

---

## SMALL BUSINESS TRADE COMPETITIVENESS AND INNOVATION ACT

---

APRIL 6, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

Mr. LAFALCE, from the Committee on Small Business,  
submitted the following

### REPORT

[To accompany H.R. 1854]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 1854) to amend the Small Business Act, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

#### SHORT TITLE

SECTION 1. This Act may be cited as the "Small Business Trade Competitiveness and Innovation Act".

#### DECLARATION OF POLICY

SEC. 2. Section 2 of the Small Business Act (15 U.S.C. 631) is amended by adding the following new subsection (b) and redesignating subsections (b) through (e) as subsections (c), through (f), respectively:

"(b) It is the declared policy of the Congress that the Federal Government, through the Small Business Administration, should aid or assist small businesses, as defined under this Act, to increase their ability to compete in international markets by—

- "(1) enhancing their ability to export;
- "(2) facilitating technology transfers;
- "(3) increasing their ability to compete effectively and efficiently against imports; and
- "(4) increasing the access of small businesses to long-term capital for the purchase of new plant and equipment used in the production of goods and services involved in international trade."

CHANGES IN EXISTING SMALL BUSINESS ADMINISTRATION INTERNATIONAL TRADE OFFICE

SEC. 3. Section 22 of the Small Business Act (15 U.S.C. 649) is amended—

(1) by redesignating subsection (b) as subsection (c) and inserting the following new subsection (b):

“(b) The Office shall work in close cooperation with relevant Federal agencies, Small Business Development Centers engaged in export promotion efforts, regional and local Administration offices, the small business community, and relevant State and local export promotion programs to—

“(1) assist in developing a distribution network for existing trade promotion, trade finance, trade adjustment, and trade data collection programs through use of the Administration’s regional and local offices and the Small Business Development Center network; and

“(2) assist in the aggressive marketing of these programs and the dissemination of marketing information, including computerized marketing data, to the small business community.”;

(2) in subsection (c), as redesignated, by adding the following new paragraphs and redesignating the existing paragraphs (1) through (3) as paragraph (6) through (8), respectively:

“(1) in conjunction with other relevant agencies, regional and local Administration offices, the Small Business Development Center network, and State programs, develop a mechanism for (A) identifying sub-sectors of the small business community with strong export potential; (B) identifying areas of demand in foreign markets; (C) prescreening foreign buyers for commercial and credit purposes; and (D) assisting in increasing international marketing by disseminating relevant information regarding market leads, linking potential sellers and buyers, and catalyzing the information of joint ventures, where appropriate;

“(2) actively assist small businesses in the development and formation of export trading companies, export management companies and research and development pools authorized under section 9 of this Act;

“(3) work in conjunction with other Federal agencies, regional and local offices of the Administration, the Small Business Development Center network, and the private sector to establish a pilot program which must include, but need not be limited to, the following:

“(A) the identification and publication of existing translation services, including such services available through colleges and universities participating in the Small Business Development Center Program;

“(B) the identification by name and language of each multilingual employee of the Administration in each Administration office and collection and publication of a list of such employees within each office;

“(C) the establishment of a full-time position for one Administration regional office of a translator fluent in a language to be designated by the Administration who—

“(i) shall be available to translate any document submitted by any small business through any Administration office or Small Business Development Center office;

“(ii) shall be available to accompany any trade mission to a country whose population speaks the selected language; and

“(iii) shall report within one year of selection for this duty to the Administrator and the Committees on Small Business of the House of Representatives and the Senate regarding the utility and necessity of creating a permanent function of this nature within the Administration;

“(4) work closely with the Department of Commerce to—

“(A) develop a mechanism for collecting, analyzing, and periodically updating relevant data regarding the small business share of United States exports and the nature of State exports (including the production of Gross State Product figures) and disseminating that data to the small business community;

“(B) make recommendations regarding revision of the SIC code to encompass industries currently overlooked and to create SIC codes for export trading companies and export management companies;

“(C) improve the utility and accessibility of existing export promotion programs for small businesses;

“(D) increase the accessibility of the Export Trading Company facilitating service; and

“(E) alleviate obstacles in the export licensing system for small high technology companies;

“(5) make available to the small business community information regarding conferences on small business issues, including international conferences, sponsored by the public and private sector;” and

(3) by adding after subsection (c), as redesignated, the following new subsections:

“(d) The Office shall develop a program through which export specialists in the regional offices of the Administration, regional and local loan officers, and Small Business Development Center personnel can facilitate the access of small businesses to relevant export financing programs of the Export-Import Bank of the United States and to export and pre-export financing programs available from the Administration. To accomplish this goal, the Office shall work in cooperation with the Export-Import Bank and the small business community, including small business trade associations, to—

“(1) aggressively market existing Administration export financing and pre-export financing programs;

“(2) identify financing available under various Export-Import Bank programs, and aggressively market those programs to small businesses;

“(3) assist in the development of financial intermediaries and other multipliers and facilitate the access of those intermediaries to existing financing programs;

“(4) create the capability within the Administration’s regional and local offices to prepare and facilitate the processing of Export-Import Bank loan applications on behalf of small businesses;

“(5) promote greater participation by private financial institutions, particularly those institutions already participating in loan programs under this Act, in export finance; and

“(6) provide for the participation of appropriate Administration personnel in training programs conducted by the Export-Import Bank.

“(e) The Office shall establish a Trade Assistance Division which shall—

“(1) work in cooperation with other Federal agencies to assist small businesses in initiating, preparing for, and participating in any proceedings relating to the administration of the United States trade laws;

“(2) assist small businesses in collecting appropriate data necessary to continue trade remedy proceedings; and

“(3) work with the Department of Commerce, the Office of the United States Trade Representative, and the International Trade Commission to facilitate access to trade remedy procedures for small businesses.

“(f) The Office shall establish a committee to be chaired by the Administrator with representation from other relevant agencies which would—

“(1) monitor export control policy and export licensing procedures on an ongoing basis;

“(2) develop mechanisms for providing assistance to small businesses regarding export control policy and export licensing procedures; and

“(3) make recommendations for streamlining and expediting the export licensing procedures for smaller firms.

“(g) The Office shall report to the Committees on Small Business of the House of Representatives and the Senate on a semiannual basis as to its progress in implementing the requirements under this section.”

