rectify this serious national problem. We look forward to working with your Subcommittee toward the related goal of increasing the involvement of small businesses in exporting.

BACKGROUND

The large and continuing imbalance in our international trade poses a serious and long-term threat to U.S. economic and national security. In 1979, the United States recorded a \$24.7 billion deficit in our trade balance; a slight improvement from the \$28.4 billion deficit of 1978.

A major part of the problem, of course, is the steadily rising price of imported crude oil. Last year, despite a decline in domestic consumption, we still spent \$60 billion on foreign oil. Moreover, our ability to reduce significantly our imports of foreign manufactured goods and commodities is limited if we are to continue to satisfy American consumer demands and to support an open international trading system.

In my judgment, the only viable means of correcting our international payments imbalance is to expand greatly the volume of U.S. exports. To accomplish this goal, more American firms--especially small businesses--must begin exporting in the decade ahead.

The Commerce Department estimates that 8-10 percent of the approximately 300 thousand manufacturing firms in the United States export. Most exporting firms are small or medium-sized. Indeed, Commerce estimates that about 70 percent of U.S. exporting firms each have fewer than 100 employees. On the other hand, only a small fraction of all exporting firms--perhaps 1,000-2,000 companies--accounts for nearly 90 percent of U.S. exports.

Solving our trade problem will be helped if the small business community can do more in the way of exporting. Those which already have entered exporting can be encouraged to do more, and the 20,000 or so firms which we believe could profitably enter exporting should likewise be encouraged to do so.

To accomplish the latter goal, several serious barriers for the small, would-be exporter must be overcome.

- First, smaller firms must be convinced that exporting can be profitable. Our research and experience both indicate that the attractiveness of the U.S. market is a significant obstacle to increased export participation by smaller firms. Many larger firms begin to export only after their domestic markets have been saturated. For small firms, however, market saturation, if it occurs at all, will lead owners to seek other domestic markets, not overseas outlets. Demonstrating the profitability of exporting to smaller firms, then, is among our most important tasks.
- Second, we in government must recognize that smaller firms are often inhibited from exporting by the different languages, cultures and legal systems they encounter in foreign markets. Newly exporting firms can also be overwhelmed by the complex regulatory and paperwork requirements of both the United States and the destination markets.
- Third, many small firms know little about potential foreign markets and even less about where to go to get information. Without doubt, the principal need of would-be exporters is concrete information on prospective foreign markets. They need specific data, specific trade leads and specific information on the cultural and marketing practices in particular foreign markets.

- Fourth, small businesses often experience difficulty in securing the credit necessary to begin export sales. Because the strangeness of a foreign market frequently raises the perception of risk, many banks often require unrealistically firm assurances before lending capital to small businesses for export production.
- Fifth, the smaller firm usually needs clear, step-by-step guidance on the "How-To's" of exporting. Learning how to negotiate a contract in a specific foreign country or how to fill out export documents can make exporting seem a much less frightening prospect.

Commerce programs have traditionally served the small exporter. Indeed, about three-quarters of the demand for our information program emanates from small or medium-sized companies. In our District Offices, about 50 percent of the business counseling offered on export matters is given to firms with fewer than 50 employees; another 20 percent or so goes to firms with between 50-100 employees. More than 60 percent of all the participants in Commerce overseas promotional events are small and medium-sized firms.

We administer a wide variety of trade promotion, business counseling and worldwide export information programs. We offer new exporters on-the-spot exposure to foreign markets through overseas trade fairs and missions. Moreover, through Commerce District Offices (and through many state and local government programs) individual exporters can be led by the hand through their first export transactions.

In short, small businesses have always been--and will continue to be--the primary consumers of Commerce export services.

We recognize the Need for improvements and are working toward achieving them. Many of the programs themselves merit a close review. In fact, such a review has been ongoing throughout the tenure of this Administration, both in Washington and in our District Offices. Though we recognize that much remains to be done, we are confident that we are on the right track.

In addition, I believe that the President's recent reorganization of government trade functions provides the opportunity for us to improve our performance even more. By consolidating operational responsibility for all trade functions in Commerce, we will now be able to build an integrated Departmental delivery system for the commercial information and individualized assistance that smaller companies require.

Permit me to elaborate on several of the concrete steps we are taking in this connection.

Through the facilities of the Economic Development Administration, the Commerce Department is in a position to make loans and grants to meet the combined objectives of job creation and export promotion. In 1979, for example, EDA funding of export related efforts amounted to \$6.7 million in loans and \$2.5 million in grants. These funds supported, among other efforts, an extensive textile, apparel, and footwear export expansion drive and export promotion projects of the New York/New Jersey Port Authority. We in the International Trade Administration are working closely with EDA to develop grant- and loan-making procedures to ensure that the export programs funded by EDA are closely meshed with Trade Development activities in ITA. EDA is prepared in 1980 to supply a somewhat larger amount in grants and a significantly larger amount in loans for trade facilitation programs through its trade adjustment assistance, distressed area and other programs. Similar levels of activity are feasible in the future if funding for those programs continues. EDA, depending on its resources, is interested in giving continuing support to export-related programs. The Regional Commissions, the Minority Business Development Agency, and other Commerce entities also are potential sources of similar funding efforts. Commerce, in other words, is looking within its existing resources for ways to channel grant and loan funds to the export promotion effort, including the sort of state-government pilot projects envisioned in the Draft Bill.

We also intend to ensure that Commerce District Offices are satisfactorily integrated at the local level. We will insist that Field Representatives be aware of relevant programs in other parts of the Department, and that they also be able to communicate the Department's overall capabilities as they relate to the District Office's particular constituency and area.

Further, we believe that the exporting efforts of small businesses--like those of all exporters--will be aided by Commerce's assumption of responsibility for the new Foreign Commercial Service. The Service will be responsible for trade promotion and U.S. commercial representation in the 65 nations of the world which are our largest trading partners. Foreign Commercial Officers will be specifically charged with identifying the best marketing strategies for promoting U.S. exports to their respective countries, seeking out specific trade opportunities in those nations and providing on-the-spot advice and assistance to U.S. businesses. FCS activities will be coordinated with the trade promotion activities of my office in Washington, as well as with the U.S. Commercial Service District Offices. The result will be a service delivery system which fully integrates both its foreign and its domestic components.

Second, we are committed to the "One-Stop-Shop" concept for exporting assistance. Rather than expecting the small businessperson to find their own way through the bewildering maze of Federal export assistance and financing programs, we intend to ensure that there be one place in the government where a potential exporter can find out precisely where to go for help. This we can achieve administratively; there is no need for legislation in this area.