#### SPECIFIC REPORTS REQUIRED

SEC. 4. The Office of International Trade in cooperation, where appropriate, with the Division of Economic Research of the Office of Advocacy, and with other Federal agencies shall undertake studies regarding the following issues and shall report to the Committees on Small Business of the House of Representatives and the Senate within six months after the date of enactment of this Act with specific recommendations on—

(1) the viability and cost of establishing an annual, competitive small business export incentive program similar to the Small Business Innovation Research Program and alternative methods of structuring such a program;

(2) methods of streamlining and expediting the export licensing procedures for smaller firms, including the viability of allocating a portion of the resources of the Department of Commerce to assisting in the processing of export license applications filed by small firms;

(3) methods of streamlining trade remedy proceedings to increase access for, and reduce expenses incurred by, smaller firms;

(4) methods of improving the current small business foreign sales corporation tax incentives and providing small businesses with greater benefits from this initiative;

(5) the effects of State tax systems on the international competitiveness and export potential of smaller firms and recommended policy changes;

(6) methods of ensuring greater representation of the perspective of the small business community in GATT negotiations, including the advisability of having a Small Business Advisor within the Office of the United States Trade Representative;

(7) the volume and dollar amount of goods and services, identified by type, imported by United States trading partners over the past ten years, with recommendations regarding methods of identifying potential export markets for United States small businesses; maintaining and disseminating current foreign market data; and devising a comprehensive export marketing strategy for United States small business goods and services; and

(8) a survey of major United States trading partners to identify the domestic policies, programs and incentives, and the private sector initiatives, which exist to encourage the formation and growth of small business.

#### EXPORT FINANCING PROVIDED BY THE ADMINISTRATION

SEC. 5. Section 7(a)(14) of the Small Business Act (15 U.S.C. 636(a)(14)) is amended to read as follows:

"(14)(A) The Administration under this subsection may provide extensions and revolving lines of credit for export purposes and for pre-export financing to enable small business concerns, including small business export trading companies and small business export management companies, to develop foreign markets: *Provided, however,* That no such extension or revolving line of credit may be made for a period or periods exceeding three years. A bank or participating lending institution may establish the rate of interest on extensions and revolving lines of credit as may be legal and reasonable; and

"(B) When considering loan or guarantee applications, the Administration shall give weight to export-related benefits, including opening new markets for United States goods and services abroad and encouraging the involvement of small business, including agricultural concerns, in the export market."

#### SMALL BUSINESS DEVELOPMENT CENTERS

SEC. 6. (a) Section 20 of the Small Business Act is hereby amended by adding the following at the end of subsection (z): "There are hereby authorized to be appropriated to the Administration for fiscal year 1988, \$5,000,000 to carry out the provisions of section 21(a)(6).";

(b) Section 21 of the Small Business Act (15 U.S.C. 648) is amended—

(1) in subsection (a)(1), by inserting after "enterprises;" the following: "management and technical assistance regarding export promotion and technology transfer;";

(2) in subsection (a), by inserting the following new paragraph (2) and redesignating paragraphs (2) through (4) as paragraphs (3) through (5), respectively:

"(2) The Small Business Development Centers shall work in close cooperation with the Administration's regional and local offices, appropriate Federal, State, and local agencies and the small business community to serve as an active information dissemination and service delivery mechanism for existing trade promotion, trade finance, trade adjustment and trade data collection programs of particular utility for small businesses. Such Centers are encouraged to use funds provided under this Act to establish a toll-free telephone number to provide access for small businesses to the assistance provided for under this Act.";

(3) by adding at the end of such subsection the following new paragraph:

"(6) Any applicant which is funded by the Administration as a Small Business Development Center may apply for an additional grant to be used solely to assist—

"(A) with the development and enhancement of exports by small business concerns; and

"(B) to assist in technology transfer,

as provided under subparagraphs (B) through (G) of subsection (c)(3). Applicants for such additional grants shall comply with all of the provisions of this section, including providing matching funds, except that funding under this paragraph shall be effective for any fiscal year to the extent provided in advance in appropriations Acts and shall be in addition to the dollar program limitations specified in paragraphs (4) and (5): *Provided,* That no recipient of funds under this paragraph shall receive a

grant which would exceed its pro rata share of a \$15,000,000 program based upon the populations to be served by the Small Business Development Center as compared to the total population of the United States, or \$100,000, whichever is greater.”;

(4) in subsection (c)(3), by striking subparagraph (B) and inserting the following new subparagraph (B):

“(B) assisting in technology transfer, research and development, including applied research and coupling from existing sources to small businesses, including—

“(i) working to increase the access of small businesses to the capabilities of automated flexible manufacturing systems;

“(ii) working through existing networks and developing new networks for technology transfer that encourage partnership between the small business and academic communities to help commercialize university-based research and development and introduce university-based engineers and scientists to their counterparts in small technology-based firms; and

“(iii) exploring the viability of developing shared production facilities, under appropriate circumstances;”;

(5) in subsection (c)(3), by adding the following new subparagraphs (C) through (G) and redesignating the existing subparagraphs (C) through (H) as subparagraphs (H) through (M), respectively:

“(C) actively assisting small businesses in exporting by identifying and developing potential export markets, facilitating export transactions, developing linkages between United States small business firms and pre-screened foreign buyers, assisting small businesses to participate in international trade shows, assisting small businesses in obtaining export financing, and facilitating the development or reorientation of marketing and production strategies; where appropriate, the Small Business Development Center may work in cooperation with the State to establish a State international trade center for these purposes;

“(D) assisting small businesses in developing and implementing marketing and production strategies that will enable them to better compete within the domestic market;

“(E) developing a program in conjunction with the Export-Import Bank and local and regional Administration offices that will enable Small Business Development Centers to serve as a distribution network and service delivery mechanism for Bank financing programs, including assisting in the processing of export loan applications, where appropriate, and otherwise identifying and helping to make available export financing to small businesses;

“(F) working closely with small business firms, universities and other appropriate groups to develop computer software ‘expert systems’ for distribution to small firms that are directed at enhancing the export capabilities of smaller United States firms and facilitating entry into foreign markets;

“(G) working closely with the small business community, small business consultants, State agencies, universities and other appropriate groups to make translation services more readily available to small business firms doing business, or attempting to develop business, in foreign markets;”;

(6) in subsection (c), by adding the following new paragraphs:

“(5) In performing the services identified in paragraph (3), the Small Business Development Centers shall work in close cooperation with the Administration’s regional and local offices, the local small business community, and appropriate State and local agencies.

“(6) The Deputy Associate Administrator of the Small Business Development Center Program shall develop and implement mechanisms for the sharing of information between Small Business Development Centers or between existing Small Business Development Centers and program applicants.”; and

(7) by inserting the following new subsection (d) and redesignating subsections (d) through (k) as subsections (e) through (l), respectively:

“(d) Where appropriate, the Small Business Development Centers shall work in conjunction with the relevant State agency to develop a comprehensive plan for enhancing the export potential of small businesses located within the State. This plan may involve the cofunding and staffing of a State Office of International Trade within the State Small Business Development Center, using joint State and Federal funding, and any other appropriate measures directed at improving the export performance of small businesses within the State.”.