Finally, Commerce's newest export promotion program, the Worldwide Information and Trade System (WITS), will soon become operational in several District Offices and Foreign Service Posts abroad. WITS will be a computerized repository for all kinds of exporting information, including specific trade leads, marketing information and background data for both U.S. exporters and potential foreign customers.

WITS will allow us to provide more individualized assistance than ever before. The "Business Contact File," for example, will enable a Commerce Trade Specialist to direct an exporter to the specific individual at SBA, Eximbank, OPIC, local Chambers of Commerce, State agencies or private businesses who can answer a particular question or provide a needed service.

#### COMMENTS ON THE DRAFT BILL

With the foregoing background in mind, let me turn to those Bills on which you have specifically asked that I comment.

Commendably, the Nelson Draft Bill seeks to take a concrete step in the effort to introduce small and new-to-market firms to the world of exporting. The Administration also supports the concept of creating a partnership between Federal, state and local government agencies in the provision of marketing and information assistance. We believe that all three levels of government should and must play an active role in this important enterprise.

The Commerce Department's view of new legislation in this vital area must be tempered by the realization that we are living in an era of fiscal austerity. Secretary Klutznick is firmly committed to improving the Department's services in the trade area and believes that existing programs are sufficient to achieve these objectives. But he also is in full agreement with the President that, in these difficult times, we must seek economies throughout the government and accomplish our objectives in ways that do not create demands for additional resources. For that reason, we oppose the program of grants to State and Local government entities that is authorized in Title I. Due to the need for budget stringency, our position on this proposal remains the same as in the Department's earlier testimony on the Draft Bill given by Peter Gould, Deputy Assistant Secretary for Export Development, before the Senate Small Business Committee on March 13, 1980.

Section 104 of the Act would create in the Small Business Administration an Office of International Trade and would charge that office to carry out functions identical to those carried out by the Trade Development organization in the Department of Commerce. Although the Act would call upon the Administrator to work with Commerce in carrying out the functions of this new office, we oppose the statutory creation of such an office. The President's Trade Reorganization established Commerce as the Central Agency for the execution of trade programs precisely so that duplication of functions and Interagency conflicts over the provision of services would be eliminated. Commerce has worked, and will continue to work, with SBA to ensure that our services are fully available to small firms. We welcome the opportunity to make SBA Field personnel aware of our programs so that they may better advise their clients on the export services of the Department of Commerce. The Department's previous testimony on S. 2040 noted that we will continue to expand our efforts to build close working ties with SBA in the Field. But we do not agree that establishing statutorily a competing and overlapping staff in SBA to carry out functions already performed in Commerce will result in better service to small firms. Rather, the resulting confusion probably would cause a deterioration in services.

Section 106 of the Act would establish the One-Stop-Shop concept under SBA aegis. As stated above, we endorse the One-Stop-Shop; however, we intend to accomplish this administratively within our existing trade development programs. The Commerce Department is prepared to pursue an alternative approach that we believe can accomplish the objectives of the One-Stop-Shop without requiring significant new resources. That is to combine an improved training effort across Federal agencies, to ensure that Commerce specialists are expert in other agency programs, with the new computerized Worldwide Information and Trade System to provide specific referrals to individuals in Federal agencies or other organizations who can answer the exporter's specific questions. Moreover, we oppose setting this up under SBA because it would duplicate existing Commerce programs.

#### NATIONAL EXPORT COUNCIL TITLE

We oppose this Title. It would create a National Export Council heavily weighted toward government participation and would mandate the inclusion of five small business private sector representatives. We believe that the President's Export Council, which already exists, constitutes an effective means of addressing the concerns reflected in this proposal. The current makeup of the President's Export Council (PEC) was developed with the objective of obtaining a broadly-based consensus on export issues. Membership currently includes representatives of business, labor, agriculture, and federal and non-federal government, including two firms with sales at or below \$5 million. The Council is chaired by a private sector member, and the majority of the seats is held by non-government representatives.

Since the PEC is essentially an advisory body, we feel strongly that it should continue to maintain this private sector image. We therefore do not endorse this Title.

COMMERCE DEPARTMENT - COMMERCIAL OFFICERS OVERSEAS TITLE

We oppose this Title. It would establish a Commercial Officer Corps within the Department of Commerce. As part of the President's Trade Reorganization that was approved by the Congress last year, responsibility for commercial representation abroad already has been transferred from the Department of State to the Commerce Department. On April 1 of this year, the Foreign Commercial Service began operations in the Department of Commerce. This permanent change in the agency assigned responsibility for this function, was embodied in Reorganization Plan Number 3 of 1979, which has the effect of law and cannot be altered without Congressional concurrence. This reorganization reflects the President's and the Department's commitment to build a stronger Foreign Commercial presence in U.S. Embassies, and to integrate the Commercial Corps fully into the Trade Development functions of the Department. In light of this development, we oppose these provisions in the proposed legislation because they are unnecessary.

We have moved swiftly to establish the FCS within Commerce. Already, we have built the basic elements of a new personnel system for the Service operating under the Foreign Service Act authorities. Commerce has full and independent control of this personnel system, as it does of the budget and personnel transferred to the Department. Currently, the FCS is operating in 65 countries of the world, with 162 American Officers and 487 Foreign Nationals reporting to the Department.

We also are integrating the Commercial Attaches with our other Trade Development functions. Our objective is to create a worldwide, full-service marketing assistance corps. Programs and personnel of the FCS, the Domestic Field Offices and the Washington Staff will be linked, and their activities targeted more precisely on our greatest export opportunities.

This Section of the Bill also would mandate functions of the FCS. Recently, the Secretaries of Commerce and State sent a cable to all Embassies with FCS Officers setting forth the functions of the FCS. A copy of that cable is attached. We believe that the functions specified in the cable parallel closely those outlined in the proposed Bill. But we believe it is unwise to place legislative constraints on the Congress and the Executive Branch. Some flexibility to shift priorities on the margin, as needs and demands change, is desirable. Indeed, the FCS will also support the promotion of tourism. However, the PEC is, and must be, fundamentally a trade promotion corps, and this Department is committed to that idea.

Commerce and State also have reached full and written agreement on the granting of prerequisites and ranks to FCS Officers, and State already has been granting without hesitation our requests for titles, which by law may be granted only by the Secretary of State. A copy of this Memorandum of Understanding is attached to my testimony. Because of the relationship that has been established between State and Commerce, and because Commerce has full control over the personnel and budget of the FCS, we are satisfied that all of the objectives of these portions of the proposed Bill have been achieved. For this reason, the legislation is unnecessary and we oppose it.

#### COMMENTS ON S. 2097

S. 2097 provides for the establishment of a Joint Export Marketing Assistance Program between the Department of Commerce and "Industrial corporations or groups of non-competing corporations with limited experience in exporting". This legislation provides a mechanism by which proposals for an active overseas comprehensive market development plan submitted by business, can be supported with "Seed Money" from government on a matching basis. This would enable individual companies or clusters of firms manufacturing like products, to substantially reduce financial risks associated with start up export sales programs and market development expenses.

In addition, qualified applicants are required to develop a detailed marketing plan which has the potential for success as determined by the Department. Finally, the Bill specifies that an applicant entering into a cooperative agreement has five years to repay the Department, beginning the fourth year after a project has been completed. This means that funds advanced under this program usually would not be entirely repaid until the ninth year.

Mr. Chairman, please let me reiterate that the Department supports the concept of creating a partnership between government and the private sector in stimulating the entrance of new exporters, particularly small and medium-sized businesses, into international trade. In fact, the Department of Commerce proposed a program in its FY '80 Congressional Budget submission similar to the program proposed in S. 2097. The program was not, however, included as part of the Administration's FY '81 budget request. One major difference in our proposal was a shorter loan repayment schedule.

However, Mr. Chairman, (aga'n) the Commerce Department's view of this new legislation must be tempered by this period of fiscal austerity. For this reason, I cannot support S. 2097 since its provisions would require additional federal funding.

Mr. Chairman, I hope I have made clear my Department's commitment to providing the individualized assistance that smaller companies need if they are to compete successfully in the world market. We look forward to working with Congress and the business community in this effort.

MEMORANDUM OF UNDERSTANDING  
between the  
Departments of State and Commerce  
Regarding the Administration of the  
Foreign Commercial Service

The President's Trade Reorganization Plan 3 of 1979 transfers to the Department of Commerce (DOC) responsibility for the functions performed in full-time trade promotion and commercial positions abroad.

The Department of Commerce will create a Foreign Commercial Service, using Foreign Service Act authorities, administered by the Department of Commerce in accordance with the Act. This memorandum of understanding sets forth a framework, agreed upon by the Departments of State and Commerce, for certain aspects of the establishment and operation of the FCS once the reorganization is in effect.

Personnel of the Foreign Commercial Service

A total of 162 positions in Commercial Officer Skill codes in the Department of State will be transferred to Commerce. Also, 481 to 494 positions for Foreign Service National employees working seventy percent or more of their time in commercial representation activities, will be transferred to Commerce.

The Foreign Commercial Service will utilize the authorities of the Foreign Service Act of 1946 and associated Executive Orders and other authorities. The proposed Foreign Service Act of 1979 will be amended to provide Commerce with the same authorities granted to other agencies using the Act (Section 202). The Department of Commerce Foreign Commercial Service will be responsible for the recruitment, training, assignment and career development of permanent Foreign Commercial Service officers and nationals in the FCS. The FCS will adhere to State's unified system of salary and benefits for national employees.

On the date on which the reorganization takes effect, the commercial officers and Foreign Service nationals currently occupying the positions referenced above will report directly to the Department of Commerce. Commerce will have the authority to assign these positions to any country in the world within overall personnel ceilings and in accordance with MOBE procedures. In the interests of sound management, however, the Department of Commerce agrees that all such occupants of these positions may complete their scheduled tours of duty. In its discretion, Commerce may offer Foreign Service Officers in such positions additional FCS tours after completion of present assignments.

To facilitate the transition, Commerce will accept details by State into FCS positions of a minimum of 105 State Department Foreign Service officers from the Economic/Commercial cone in the first year of the Service's existence, a minimum of 90 officers in the second year, a minimum of 75 in the third year, and 60 in the fourth year. Included in accounting for these positions will be any State Department Foreign Service Officers who permanently join the Foreign Commercial Service. Commerce will establish mutually agreeable procedures governing conversion to the FCS of those Foreign Service Officers who wish to do so.

The existing exchange agreement will continue in force, and efforts will be made to carry it out on a reciprocal basis.

In the fourth year, the two agencies will evaluate their experience under the Memorandum of Understanding and the Exchange Agreement and develop arrangements for ongoing exchanges at all levels on a mutually-agreed, reciprocal basis.

#### Administration of the Service

The Department of Commerce will have final authority to approve the assignment of State Department officers into positions in the Foreign Commercial Service. Each department will participate in all decisions affecting assignment of those officers performing commercial functions overseas.

Commerce will be a full member of the Board of the Foreign Service. Commerce will continue to participate in inspections of the commercial function including responsibility for the recommendations arising therefrom. The Officer Evaluation Report instructions will be revised to enable Commerce to contribute to the evaluation of officers overseas engaged in commercial work. Each department will have final authority to prepare evaluation reports on officers serving in its service.

The budget resources of the Foreign Commercial Service will be managed by Commerce. The Department of State will provide the Foreign Commercial Service with administrative support overseas through the Foreign Affairs Administrative Service program. Commerce will continue to utilize the Foreign Service Institute for training in accordance with the Foreign Service Act as amended. Commerce will, however, continue its activities for training Foreign Service Nationals and for briefing and training members of the commercial service abroad.

The Department of Commerce will participate fully in all MODE exercises.



UNCLASSIFIED DEPARTMENT OF COMMERCE

INCOMING TELEGRAM

ACTION: COPY

FROM: U.S. STATE DEPT. WASHINGTON DC 20520

TO: STATE DEPT.

SUBJECT: ... SPECIFIC PRODUCTS AND PROJECTS...

ACTION: COPY ... INFO: ...

INFO: OCT 20 1952 ...

DRAFTED BY: COM STA ... APPROVED BY: ...

\*\*\*\*\*053777\*\*\*\*\* 252532Z 10/52

P 010022Z APR 52 ... TO ALL DIPLOMATIC AND CONSULAR POSTS

URGENT STATE 052652

C O R R E C T I O N P A R A 2 L I N E 0 5 2 P A R A 2 L I N E 5 O N P A G E

E O S T A S 0 1 4

PAGE: 0104 014 20

SUBJECT: FUNCTIONS OF THE U.S. FOREIGN COMMERCIAL SERVICE

1. ON APR 15 THE DEPARTMENT OF COMMERCE ...

2. ...

3. ...

4. ...

5. ...

6. ...

7. THIS FUNCTION ALSO CANNOT BE PERFORMED IN ISOLATION FROM OTHER ELEMENTS IN THE OFFICE ...

8. THE SECRETARY OF COMMERCE ... STRESS THAT ...

9. AT THE SAME TIME, THE DEPARTMENT OF COMMERCE WOULD BE CREATING A MANAGEMENT ENVIRONMENT ...

10. THE FUNCTIONAL POINTS ...

11. ...

12. ...

13. ...

14. ...