## CAPITAL FORMATION

SEC. 7. (a) Section 7 of the Small Business Act (15 U.S.C. 636) is amended as follows:

(1) by striking "and" at the end of clause (i) of subsection (a)(2)(B) and by adding at the end of clause (ii) the following new clauses:

"(iii) not less than 85 per centum of the financing outstanding at the time of disbursement if such financing is an industrial mortgage loan under paragraph (16) and is less than \$1,176,470, and

"(iv) less than 85 per centum of the financing outstanding at the time of disbursement if such financing is an industrial mortgage loan under paragraph (16) and exceeds \$1,176,470.";

(2) by amending paragraph (3) of subsection (a) to read as follows:

"(3) No loan shall be made under this subsection—

"(A) if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund established by this Act would exceed \$500,000, except as provided in subparagraph (B);

"(B) if the total amount outstanding and committed (on a deferred basis) solely for the purposes provided in paragraph (16) to the borrower from the business loan and investment fund established by this Act would exceed \$1,000,000, such amount to be in addition to any financing solely for working capital, supplies, or revolving lines of credit for export purposes up to a maximum of \$500,000 as provided in subparagraph (A); and

"(C) if effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate basis if the amount would exceed \$350,000.";

(3) by adding the following new paragraphs after paragraph (15) of subsection (a):

"(16) The Administration may guarantee industrial mortgage loans under this paragraph to assist any small business concern, including start-ups, in the financing of the acquisition, construction, conversion or expansion of plant or equipment to be used in the United States in the production of goods and services involved in international trade: *Provided*, That such loans are secured by a first lien position or first mortgage on the property financed by such loans; *Provided further*, That the lender agrees to sell the loan in the secondary market as authorized in section 5(f) and 5(g) of this Act within one hundred and eighty days of the date of disbursement.

"(17) The Administration shall authorize lending institutions in addition to banks to make loans authorized under this subsection."; and

(4) by redesignating the existing paragraph (16) of subsection (a) as paragraph (18).

(b) The Administrator of the Small Business Administration shall report to the Committees on Small Business of the House of Representatives and the Senate within six months after the date of enactment of this Act as to the viability of creating cooperative Federal-State guarantee programs, particularly for purposes of export financing, to encourage States to coinsure Federal loans, thus permitting the Federal Government to reduce its exposure.

## SMALL BUSINESS INNOVATION RESEARCH

SEC. 8. The Administrator of the Small Business Administration shall report to the Committees on Small Business of the House of Representatives and the Senate within six months after the date of enactment of this Act as to the advisability of amending the Small Business Innovation Research program to—

(1) increase each agency's share of research and development expenditures devoted to it by 0.25 per centum per year, until it is 3 per centum of the total extramural research and development funds, and targeting a portion of the increment at products with commercialization or export potential;

(2) make the Small Business Innovation Research Program permanent with a formal congressional review every ten years, beginning in 1993;

(3) allocate a modest but appropriate share of each agency's Small Business Innovation Research fund for administrative purposes for effective management, quality maintenance, and the elimination of program delays;

(4) determine annually that each agency is clearly in full compliance with the law and that Small Business Innovation Research Program funding is not being accompanied by parallel reductions in other small business programs; and

(5) create pooled solicitations once or twice a year of subjects submitted by agencies expending \$20,000,000 to \$100,000,000 in extramural research and development funds, to facilitate their involvement in the Small Business Innovation Research Program.

#### GLOBALIZATION OF PRODUCTION

Sec. 9. Within one year after the date of enactment of this Act, the Administrator of the Small Business Administration shall submit a written report to the Committees on Small Business of the House of Representatives and the Senate, prepared by the Administration in cooperation with other relevant agencies, that would—

(1) analyze the effect of increased outsourcing and other shifts in production arrangements on small firms, particularly manufacturing firms, within the United States subcontractor tier;

(2) assess the impact of specific economic policies, including, but not limited to, procurement, tax and trade policies, in facilitating outsourcing and other internationalized production arrangements; and

(3) make recommendations as to changes in government policy that would improve the competitive position of small United States subcontractors, including recommendations as to incentives which could be provided to larger corporations to maximize their use of United States subcontractors and assist these subcontractors in changing production and marketing strategies and in obtaining new business in domestic and foreign markets.

#### NATIONAL CONFERENCE ON SMALL BUSINESS EXPORTS

SEC. 10. (a) The Administration shall conduct a National Conference on Small Business Exports during 1988 in order to develop recommendations designed to stimulate exports from small companies. The Speaker of the House of Representatives (in consultation with the minority leader of the House) and the majority leader of the Senate (in consultation with the minority leader of the Senate) each shall appoint 15 percent of the delegates to the Conference.

(b) For the purpose of ascertaining facts and developing policy recommendations concerning the expansion of United States exports from small companies, the Conference shall bring together individuals who are experts in the fields of international trade and small business development and representatives of small businesses, associations, the labor community, academic institutions, and Federal, State, and local governments.

(c) The Conference shall specifically consider the utility of, and make recommendations regarding, a subsequent *International Summit on Small Business and Trade* that would—

(1) help develop a consensus regarding international and national institutional and policy changes necessary to build an international small business sector capable of long-term growth;

(2) help establish linkages between United States small business owners and small business owners in foreign countries;

(3) enable United States small business owners to learn how others organize themselves for exporting;

(4) permit others to learn how United States small businesses operate in the United States economic environment;

(5) provide small business participants the opportunity to better understand the development of international trade policy; and

(6) foster greater consideration of small business concerns in the GATT.

#### PROMULGATION OF REGULATIONS

Sec. 11. Notwithstanding any law, rule, or regulation, the Small Business Administration shall promulgate final regulations to carry out the provisions of sections 6 and 7 of this Act within six months after the date of its enactment.

#### EFFECTIVE DATE

Sec. 12. Sections 6 and 7 of this Act shall become effective on October 1, 1987.

#### SUMMARY AND PURPOSE

H.R. 1854, the "Small Business Trade Competitiveness and Innovation Act," amends the Small Business Act to increase the access

of small businesses to existing export promotion programs and provide for the creation of new and innovative export promotion and technology transfer programs directed at small business at the state and local level. It will also increase the access of smaller firms to long-term capital for the investment in new plant and equipment that is essential to our meeting foreign competition at home and abroad.

Specifically, the legislation—

- substantially strengthens the export promotion program of the Office of International Trade within the Small Business Administration and utilizes the SBA regional and local offices and Small Business Development Center network to create a distribution system for existing trade promotion programs of other agencies;

- encourages greater emphasis on export promotion and technology transfer within the Small Business Development Center program and provides limited additional funding for those purposes;

- increases the SBA loan guarantee limit from \$500,000 to \$1,000,000 for the purchase of plant and equipment to be used in the production of goods and services involved in international trade where such loans are sold off into the secondary market, helping our small businesses to improve their competitiveness and serving to improve operation of a secondary market which links small businesses to large institutional investors; and

- requires SBA to undertake a study regarding the globalization of production that will analyze the effect of increased outsourcing and other shifts in international production arrangements on smaller firms and make recommendations as to changes in government policy that would improve the competitive position of smaller U.S. subcontractors.