UNCLASSIFIED  
DEPARTMENT OF COMMERCE

INCLOSING  
TELEGRAM

PAGE 2 OF 2 STATE 0244  
RE: THE UNITED STATES DEPARTMENT OF COMMERCE  
OFFICE OF FOREIGN TRADE AND INVESTMENT  
ADMINISTRATION (OFTIA) IS REQUESTING ALL  
PHASES OF TRADE PROMOTION

13. TO PROVIDE OVERSEAS SUPPORT TO ALL TRADE PROMOTION  
ACTIVITIES, SUCH AS INTERNATIONAL MARKETING CENTERS,  
TRADE FAIRS, AND BUSINESS DEVELOPMENT OFFICES. PROVIDE  
OVERSEAS SUPPORT, DELIVERY AND ADMINISTRATION OF

WASHINGTON-BASED TRADE PROMOTION ACTIVITIES, SUCH AS  
TRADE MISSIONS, TECHNICAL SALES SERVICES AND  
VIDEOCATALOGS. EDUCATIONAL SUPPORT TO "ADVISE TO THE  
U.S. PROGRAM ASSIST IN THE DESIGN OF EXPORT-IMPORT  
FAIR AND TRADE SERVICES IN U.S. COUNTRIES. PROVIDE  
APPROPRIATE SUPPORT FOR JOINT COMMISSIONS AND OTHER TRADE  
FACILITATION GROUPS, AND THEIR SUBSTRUCTURE ACTIVITIES

14. TO CONDUCT COMMERCIAL INFORMATION GATHERING AND  
DISSEMINATION ACTIVITIES ABROAD THROUGH THE WORLDWIDE  
INFORMATION AND TRADE SYSTEM (WITS) AND RELATED PROGRAMS  
(WIS, WIS, ETC.). THIS WILL INVOLVE Ongoing COLLECTION  
REPORTING UPDATE AND RETRIEVAL OF WIT INFORMATION, AS  
WELL AS RETRIEVAL OF THE PART OF U.S. SUPPLIERS AND  
PRODUCE IMPROVING CONTRIBUTE TO WIT. USPOC WILL  
ENTERTAIN PROPOSALS TO CONTRACT OUT INFORMATION SERVICES  
AT ANY TIME TO RANGE COMMERCIAL, LIBRARIES AND  
AGENCIES

15. TO DESIGNATE PEOPLE AND RANGE CONTRACTED COUNTRIES  
AND PRODUCE PUBLISHING RESEARCH OF COMMODITY MARKET  
RESEARCH TO SUPPORT OF SPECIFIC TRADE DEVELOPMENT  
PROGRAMS, EXHIBITIONS OR OTHER COMMERCE PROGRAMS

16. TO WITH RESPECT TO NATIONAL SECURITY OF FOREIGN  
POLICY MATTERS OF THE PERSONALITY OF TO AND AT  
ACCORDING TO THE PERSONALITY OF TO AND AT  
AND PERSONALITY OF TO AND AT  
PERSONALITY OF TO AND AT  
CHECKS, AND, AS APPROPRIATE, CONDUCT POST-SHIPMENT  
CHECKS

17. TO WITH RESPECT TO NATIONAL SECURITY OF FOREIGN  
POLICY MATTERS OF THE PERSONALITY OF TO AND AT  
ACCORDING TO THE PERSONALITY OF TO AND AT  
AND PERSONALITY OF TO AND AT  
PERSONALITY OF TO AND AT  
CHECKS, AND, AS APPROPRIATE, CONDUCT POST-SHIPMENT  
CHECKS

96TH CONGRESS  
1ST SESSION

# S. 2040

To amend the Small Business Act to increase assistance to small businesses in exporting.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 26 (legislative day, NOVEMBER 15), 1979

Mr NELSON (for himself, Mr. HUDDLESTON, Mr. CULVER, Mr. BAUCUS, Mr. STEWART, and Mr. LEVIN) introduced the following bill, which was read twice and referred to the Committee on Small Business

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## A BILL

To amend the Small Business Act to increase assistance to small businesses in exporting.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "Small Busi-  
4 ness Export Expansion Act of 1979".

5 TITLE I—SMALL BUSINESS EXPORT EXPANSION  
6 ASSISTANCE

7 SEC. 101. Section 7(d) of the Small Business Act is  
8 amended by adding at the end thereof the following new  
9 paragraph:

1           “(3)(A) The Administration is authorized to make  
2           grants to a qualified applicant to encourage the devel-  
3           opment and implementation of a small business inter-  
4           national marketing program. Each qualified applicant  
5           under this title may receive a grant not to exceed  
6           \$150,000 annually: *Provided*, That no more than one-  
7           third of the total funds received under this section may  
8           be used for the purpose of hiring personnel.

9           “(B)(i) To be eligible for a grant under this para-  
10          graph, an applicant proposing to carry out a small  
11          business international marketing program must submit  
12          to the Administration an application demonstrating  
13          that, at a minimum, program services will be provided  
14          to small business concerns through outreach services at  
15          the most local level practicable; on the date of applica-  
16          tion, the applicant has an established working relation-  
17          ship with at least one international marketing office;  
18          the small business international marketing program will  
19          provide market analyses of the export potential of  
20          small business concerns, training and advice on export  
21          pricing, shipping, documentation, financing and busi-  
22          ness customs, identification of and development of con-  
23          tacts with potential foreign customers and distributors  
24          for small business and concerned products, arrange-  
25          ments and sponsorship of foreign trade missions for

1 small business concerns to meet with identified poten-  
2 tial customers, distributors, sales representatives, and  
3 organizations interested in licensing or joint ventures,  
4 and a plan describing how export promotion activities  
5 undertaken as part of a grant shall be coordinated with  
6 export promotion activities and progress administered  
7 by the Department of Commerce.

8       “(ii) Each small business international marketing  
9 program shall a full-time staff director to manage pro-  
10 gram activities, and access to export specialists to  
11 counsel and assist small business clients in interna-  
12 tional marketing.

13       “(C)(i) Each small business international market-  
14 ing program shall establish an advisory board of nine  
15 members to be appointed by the Governor of the State  
16 in which the applicant is located. Not less than two-  
17 thirds of the members of each such board shall be  
18 small business persons or associations representing  
19 small businesses.

20       “(ii) Each advisory board shall elect a chairman  
21 and advise, counsel, and confer with the staff director  
22 of the small business international marketing program  
23 on all policy matters pertaining to the operation of the  
24 program (including who may be eligible to receive as-

1 assistance and how to maximize local and regional pri-  
2 vate consultant participation in the program).

3 "(D) The Administration shall maintain a central  
4 clearinghouse to provide for the collection, dissemina-  
5 tion, and exchange of information between small busi-  
6 ness international marketing programs.