#### HISTORY OF THE LEGISLATION

The Committee on Small Business held a series of hearings on the competitive problems and prospects of the U.S. small business sector on March 18, 19, 24 and 25. Testimony was received from a wide array of expert witnesses including: William Lilley III, President, American Business Conference; James Harvey, Executive Director, National Commission on Jobs and Small Business; Fred Bergsten, Director, Institute for International Economics; Milton Stewart, President, Small Business High Technology Institute; Roger Little, Co-chair, National Innovation Network and President, Spire Corporation; Gordon Johnson, President, Johnson Associates; Lionel Olmer, former Undersecretary of Commerce for International Trade; John Rennie, President, Pacer Systems, representing the National Federation of Independent Business; Edward Donley, Chairman of the Board, U.S. Chamber of Commerce; Virginia Littlejohn, Professional Services Council, representing the Small Business Legislative Council; Michael Campbell, President, NOVA Technology Corporation, representing National Small Business United; Richard Barovick, Executive Director, National Federation of Export Associations; Daniel Bailey, President, Rochester Gear,

representing the National Tooling and Machining Association; Mary Wathen, President, Koboway, representing the American Electronics Association; the Honorable Leanna Brown, State Senator, State of New Jersey; and the State Directors of four state Small Business Development Centers: John Ciccarella, Massachusetts; Greg Higgins, Florida; Susan Garber, Pennsylvania; and Fred Hale, Missouri.

Public sector witnesses included: John A. Bohn, President and Chairman, the Export-Import Bank of the United States; Bruce Smart, Undersecretary for International Trade, U.S. Department of Commerce; Frank S. Swain, Chief Counsel, Office of Advocacy, Small Business Administration and the following additional representatives of the Small Business Administration: John Cox, Acting Associate Administrator; Michael Deegan, Director, Office of International Trade; Edwin Holloway, Associate Administrator for Finance and Investment; Johnnie Albertson, Deputy Associate Administrator, Small Business Development Centers; and Richard Shane, Assistant Administrator for Innovation, Research and Technology.

The following Members of Congress also testified: the Honorable Ike Skelton, Chairman of the Export Subcommittee of the House Small Business Committee; the Honorable Andy Ireland, Ranking Minority Member of the Export Subcommittee; the Honorable Tom Ridge of Pennsylvania; and the Honorable Nancy Johnson of Connecticut.

On March 30, Congressman John J. LaFalce, Chairman of the Committee on Small Business, in conjunction with Congressman Joseph McDade, Ranking Minority Member of the Committee, Congressman Ike Skelton, Chairman of the Export Subcommittee, and Congressman Andy Ireland, Ranking Minority Member of the Export Subcommittee, introduced H.R. 1854 in order to address the concerns raised in the course of the hearings. A legislative hearing was held on H.R. 1854 on March 31. Witnesses included: Allen Neece of Neece, Cator and Associates; James Harvey, National Commission on Jobs and Small Business; Nisa Miranda, Director, Alabama International Trade Center; Clyde Garrett, National Association of Government Guaranteed Lenders; Russell Drew, President, Viking Instruments Corporation; and James Keras, Massachusetts Institute of Technology.

The following organizations, among others, have indicated to the Committee their support for the legislation: National Small Business United; the American Business Conference; the Small Business Legislative Council; the U.S. Chamber of Commerce; the National Commission on Jobs and Small Business; the Small Business High Technology Institute; the National Association of Small Business Development Centers; the Smaller Business Association of New England; the Smaller Manufacturers Council; the Council of Smaller Enterprises; the National Tooling and Machining Association; the National Association of Government Guaranteed Lenders; and the National Federation of Independent Business.

The legislation is also supported by the overwhelming majority of the Committee membership—37 of the 44 Members of the Committee are cosponsors of the legislation.

## DISCUSSION

## BACKGROUND

The dramatic deterioration of our trade position has, for some time now, been a matter of critical concern. Yet, up to this point, there has been a serious gap in the trade debate, an important sector of the economy whose problems have been virtually ignored. Our Small and mid-size companies are key sources of economic growth and adjustment, yet their unique concerns have remained largely unaddressed. It is critical that attention and focus be given to these issues.

Small and mid-size companies account for half of our private workforce, produce half of our gross domestic product, and have created nearly two thirds of the new jobs of the last decade. These companies are the driving forces behind many of our advances in technology. Three quarters of America's great corporations rely on small firms as suppliers, manufacturers, distributors, and customers. Entrepreneurs have spawned new businesses, indeed whole industries, while bigger firms, all too often, have been unable to be innovative and flexible enough to meet changing market requirements. The success of many of our mid-size growth companies establishes that U.S. industries—whether manufacturing, services, or high tech—can meet the challenge of international competition.

The world economy is now undergoing nothing less than a revolution. As we face the prospect of dramatic changes in the international economic structure, our small business sector is one of this country's least understood and recognized productive assets. Small business can spur the economic restructuring necessary to produce desperately needed growth in productivity, which ultimately translates into higher living standards. It can also minimize the vulnerability of the major industrial corporations to disruptions in unstable times and make them even more efficient in healthier periods.

But the potential of small and mid-size companies to continue to contribute to the growth of the American economy and the overall international competitiveness of the United States is increasingly at risk.

Small firms which try to export often face bewildering bureaucracies and byzantine regulations. Difficulties in acquiring and applying new technologies inhibit growth and revitalization. Capital formation is inadequate. Few mechanisms foster investment in smaller firms and these firms are largely ignored by the institutions that dominate banking and finance. Smaller manufacturing firms are disappearing as U.S. multinationals rely increasingly on a foreign subcontractor base.

In recent years, we have been focusing largely on preventing further erosion of our trade position. But it is also time now to look forward and take positive steps to provide the environment in which U.S. companies can flourish; to rethink the potential of entrepreneurs and small and mid-size companies as forces for economic growth; and to help provide the competitive environment in which that growth can occur.

The policy initiatives that focus on our larger corporations, however important, often do not deal with many of the legitimate con-

cerns of our small and mid-size companies. If we are to have a competitive small business sector, public policy must address its needs as well. We must expand export opportunities; minimize impediments to the growth of smaller, innovative firms; facilitate technology transfer; increase access to long-term capital; and, generally, create the conditions that foster innovation and business development. This legislation marks an important beginning in addressing these issues.

#### THE GLOBAL CONTEXT

The perception of a self-sustaining, insular U.S. economy is obsolete. All U.S. companies, whether operating in domestic or foreign markets, must now compete against a wide array of aggressive foreign competitors. Fully 75 percent of all goods produced in this country are now subject to international competition. Global trade has become one of the most important forces driving national economies. Trade is almost three times as important to the economy as it was only a decade ago, having tripled its contribution to GNP to nearly 20 percent.