7 As used in this paragraph, the term 'applicant' means a State  
8 agency or instrumentality thereof, or Administration-desig-  
9 nated Small Business Development Center, or any combina-  
10 tion of such entities, which will carry out an international  
11 marketing program; and the term 'international marketing of-  
12 fice' means a facility located in a foreign country which can  
13 identify potential foreign customers, establish contact with  
14 such customers or distributors, and assist in the management  
15 and sponsorship of foreign trade missions for small business  
16 concerns."

17 SEC. 102. Section 20 of the Small Business Act is  
18 amended by adding at the end thereof the following new sub-  
19 section:

20 "(h) There are authorized to be appropriated to the Ad-  
21 ministration \$7,650,000 for each fiscal year 1980, 1981, and  
22 1982 to carry out the program provided for in section  
23 7(d)(3)."

1       **TITLE II—EXPORT PROMOTION CENTERS**

2       **SEC. 201.** Section 4(b) of the Small Business Act is  
3 amended by redesignating subsection 4(b) as subsection  
4 4(b)(1) and inserting at the end thereof the following:

5       “(b)(2) The Administrator, after consultation with the  
6 Secretary of Commerce, the Export-Import Bank of the  
7 United States, the Internal Revenue Service, and the Over-  
8 seas Private Investment Corporation, shall establish a single  
9 Export Promotion Center in each regional office of the De-  
10 partment of Commerce. The Export-Import Bank of the  
11 United States, the Internal Revenue Service, the Overseas  
12 Private Investment Corporation, and the Administration  
13 shall each designate at least one full-time employee to serve  
14 as such agency's full-time representative in each such center.  
15 Each person designated by the Administration shall be famil-  
16 iar with the needs and problems of small business exporting  
17 and shall serve without regard to the provisions of title 5,  
18 United States Code, governing appointments in the competi-  
19 tive service, and without regard to chapter 51, and sub-  
20 chapter III of chapter 53 of such title relating to classifica-  
21 tion and General Schedule pay rates, but at a rate not less  
22 than the rate of GS-15 nor more than the rate of GS-17 of  
23 the General Schedule. Each Export Promotion Center shall  
24 serve as a one-stop information center on Federal Govern-

1 ment export assistance and financing programs available to  
2 small business.”.

3       **SEC. 202. (a)** Not later than six months after the enact-  
4 ment of this Act, the Administrator shall report to the Senate  
5 Select Committee on Small Business and the Committee on  
6 Small Business of the House of Representatives on the prog-  
7 ress made in implementing the provisions of this title.

8       **(b)** The Administration shall establish a plan for an eval-  
9 uation of the international marketing program which may in-  
10 clude the retaining of an independent concern to conduct  
11 such an evaluation. The evaluation shall be both quantitative  
12 and qualitative and shall determine the effectiveness of the  
13 program in developing and expanding small business exports.  
14 Such evaluation shall be submitted to the Senate Select  
15 Committee on Small Business and the Committee on Small  
16 Business of the House of Representatives by January 1,  
17 1981, and annually thereafter.

18           **TITLE III—SMALL BUSINESS EXPORT**  
19                   **FINANCING ASSISTANCE**

20       **SEC. 301.** Section 7(a) of the Small Business Act is  
21 amended by striking the word “sale:” and inserting in lieu  
22 thereof “sale, or exports:”.

23       **SEC. 302.** Section 7(a)(3) of the Small Business Act is  
24 amended by striking the period at the end thereof and adding  
25 “, except that participation by the Administration shall be 90



1 exceed 50 per centum of each net investment loss, taking  
2 into consideration all recoveries and distributions received by  
3 such company, based on actual disbursements not exceeding  
4 the limitation of section 306(a) of this Act, without regard to  
5 anticipated profits.

6       “(3) Such guarantee shall be granted only with respect  
7 to an investment in a small business concern which is or will  
8 be engaged in a regular and continuous export business oper-  
9 ation. In guaranteeing qualifying investments under this sec-  
10 tion, the Administration shall give preference to new-to-ex-  
11 port small business concerns which have demonstrated that  
12 their product(s) are capable of penetrating the markets into  
13 which they are exported. For purposes of this subsection, a  
14 ‘new-to-export small business concern’ means (1) any small  
15 business concern which has not had direct or indirect export  
16 sales in excess of \$1,000,000 in its five most recent fiscal  
17 years, or (2) any small business concern which has had no  
18 export sales in its three most recent fiscal years.

19       “(4) To qualify for a guarantee, each such investment  
20 shall require the prior written approval of the Administration  
21 as to the eligibility of the investment pursuant to this section.  
22 Each application for such approval shall be accompanied by a  
23 guarantee fee of 2 per centum of the amount guaranteed,  
24 such fee to be refunded by the Administration in the event of  
25 disapproval or failure to consummate the investment. The

1 Administration shall act upon each such application within  
2 fifteen working days from its receipt of such application. The  
3 Administration shall by regulation prescribe the form and  
4 content of such application.

5       “(5) If such company or any other person be determined  
6 pursuant to section 308(d) or 309 of this Act to have violated  
7 or failed to comply with any provision of this Act or of regu-  
8 lations prescribed thereunder, the Administration may, in its  
9 discretion, in addition to any other right or penalty to which  
10 the Administration may be entitled, void such contractual  
11 commitment, or suspend its effectiveness until such time as  
12 such violation or failure to comply has been cured.

13       “(6) Subject to the foregoing, the Administration shall,  
14 within ninety days after any claim of loss is filed with the  
15 Administration under the guarantee, pay to the claimant in  
16 cash the Administration's pro rata share of the guaranteed  
17 amount. The filing of a certificate of loss shall be presumptive  
18 evidence of the loss and the amount thereof. As a condition  
19 precedent to such payment, such company shall assign to the  
20 Administration the securities subject to the guarantee.”.

21       SEC. 402. The table of contents of the Small Business  
22 Investment Act of 1958 is amended by inserting after “Sec.  
23 319.” the following:

“Sec. 320. Export Financing.”.



## 1 ESTABLISHMENT OF PROGRAM

2 SEC. 3. (a) The Secretary of Commerce (hereinafter re-  
3 ferred to as the "Secretary") shall establish a program in  
4 accordance with the provisions of this Act to promote export  
5 marketing activities for domestic industry.

6 (b) The Secretary may enter into cooperative agree-  
7 ments with industrial corporations or groups of noncompeting  
8 corporations with limited experience in exporting to develop  
9 foreign markets for their products which would require a  
10 minimum two-year effort upon the approval of a proposal  
11 from such corporation or group of corporations in accordance  
12 with section 4.