In this new global economy, the United States is not faring well. The U.S. trade deficit continues to act as a serious drain on our economy. The enormous volume of imports into this country displaces domestic production and the purchase of those imports sends resources out of the United States. As a consequence, we face a shortage of capital for productive domestic investment, a loss of jobs and a lower standard of living.

There are only two ways to bring the trade deficit down. Either increasingly competitive American exports rise to balance the present volume of imports and support present living standards; or imports will fall to meet exports, which means reduced consumption.

Economic experts argue that, in fact, we must have export-led growth. We need not only to reduce our trade deficit, but to actually achieve a trade surplus if we are to manage and eventually work our way out of our current debtor status. If recent trends continue, some experts project we will face \$1 trillion of external debt by early in the next century. We already require over \$100 billion to pay the interest on our domestic debt and will need about an additional \$75 billion to pay the interest on our external debt. It will be impossible to manage, and ultimately reduce, these obligations without achieving a surplus in our trade account. At the very least, most future economic growth estimates for the United States assume that exports will contribute at least an annual 1 percent to economic expansion. Without that contribution of international trade, the U.S. would experience about a 1 to 1.5 percent growth rate and could fall into a serious recession.

#### *U.S. small businesses in export markets*

Small and mid-size firms can help provide the export-led growth that will be necessary to maintain our standard of living. Changes in the international marketplace are, in fact, working to open opportunities to the small business sector.

For example, the debt burdens confronting many Third World countries have meant that smaller economic development projects have become somewhat more common. The Export-Import Bank reports that small projects, shelf items or individual items of equipment, and services constitute an increasing portion of its business.

At the same time, competition increasingly turns, not only on comparative advantage, but also on production and marketing strategies. Those companies competing most successfully in international markets are placing their emphasis on quality, value, innovation, service and marketing. This change should also work to the advantage of the small business community. It is smaller and mid-size companies that are most capable of exploiting market niches overseas, utilizing innovative production and marketing strategies to compete against foreign companies, customizing products to fit particular needs, and that are flexible enough to adjust to the rapid changes that exist in international trade.

Capitalizing on these changes will result in increasing involvement in international markets that can work to enhance the overall competitiveness of small businesses. A recent report of the American Small Business Conference, representing many of the nation's most successful mid-size companies, emphasized that "the penetration of foreign markets has become, and will continue to be, crucial to the highest growth strategies" of company executives. In addition to the direct benefits of competing internationally, company executives noted that participating in international markets reinforces their position at home.

By seizing business from a foreign competitor in the latter's market or in third countries, U.S. companies can better protect their market share in the United States. Direct exposure to foreign technologies and market techniques can also sharpen innovation and marketing skills. And, insofar as small and mid-size firms supply other American companies with goods or services, they profit from the expansion of those companies into overseas markets.

### *Small business in the American domestic market*

Small and mid-size companies also have a critical role to play here at home as the economies of the world continue to integrate. These are the firms that can do the most to facilitate the economic adjustment process that necessarily accompanies the globalization of the economy. It is often smaller firms that can best reallocate resources to areas of growth, create new jobs to replace those lost in ailing industries, and generate entire new industries based on new technologies that are central to our future competitiveness.

But the potential of small and mid-size companies to continue to contribute to the growth of the American economy and the overall international competitiveness of the United States is increasingly at risk. Smaller manufacturing firms are disappearing as multinational corporations rely increasingly on a foreign subcontractor base. To some degree, this trend is understandable. Concerns as to cost and quality are driving large U.S. corporations to look elsewhere to maintain their own competitive strength. But such a focus is finally short-sighted. The disappearance of our own production base will serve no one's interests.

The problem does not extend only to outsourcing by our multinational corporations. Smaller U.S. firms are increasingly being displaced by import competition in the domestic market, either in direct competition, or because other U.S. companies prefer imports to their products or services. Yet U.S. small businesses face serious obstacles in their efforts to meet the new competition. Necessary modernization and retooling is hampered by difficulties in acquiring and applying new technologies. The long-term capital necessary for investment remains largely unavailable.

To be successful, the American economy must develop a competitiveness strategy that integrates the needs and strengths of smaller and larger firms. Larger corporations rely on their subcontractor base for the product quality and innovation that can put them at the forefront in international markets. Smaller firms look to the larger multinationals for the marketing experience and distribution networks that can move them into the global marketplace. Most importantly, perhaps, the emphasis on quality, value, innovation, and service that is typical of our best small and mid-size companies can help to shift the corporate ethic that would place more emphasis on short-term gain than long-term competitive strength.

It is also time now to look forward and take positive steps to provide the environment in which smaller U.S. companies can flourish; to rethink the potential of entrepreneurs and small and mid-size companies as forces for economic growth; and to help provide the competitive environment in which that growth can occur.

To do so, we must not just work to expand export opportunities. We must take positive steps to minimize impediments to the growth of smaller, innovative firms; facilitate technology transfer; increase access to long-term capital; and, generally, create the conditions that foster innovation and business development. Innovation can prosper only in an environment that encourages new ideas, even at the expense of the old.

#### SMALL BUSINESS: THE RELUCTANT EXPORTER

The United States has never been a strong exporting nation. A 1978 Commerce Department study estimated that approximately 30,000 (12 percent) of the nation's 252,000 manufacturing companies were involved in exporting, but an additional 18,000 firms (7 percent), most of them small, were capable of exporting.

Six years later, in the 1984 "Report on The State of Small Business," the Small Business Administration noted that a few companies still accounted for the majority of U.S. exports. The report indicated that still only an estimated 30,000 out of a much larger total of 376,000 manufacturing companies exported. As our need to export has increased, the percentage of manufacturing firms engaged in exporting has dropped to 8 percent.

A few large firms accomplished the bulk of export trade. Ten percent of total merchandise exports was accounted for by five exporters, 27 percent by 50 exporters, and 70 percent by 1,000 exporters. In terms of manufactured goods exports, 13 percent was accounted for by five exporters, 34 percent by 50 exporters, and over 60 percent by 1,000 exporters. A House Small Business Committee

Report of the same year noted that "to date, less than 10 percent of small business manufacturers (or about 25,000 companies) export."

Even now, in the increasingly internationalized economy we face, only ten percent of American firms export. Just 250 companies account for nearly 80 percent of the dollar volume of American exports.

It remains clear that many smaller firms that produce goods and services that are currently traded or for which there is foreign demand do not export at all or as much as they could. After analyzing the situation, the Small Business Administration concluded: "It is clear that American firms are not living up to their export potential."

The Committee understands that most small businesses will not be involved in exporting. But, given the challenge that we face, it is not unrealistic to set ourselves the goal of doubling the number of small business exporters and the dollar volume of exports by small businesses over the next decade.

Testimony taken by the Committee revealed a strong consensus that small and mid-size companies have a vital, but as yet unfulfilled, role to play as exporters. Lionel Olmer, former Undersecretary of Commerce for International Trade, asserted that smaller businesses must play a key role as direct exporters and indirect exporters (suppliers of larger exporters) if we are to protect the economic pre-eminence of the United States. Milton Stewart, President of the Small Business High Technology Institute and an active member of the 1986 White House Conference on Small Business and the National Commission on Jobs and Small Business, stated that the two key sources of our present economic plight are our excessive reliance on the competitiveness of a few large companies and the disinterest of the U.S. small business community in foreign trade. It was clear to the Committee that an export gap for small and medium-sized U.S. companies remains and that steps should be taken so that a greater number of these firms export.

#### *The reasons few small businesses export*

The reasons for this gap are varied and not always clear. Larger U.S. companies have increasingly recognized that it is essential to participate in the international marketplace. Smaller foreign businesses have been doing so for years. Many of Japan's highly successful automobile exporters have been relatively small firms. Yet, the National Commission on Jobs and Small Business notes a failure on the part of U.S. small business to "respond appropriately to the new competitive environment."

Certainly, macroeconomic conditions have an impact. Although the situation has improved somewhat, the high dollar for some time worked to destroy the price competitiveness of U.S. products abroad, discouraging export activity. Non-tariff barriers erected by our foreign competitors can also act as a particularly strong deterrent for U.S. small businesses. But it is an overstatement to suggest that these problems preclude small U.S. businesses from operating in world markets. A large number of mid-size growth-oriented companies have demonstrated that they can compete successfully in the existing environment on the basis of quality, value, innovation, and service. The opportunities are there.

As a practical matter, smaller firms have generally been least adept at mastering the intricacies of exporting, and for good reason. Small businessmen generally have little or no knowledge of the export market or the export process. Exporting is perceived as too risky, too complex, or beyond their capabilities. With little experience and more risk to absorb, they are naturally reluctant to enter the export market.

Moreover, economic downturns can often hit small exporters the hardest. Between 1980 and 1982, in the depths of the recession, small business experienced an absolute decline of 15 percent in real exports, twice the decline of all U.S. exports. We can anticipate that further erosion of the U.S. international competitiveness will strike these firms first.

The perspective of the small business community itself accounts for part of the problem. For too long, small U.S. firms have been lulled into a sense of complacency because of the size of our domestic market, and have felt little need to look beyond it. International markets were not necessary to turn a profit and the motivation to export was therefore lacking.

This view is dangerously short-sighted. Increased foreign competition and the resulting influx of imports may well mean our domestic market may no longer be sufficient. In this newly-interdependent global economy, with its rapid changes in technology, increasingly-sophisticated production and marketing strategies are required to compete—whether in the United States or abroad. Increasing sophistication in marketing and production strategies is required both to export and to compete against foreign competition in our domestic market. No U.S. business—large or small—can afford not to think of the impact of this globalization trend.

It is also imperative that public policy recognize the dynamic changes that have occurred in the small business community. Historically, smaller firms are less apt to be thought of as active in international markets or as substantial exporters. But the shape of the small business community has changed dramatically in recent years. The typical picture of a small business as a “mom and pop” grocery store no longer reflects the reality of small business. The development of our high technology and service sectors and the growth of the small business community have been closely linked.

The growth of smaller manufacturing firms engaged in the production of sophisticated new technologies has been impressive. Between 1976 and 1984, employment growth was 115 percent in small high-tech industries engaged in production of communications equipment; 117 percent in electronic components; 136 percent in measurement and control instrumentation; 77 percent in medical instruments. Many of our new small and mid-size companies are service firms in which growth has been closely related to technological developments. Such firms are in a prime position to expand into international markets. It remains clear that many smaller firms that produce goods and services that are currently traded or for which there is foreign demand do not export at all or as much as they could.

## PUBLIC POLICY ISSUES

To ensure the future strength of our economy and the small business community, smaller firms must recognize that they have a role in the newly-internationalized economy we confront. The role of public policy is to encourage their active participation in that economy.

To date, public policy has done little to help those small firms with export potential to realize it. Although the Department of Commerce estimates that each \$1 billion in expanded exports support nearly 25,000 domestic jobs, our government does little to encourage small firms to export.

Experts say that an estimated 30,000 small firms currently produce exportable goods and services. However, these firms export nothing at all because for many of them foreign markets are the invisible option. Efforts by national and state government to identify and encourage these firms are notably deficient.

For example, small companies that do make the attempt to export often face bewildering bureaucracies and byzantine regulations that their larger counterparts finds difficult to master. The extensive array of official agencies is a problem in its own right. Outreach of any sort is virtually non-existent.

The Department of Commerce has export promotion programs, but, in many regional offices, does not even have brochures available that describe them. The U.S. Foreign and Commercial Service in the Department of Commerce provides useful information on foreign markets but cannot provide export financing. The Export-Import Bank has useful export financing programs for small businesses, but no distribution network for disseminating information about these programs or facilitating access to them. Small high-technology firms must master the intricacies of an export licensing system upon which the two implementing agencies—the Department of Defense and the Department of Commerce—cannot agree.

In the meantime, the agency with the closest ties to the small business community—the Small Business Administration—has, with a few important exceptions, historically done little to promote exports. Although the Small Business Administration has the authority to provide export financing to smaller firms, only one percent of the Small Business Administration's loans were used for exporting between 1983 and 1985, and no export loans whatsoever were made in 1986.

Programs that could have helped small businesses export have been undercut by macroeconomic policies pursued without regard to their competitive impact. The enactment of Export Trading Company legislation designed to foster U.S. exports, particularly by smaller firms, coincided with a dramatic rise in the dollar that was praised as a sign of our economic strength even as it made exporting virtually impossible. Enactment of legislation authorizing the establishment of Foreign Sales Corporations (FSCs) coincided with growing interest in tax reform, leaving the new mechanism largely moribund.

*Imbalance in Government programs*

Through its deliberations, the Committee discovered that one of the principal reasons for the minimal involvement of small businesses in international markets is the serious imbalance that one of the principal reasons for the minimal involvement of small businesses in international markets is the serious imbalance that characterizes most U.S. government export promotion programs. The agencies that administer these programs do not seem to recognize that smaller businesses need export assistance more than larger businesses; that export markets are becoming more fruitful for the smaller exporter; or, that it is a national imperative to get small and mid-size, companies more active in the international economy. In sum, international trade programs are not sufficiently targeted at the concerns of small and mid-size businesses.

The absence of an effective service delivery mechanism is particularly noteworthy. Export assistance which is specifically designed for smaller exporters is poorly marketed to the small business community. Outreach efforts to potential small and mid-size exporters are seriously deficient.