13 (c) Upon entering an agreement pursuant to subsection  
14 (b) the Secretary shall direct specific market research for the  
15 products involved in foreign markets to—

16 (1) measure the opportunity for particular ele-  
17 ments of the product field;

18 (2) determine advantageous methods of pursuing  
19 opportunities; and

20 (3) to indicate the potential term of activity and  
21 the prospects for success.

## 22 MARKETING PROPOSALS

23 SEC. 4. (a) On the basis of the research under section 3,  
24 interested industrial corporations or groups of non-competing  
25 corporations may prepare and submit a proposal incorporat-

1 ing specific marketing actions, a timetable for such actions  
2 and such other relevant information as the Secretary may  
3 require to the Secretary for approval.

4 (b) Proposals submitted under subsection (a) shall be re-  
5 viewed by the Secretary and the Small Business Administra-  
6 tion and any Federal agency involved in the product to be  
7 marketed.

8 **FINANCIAL AGREEMENT**

9 **SEC. 5.** (a) The Secretary of Commerce after approving  
10 a proposal submitted under section 4 may enter into an  
11 agreement with the entity which submitted such proposal to  
12 share the cost of such marketing for a period not to exceed  
13 three years.

14 (b) The Federal share of participation in such agreement  
15 shall not exceed 50 per centum of the reasonable costs of  
16 such program.

17 (c) Any agreement entered into under this section shall  
18 require that the entity entering into the agreement shall  
19 repay the Federal share over a five-year period beginning at  
20 the expiration of the Federal participation.

21 **AUTHORIZATION OF APPROPRIATIONS**

22 **SEC. 6.** There are authorized to be appropriated to  
23 carry out the provisions of this Act such sums as may be  
24 necessary.





1           (2) insuring better access to export information  
2           and assistance by upgrading and expanding the export  
3           development programs of the Small Business Adminis-  
4           tration;

5           (3) upgrading and expanding the export develop-  
6           ment services of the Department of Commerce, making  
7           them more responsive to the needs of small businesses;  
8           and

9           (4) establishing a National Export Council which  
10          shall advise the President and the Congress on matters  
11          of export trade and make recommendations for expand-  
12          ing United States exports.

13       **TITLE I—SMALL BUSINESS ADMINISTRATION**

14               **EXPORT DEVELOPMENT PROGRAMS**

15                       **OFFICE OF INTERNATIONAL TRADE**

16       **SEC. 101.** The Small Business Act is amended by  
17       redesignating sections 16 through 21 as sections 17 through  
18       22, respectively, and by inserting after section 15 the follow-  
19       ing new section:

20       “**SEC. 16. (a)** There is established within the Adminis-  
21       tration an Office of International Trade, which shall imple-  
22       ment the programs pursuant to this section.

23       “(b) This office shall promote sales opportunities for  
24       small business goods and services overseas. To accomplish  
25       this objective the office shall—

1           “(1) provide small businesses with access to cur-  
2           rent and complete export information by—

3                   “(A) making available at the Administration  
4                   regional offices, through cooperation with the De-  
5                   partment of Commerce, export information, in-  
6                   cluding, but not limited to, the world information  
7                   and trade system and world trade data reports;

8                   “(B) preparing and publishing quarterly re-  
9                   ports concerning market conditions, sources of fi-  
10                  nancing, export promotion programs and other in-  
11                  formation pertaining to the needs of small export-  
12                  ing firms. These reports shall be made available  
13                  to all Administration field offices for distribution  
14                  to small businesses;

15                  “(C) maintaining a current list of financial  
16                  institutions that finance export operations; and

17                  “(D) compiling a current directory of all  
18                  Federal, regional, State and private sector pro-  
19                  grams that provide export information and assist-  
20                  ance to small businesses.

21           “(2) provide assistance to States and other enti-  
22           ties through the small business export development  
23           grant program authorized under section 7(d)(3);

24           “(3) promote through cooperation with the De-  
25           partment of Commerce, greater small business partici-

## 5

1       pation in trade fairs, shows, missions, and other do-  
2       mestic and overseas export development activities of  
3       the Department of Commerce; and

4               “(4) provide technical advice to Administration  
5       personnel involved in granting loans, loan guarantees,  
6       and providing other forms of assistance to small busi-  
7       nesses engaged in exports.

8       “(c) To facilitate delivery of export information and as-  
9       sistance to small businesses, export development specialists  
10      shall be assigned to each Administration regional office. Such  
11      specialists shall—

12              “(1) assist small businesses in obtaining export in-  
13      formation and assistance from other Federal depart-  
14      ments and agencies;

15              “(2) maintain a current directory of all programs  
16      which provide export information and assistance to  
17      small businesses within the region;

18              “(3) encourage financial institutions to develop  
19      and expand programs for export financing; and

20              “(4) counsel small businesses interested in pursu-  
21      ing export sales, including the providing of information  
22      concerning available financing, credit insurance, tax  
23      treatment, export duties, potential markets and market-  
24      ing assistance, and other pertinent information.”.

1        **SMALL BUSINESS EXPORT DEVELOPMENT GRANTS**

2        **SEC. 102.** Section 7(d) of the Small Business Act is  
3 amended by adding at the end thereof the following new  
4 paragraph—

5           “(3)(A) The Administration is authorized to make  
6 grants to any State government or other entity (herein  
7 referred to as the ‘applicant’) to assist in establishing  
8 and operating small business export development pro-  
9 grams. These programs shall provide information and  
10 assistance to small businesses concerning export fi-  
11 nancing and credit insurance, marketing, management  
12 companies, export associations, trading companies, tar-  
13 iff barriers, duties, licensing, overseas buyers, and for-  
14 eign travel. The Administration shall require as a con-  
15 dition to any grant made pursuant to this paragraph  
16 that the applicant has already established an overseas  
17 office which shall provide the necessary coördination  
18 and assistance to successfully operate a small business  
19 export development program.

20           “(B) Grants made pursuant to this paragraph  
21 shall not exceed 50 percent of the total cost of a small  
22 business export development program, and in no case  
23 shall exceed \$150,000 in any one year. During the  
24 two fiscal years immediately following enactment of  
25 this paragraph, the Administration shall limit grants

1 hereunder to one applicant located in each of their ten  
2 regions.

3 "(C) An applicant may apply to participate in the  
4 program by submitting to the Administration for ap-  
5 proval a plan which shall include—

6 "(i) the geographical area to be served by  
7 the program;

8 "(ii) the number of firms to be assisted;

9 "(iii) the domestic and overseas staff required  
10 to administer the program;

11 "(iv) a description of other existing export  
12 programs and resources available to the applicant  
13 and their proposed utilization in establishing the  
14 program; and

15 "(v) procedures for accomplishing the  
16 following:

17 "(1) determining a small business' ex-  
18 port potential through market identification  
19 and analysis;

20 "(2) counseling small businesses in ex-  
21 port pricing, financing, insurance, shipping,  
22 documentation and foreign business customs;

23 "(3) identifying and contacting potential  
24 foreign customers and distributors for a small  
25 business' products; and

1                   “(4) arranging and sponsoring foreign  
2                   trade missions for participating small busi-  
3                   nesses to meet with potential buyers, distrib-  
4                   ,                   utors, sales representatives and organizations  
5                   interested in licensing and joint ventures.

6                   “(D) The Administration shall develop a plan to  
7                   evaluate programs approved under this paragraph  
8                   which shall—

9                   “(1) determine the impact of small business  
10                  export development programs on small business;

11                  “(2) determine the amount of export sales  
12                  generated by small business export development  
13                  programs;

14                  “(3) make recommendations concerning con-  
15                  tinuation and/or expansion of the program and  
16                  possible improvements in the program structure.

17                  For the purpose of this evaluation, the Administration  
18                  is authorized to require any small business export de-  
19                  velopment program or party receiving assistance under  
20                  this paragraph to furnish it with such information as it  
21                  deems appropriate. Such evaluation shall be completed  
22                  and submitted to the Senate Select Committee on  
23                  Small Business and the Committee on Small Business  
24                  of the House of Representatives by October 1, 1982.



1 United States firms and businesses and trade and commercial  
2 organizations; and to secure trade and commercial informa-  
3 tion useful for the expansion of exports of United States  
4 products and services, the Secretary of Commerce (herein-  
5 after referred to in this title as the "Secretary") is authorized  
6 to appoint such commercial ministers, commercial counselors,  
7 and commercial attaches, who shall be employees of the De-  
8 partment of Commerce (and who shall report to the Under  
9 Secretary for International Trade), as the Secretary deter-  
10 mines to be necessary to carry out the purposes of this title  
11 and to assign such commercial ministers, commercial coun-  
12 selors and commercial attaches to service abroad.

13                   **TRAINING OF COMMERCIAL ATTACHES**

14       **SEC. 202.** Upon appointment, commercial attaches shall  
15 participate in training sessions designed by the Secretary, in  
16 cooperation with the Department of State, the Foreign Serv-  
17 ice Institute, and other Federal agencies, to study export and  
18 import programs and to examine the needs of United States  
19 businesses for export information and assistance. As part of  
20 this training program the Secretary shall assign each attache  
21 to a field office of the Department to work in conjunction  
22 with the Department's field personnel responsible for imple-  
23 mentation of export programs.



1           (a) Trade and commercial services, including, but  
2 not limited to—

3           (i) protection and promotion of United States  
4 trade and commercial interests and investments,  
5 including industrial property rights, within their  
6 districts;

7           (ii) current market oriented assistance to  
8 United States firms and businesses visiting or op-  
9 erating within their districts;

10           (iii) appointments and introductions for  
11 United States business persons visiting within  
12 their districts;

13           (iv) assistance in pursuing trade oppor-  
14 tunities;

15           (v) assistance, when appropriate, in the ad-  
16 justment of trade and commercial disputes involv-  
17 ing United States firms or commercial and finan-  
18 cial interests; and

19           (vi) assistance to other United States Gov-  
20 ernment agencies or State agencies, and to firms  
21 and businesses with respect to trade missions,  
22 trade fairs, and other international trade and com-  
23 mercial exhibitions.

24           (b) Export promotion, including, but not limited  
25 to—

1 (i) the promotion of United States exports  
2 and commercial interests in their districts; and

3 (ii) the creation, within the scope of their du-  
4 ties and as appropriate, of a demand for United  
5 States products and services in such districts.

6 (c) Semiannual reports to the Secretary including,  
7 but not limited to, the following information:

8 (i) market conditions, commercial develop-  
9 ments, and economic climate within their districts,  
10 emphasizing changes between reports;

11 (ii) implementation of and compliance with  
12 the provisions of multilateral and bilateral trade  
13 agreements with the United States by the govern-  
14 ment, agencies, or instrumentalities of the country  
15 to which they are assigned;

16 (iii) specific industry and commodity condi-  
17 tions;

18 (iv) foreign law and business practices affect-  
19 ing United States trade and commercial interests;  
20 and

21 (v) trade opportunities on an industry by in-  
22 dustry basis.

23 (d) Maintain and make available current data on  
24 the commercial standing and capacity of foreign firms  
25 within their districts.

1 (e) Other functions and duties as the Secretary  
2 determines to be necessary and proper for achieving  
3 the purposes of this title.

4 ASSIGNMENT TO UNITED STATES

5 SEC. 206. Any officer or employee appointed and as-  
6 signed to a post abroad pursuant to this title may, in the  
7 discretion of the Secretary, be assigned for duty in the conti-  
8 nental United States, without regard to the civil service laws  
9 (and without reduction in grade if an appropriate position at  
10 the employee's grade is not available in any agency of the  
11 Department of Commerce) for a period of not more than  
12 three years.

13 OFFICE SPACE, EQUIPMENT, AND ADMINISTRATIVE AND  
14 CLERICAL PERSONNEL

15 SEC. 207. The Secretary of State, upon request of the  
16 Secretary, shall provide office space, equipment, facilities,  
17 and such other administrative and clerical services as may be  
18 required for the performance of the functions and duties of  
19 the commercial ministers, commercial counselors, and com-  
20 mercial attachés appointed and assigned abroad under this  
21 title, and other personnel employed under their direction, ap-  
22 propriate to Foreign Service officers or other personnel of the  
23 same rank and salary. The Secretary is authorized to reim-  
24 burse or advance funds to the Secretary of State for such  
25 services. The Secretary is authorized, in accordance with ap-

1 plicable law and regulations prescribed by the Secretary to  
2 employ locally such United States nationals or other person-  
3 nel, as the Secretary deems necessary to further the purpose  
4 set forth in section 201 of this title or to the exercise and  
5 carrying out of the functions and duties of the commercial  
6 ministers, commercial counselors, and commercial attachés  
7 and other personnel appointed and assigned abroad under this  
8 title.

9       **AGENCY, SERVICES, PERSONNEL, AND FACILITIES**

10       **SEC. 208.** Upon the request of the Secretary of Com-  
11 merce, each Federal agency may make its services, person-  
12 nel, and facilities available to the commercial ministers, com-  
13 mercial counselors, and commercial attachés appointed and  
14 assigned to a post abroad under this title in the performance  
15 of their functions and duties. The Secretary is authorized to  
16 reimburse or advance funds to any such agency for such serv-  
17 ices, personnel, and facilities so made available.