The Committee maintains that if greater emphasis were placed on creating programs that would be particularly attractive to the untapped pool of potential small and mid-size exporters, and if greater emphasis were put on aggressively marketing those programs, many more of these firms would make exporting a priority. As Milton Stewart testified:

. . . with few exceptions, Federal policy treats large, small and mid-sized companies "equally"—meaning the same way. Wherever and whenever that happens, it means heavier burdens for small companies and more help for large ones.

It is certainly true that foreign markets appear more risky and more complex to the average small businessman. Yet, studies reveal the chief risks and fears that U.S. small businesses associate with exporting involve the collectibility of debt, understanding of foreign business practices, and the compatibility of the product with foreign consumer standards. Information and support available under existing government export promotion programs would help alleviate these legitimate concerns.

Public policy must provide the impetus to change outdated perceptions that have resulted in almost total reliance on domestic markets, and help smaller U.S. companies focus on the realities facing them in the emerging global economy. Exporting must be made a priority of small business and effective, aggressive government export promotion programs can help achieve that goal. Ineffective programs will only reinforce the inclination to concentrate on the domestic market.

The Chairman of the Smaller Business Association of New England told the Committee, that the tendency of small business to put exporting on the "back burner" must now change. He argued that what is needed are "solutions that will act as a direct catalyst to prime the pump and promote international trade . . .". In a similar vein, Gordon Johnson, a successful small businessman and

member of many distinguished national panels on exporting and small business, told the Committee:

Until the (small and mid-size business) owner really decides positively to commit to an increased priority for exports, nothing really different will happen within the company. If we are serious about encouraging small businesses to increase their emphasis on exporting, it won't come about simply by standing on rooftops and shouting at them. It will take meaningful and marketable financial incentives.

While the thrust of U.S. public policy is to make things even more difficult, foreign business owners enjoy active official support that "turns me green with envy," according to one small exporter appearing before the National Commission on Jobs and Small Business. Sponsorship of trade delegations abroad, assistance with shipping and letters of credit, joint ventures to spread risk, certain tax preferences, as well as financing to cover pre-export costs and collecting receivables are all perfectly acceptable under the General Agreement on Tariffs and Trade (GATT). For a variety of reasons, such tools are largely unavailable to the U.S. small business owner, but widely available to his foreign counterparts.

### *Export licensing*

The export licensing system has been such a particular problem for small high technology firms that it deserves special emphasis. The system is ostensibly designed to prevent the export of strategically sensitive technology. Clearly, strategic interests must be adequately protected. But the current system has been shown to be a significant burden on U.S. exporters. The American Business Conference reports that export licensing requirements have placed over half of its member companies at a clear competitive disadvantage in international markets.

The process for obtaining an export license has been described repeatedly to the Committee as unnecessarily cumbersome, and marked by squabbling between the Department of Commerce and Defense. Since other nations administer their export licensing programs far more efficiently, the lengthy delays characteristic in the U.S. system can cost sales. For example, it takes the United States government an average of 145 days to issue an export license for a Cray Research supercomputer. The government of Japan licenses the export of a Japanese supercomputer in thirty days. Many foreign buyers are searching for new suppliers in order to avoid the delays inherent in contracting with an American supplier who must deal with such a complex licensing system.

The problems of the export licensing system are particularly acute for small and mid-size companies. Delays in their business activities can be fatal and they can least afford to hire an employee or agent to assist them through the process. Former Undersecretary of Commerce for International Trade, Lionel Olmer, noted that—

large corporations, especially those with Washington offices, possess the resources to tackle export licensing prob-

lems internally. But, small businesses located far from Washington are hobbled with the cost of hiring consultants to fill out extraordinarily complicated forms and to personally shepherd export license applications through the interagency process.

They are also far more vulnerable if their customers leave in search of a more dependable supplier not burdened by an intricate export licensing system.

Fortunately, following extensive Congressional hearings and a National Science Foundation study which concluded that the current system unnecessarily hampers U.S. competitiveness in international markets, the Administration has recently initiated action to streamline and liberalize the current process. The current Undersecretary of Commerce for International Trade Administration, Bruce Smart, emphasized to the Committee that improving the export control system was a "particular" concern of the Department and that "the changes will have the greatest (positive) impact on small business." It is the Committee's hope that the changes made are adequate and are so designed that they result in a significantly decreased burden for small and mid-size companies.

**THE U.S. DOMESTIC MARKET: ENHANCING THE ABILITY OF OUR SMALL BUSINESS COMMUNITY TO COMPETE**

While the internationalization of the American economy dictates greater attention to exporting, it also requires that public policy maintain the competitiveness of the U.S. small business sector here at home. We must maintain the ability of U.S. small businesses to compete within the confines of the domestic market and to continue to foster economic growth here at home. But the potential of small and mid-size companies to continue to contribute to the growth of the American economy and the overall international competitiveness of the United States is also at risk.

Smaller manufacturing firms relying on outdated technologies have effectively lost their competitive edge. These firms are disappearing as U.S. multinational corporations look elsewhere for cost efficiencies and quality control standards that can keep them competitive. Many of our smaller companies must confront increased competition from imports in the domestic market with outmoded technologies and minimal capital for desperately needed reinvestment. Public policy has done little to help.

If they are to meet the competition, smaller U.S. manufacturing and service firms must make the same commitment to investment and to the development of new product and process technologies that is already being made by their foreign competition. The fruits of that commitment are already apparent in the influx of imports into our market. That influx puts the once secure domain of our small business community at risk.

The competitiveness of these companies depends on many variables, including national macroeconomic policy, the tax code, anti-trust laws, and a variety of other discrete policies. However, it is increasingly apparent that the accessibility of two elements that drive revitalization and expansion are central to maintaining the ability of our small business sector to compete: capital and technol-

ogy. An increase in productivity is essential if we are to keep our small businesses vital. Few factors of production are more directly related to productivity than capital and technology. And, it is clear that smaller U.S. businesses have unique problems in obtaining these crucial ingredients for success in today's economy.

#### CAPITAL FORMATION

The National Commission of Jobs and Small Business, reporting in January of 1987, emphasized that it was impossible to avoid the conclusion that the capital needs of the small business owner have been largely ignored. Small firms have difficulties obtaining the capital that is required to start new ventures and generate new employment opportunities. Existing firms face serious difficulties obtaining the capital necessary for modernization and expansion.

Venture capital is largely unavailable for new firms. A 1984 study prepared for the Joint Economic Committee concluded that venture capital firms fund only five percent of the proposals submitted to them, and "only the cream of the crop of entrepreneurial investments receive funding from the venture capital community." According to "The State Of Small Business (1986)," organized venture capital firms "are bypassing smaller deals—those under \$400,000."