18       **PERFORMANCE OF FUNCTIONS IN FOREIGN LOCALITIES**

19       **SEC. 209.** Each commercial minister, commercial coun-  
20 selor, or commercial attaché appointed and assigned under  
21 this title to a United States diplomatic mission abroad, may  
22 carry out the functions and duties authorized hereunder in  
23 such other nations as the Secretary, in consultation with the  
24 Secretary of State, may determine to be necessary and prop-  
25 er in order to carry out the purposes of this title.

1           REPORTS AND DISPATCHES—AVAILABILITY TO  
2           INTERESTED GOVERNMENT AGENCIES

3           SEC. 210. The reports and dispatches prepared by the  
4 commercial ministers, commercial counselors, or commercial  
5 attachés appointed and assigned abroad under this title shall  
6 be made available to the Department of State, the Small  
7 Business Administration and to other interested agencies of  
8 the Government.

9           REPRESENTATIVE ALLOWANCES

10          SEC. 211. Any commercial minister, commercial coun-  
11 selor, or commercial attaché appointed and assigned by the  
12 Secretary to a post abroad under this title, under regulations  
13 prescribed by the Secretary, may be authorized to receive a  
14 representation allowance in an amount to be determined by  
15 considering—

16           (1) the extent to which such commercial minister,  
17 commercial counselor, or commercial attaché can effec-  
18 tively use such funds to further the purposes of this  
19 title;

20           (2) travel and entertainment expenses customary  
21 in the private trade for persons of comparable rank and  
22 salary; and

23           (3) the customs and practices in the nation to  
24 which he or she is assigned.

1                                   **ALLOWANCES AND BENEFITS**

2           **SEC. 212.** The Secretary may, under such rules and  
3 regulations as may be prescribed by the President or his des-  
4 ignee, provide to the commercial ministers, commercial coun-  
5 selors, and commercial attaché appointed and assigned under  
6 this title, allowances and benefits similar to those provided by  
7 title IX of the Foreign Service Act of 1946. Leaves of ab-  
8 sence for commercial ministers, commercial counselors and  
9 commercial attaché appointed and assigned under this title  
10 shall be on the same basis as is provided for the Foreign  
11 Service of the United States by the Annual and Sick Leave  
12 Act of 1951.

13           **ADVANCE PAYMENT FOR RENT AND OTHER SERVICES:**

14           **FUNDS FOR COURTESIES TO FOREIGN REPRESENTATIVES**

15           **SEC. 213.** In any foreign country where customs or  
16 practices require payment in advance for rent or other serv-  
17 ice, such payment may be authorized by the Secretary in  
18 accordance with regulations prescribed by the Secretary,  
19 upon consultation with the Secretary of State. Funds availa-  
20 ble for the purposes of this subchapter may be used for ex-  
21 tending courtesies to representatives of foreign countries,  
22 when so provided in appropriation or other law.

1       **TITLE III—NATIONAL EXPORT COUNCIL**2                   **ESTABLISHMENT AND MEMBERSHIP**

3       **SEC. 301. (a) There is created in the Executive Office of**  
4 **the President a National Export Council (hereinafter referred**  
5 **to as "the Council"). The Council shall be composed of the**  
6 **following members:**

7           **(1)(A) the President;**

8           **(B) the Secretary of State;**

9           **(C) the Secretary of the Treasury;**

10          **(D) the Secretary of Agriculture;**

11          **(E) the Secretary of Commerce;**

12          **(F) the Secretary of Labor;**

13          **(G) the United States Trade Representative;**

14          **(H) the President and Chairman of the Export-**  
15 **Import Bank of the United States;**

16          **(I) the Administrator of the Small Business Ad-**  
17 **ministration;**

18          **(2) three members of the United States Senate,**  
19 **designated by the President of the Senate and three**  
20 **members of the United States House of Representa-**  
21 **tives designated by the Speaker of the House;**

22          **(3) no more than fifteen private citizens represent-**  
23 **ing business and industry, agriculture and labor to be**  
24 **appointed by the President, including at least five**

1 small business persons who are actively involved in ex-  
2 port trade; and

3 (4) three Governors of States or territories, desig-  
4 nated by the President.

5 (b) The President shall be the Chairman of the Council  
6 and shall preside over the meetings of the Council. In his  
7 absence he may designate a member of the Council to preside  
8 in his place.

9 (c) The Secretary of Commerce, with the concurrence of  
10 the Chairman, shall appoint an Executive Director.

11 **FUNCTIONS**

12 **SEC. 302.** (a) The Council shall serve as a national ad-  
13 visory body on matters relating to United States export  
14 trade, In carrying out such functions, the Council shall—

15 (1) survey and evaluate the export promotion and  
16 development activities of the communities represented  
17 by the membership;

18 (2) identify and examine specific problems which  
19 business, industrial, and agricultural practices may  
20 cause for export trade;

21 (3) examine the needs of business, industry, and  
22 agriculture to expand their efforts; and

23 (4) recommend specific legislative and administra-  
24 tive solutions to these problems and needs.

25 (b) The Council shall—

1           (1) act as liaison among the communities repre-  
2           sented by its membership and may provide a forum for  
3           those communities on current and emerging problems  
4           and issues in the field of export promotion and develop-  
5           ment, and

6           (2) encourage the business, industrial, and agricul-  
7           tural communities to enter new foreign markets and to  
8           expand existing export programs.

9           (c) The Council shall provide advice on Federal  
10          plans and actions that affect export promotion and de-  
11          velopment policies which have an impact on those  
12          communities represented by its membership.

13          (d) The Council may establish an executive com-  
14          mittee and such other subordinate committees it con-  
15          siders necessary for the performance of its functions.  
16          The chairman of a subordinate committee shall be des-  
17          ignated by the Chairman of the Council from among  
18          the membership of the Council. Members of subordi-  
19          nate committees shall be appointed by the Chairman.

20                                    ADMINISTRATIVE PROCEEDINGS

21          SEC. 303. (a) The Secretary of Commerce shall provide  
22          the Council, including its executive and subordinate commit-  
23          tees, with administrative and staff services, support and facil-  
24          ities as may be necessary for the effective performance of its  
25          functions.

1       (b) Each member of the Council, including its executive  
2 and subordinate committees, who is not otherwise paid a sal-  
3 ary by the Federal Government, shall receive no compensa-  
4 tion from the United States by virtue of their service on the  
5 Council, but all members may receive the transportation and  
6 travel expenses, including per diem in lieu of subsistence, au-  
7 thorized by law.

8

**ANNUAL REPORT**

9       SEC. 304. The Council shall transmit, not later than  
10 March 31 of each year, to the Congress, a full report on its  
11 activities.

12

**AUTHORIZATIONS**

13       SEC. 305. There are authorized to be appropriated such  
14 sums as may be necessary to carry out this title.

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