Securities regulations, though recently simplified for small business, are still cumbersome, and the process of offering stock is so expensive for small issues that many small firms find it easier to raise equity on foreign exchanges. Congressional surveys report a bias against small business investment on the part of the financial community, stemming in part from a misunderstanding of small business, the difficulties of administering a loan portfolio with many small loans, the prohibition against financial institutions holding an equity position in the companies of their borrowers, and the lack of a developed secondary market to recycle small loans.

Seventy percent of the manufacturing equipment in the United States is ten year old or older, compared with only 40 percent in Japan. But acquisition of long-term capital essential for the revitalization and expansion of production is a particular problem. Established small firms can obtain only short-term financing from local banks—often at high interest rates. Most small firms report a total lack of long-term funds, i.e., money for 60 months or longer.

There are many reasons for this situation. Institutional investors, which are increasingly dominating today's public capital markets, cannot manage or market small denomination loans. In some cases, legal restrictions largely prohibit major institutional investors that have such capital available, including the managers of pension funds and IRAs, from investing in small firms. Commercial banks cannot afford the risks of long-term lending.

The problem is getting worse, not better. The Federal Reserve Board reports that the percentage of long-term bank loans used for small loans (under \$100,000) declined from 19 percent in August 1979 to 12 percent in May 1985. Similar results were reported in a survey of the National Federation of Independent Business. In addition, small and medium-sized businesses must settle for unfavorable terms if they want access to capital. A study on the subject

showed that: (1) 99 percent of loans to small business exceed the prime rate, on average by 3 percentage points; and, (2) nearly half (47 percent) of small business loans are for 12 months or less with an average maturity of 6 months; only 13 percent are for 61 months or more.

It is impossible to avoid the conclusion that the capital needs of the small business owner have been largely ignored by the institutions that dominate banking and finance, as well as by those who make policy governing those institutions.

New mechanisms and financial instruments are urgently needed to increase the volume of capital investment in small firms. When this country recognized the importance of expanding housing and student loans, financial institutions and the federal government together created the necessary financial vehicles. Those precedents can serve as models to help provide small firms with investment capital while covering investors' risks, providing a reasonable rate of return, and offering the liquidity that small investors require. The federal government should join in partnership with the private sector to significantly increase the volume of long-term, fixed-rate small business loans. Specifically, the situation argues strongly for improving the existing small secondary market for small business loans.

A secondary market would address existing market imperfections and be an effective solution to the long-term debt problem facing small businesses. It would enable commercial banks to creatively manage risks associated with long-term loans and it would increase the efficiency of the markets for such loans. Representatives of both the financial and business community have endorsed the secondary market approach and it was one of the recommendations of the National Commission on Small Business.

#### TECHNOLOGY TRANSFER

Our ability to develop new technologies and rapidly diffuse these innovations to business and industry is crucial to the competitive position of U.S. goods and services in international and domestic markets. But, for some time now, it has been clear that the United States is lagging behind its foreign competitors in the commercialization and diffusion of new technologies.

Technological innovation—the development of new technological products, processes and systems—makes it possible for firms to produce goods and services that are of higher quality and at a lower cost. Technology diffusion—the widespread adoption and use of improved technologies—is equally important in ensuring that the economy as a whole enjoys the benefits of lower-cost, higher performance technologies. Neglect of the diffusion and application part of the innovation process is causing crucial delays and lost opportunities in our efforts to commercialize those new technologies which we do develop.

As the President's Commission on Industrial Competitiveness noted, our firms have fallen seriously behind in investing in the application of new ideas to industrial production. Our government's longstanding preoccupation with basic and defense-related research

to the exclusion of applied research and commercialization has contributed to this situation.

While the United States has perhaps the best basic research enterprise in the world—as evidenced in part by the large number of Nobel Prizes awarded to American scientists—other countries are more adept at taking the results of this effort and making commercially viable products or improving production capabilities. Of the billions of dollars spent by Federal departments and agencies for research and development, only a very small amount has resulted in commercial products or new manufacturing processes. One indication of this is that only approximately 5 percent of federally owned patents are ever utilized.

Emphasis on civilian research and development has actually decreased as we put more and more of our R&D dollars into defense. This skewing of priorities has pulled talented scientists and our prestigious institutions away from industry-related research toward defense-related research. Our priorities are clear, and those priorities are hurting our international competitive position.

Generating new technology does not necessarily ensure its assimilation into new products and processes. It is critical to the competitive position of a firm or nation that it have the resources and ability to assess new scientific and technological opportunities, and mold them to the changing needs of the marketplace. The Committee believes that if innovation is to work to stimulate our economic performance, we must aggressively promote the dissemination of technology and technological information.

If the United States is to retain its manufacturing base, American producers must focus on greater productivity, higher volumes of production and improved quality. Technology is the key to the achievement of all of these goals. Improvements in process and production technologies can enable a firm to reduce its costs of production, improve the quality of its products, produce a greater variety of products, or innovate new products. Over the long run, improved technology is also critical to productivity growth.

Technology is thus essential for small businesses to increase their efficiency and compete in an environment of increasingly sophisticated production strategies. Milton Stewart informed the Committee that “most economists share John Kendrick’s estimate that 40 percent of productivity improvement is attributable to technology.”

Superior technology has now, in fact, supplanted many of the other factors in the classical theory of comparative advantage as a principal determinant of trade flows. Advanced technologies such as robotics and computer-controlled machine tools must be introduced to make U.S. industries fully competitive. While the increased application of advanced technologies will eliminate some existing jobs in basic industries, it will also restore the competitiveness of American firms and generate the wealth needed to create replacement jobs in related work. To be deprived of this wealth and income is to lose both existing manufacturing jobs and their potential replacements.

Taking technological innovations and parlaying them into new and improved production methods and processes is crucial if U.S. small businesses are to be internationally competitive. For smaller

and mid-size firms, understanding how changes in technology can improve their productivity will increasingly determine their competitive advantage and employment future. Yet these companies are not installing new technologies quickly enough. The problem facing many of these firms is not a technology problem—the technology exists. The typical small business is facing a “technology application gap”—the problem is a technology transfer problem. Many small firms cannot bear the costs of doing applied research either to make incremental improvements in existing products or to draw on basic science results to develop new ones.

For a large number of smaller firms, acquiring knowledge of technological solutions or applications for their products or services is dangerously haphazard. Most small businesses cannot employ a large or diverse enough staff to enable them to incorporate and implement technological changes. Many companies are not even aware of new technologies which could be used to increase productivity and/or reduce costs.

For example, when most small businessmen hear the term “robotics” they too often visualize the multi-million dollar devices used by the big three automakers and not the thousand dollar “pick and place” off-the-shelf device that can, when appropriately applied, economically improve their production efficiency and their competitive position. Small businesses are not yet realizing more than a fraction of the efficiencies and competitive advantages offered by specialized and customized applications of personal computers in process and control applications.

This inattention to the introduction of new technologies is having serious adverse effects. The issue of quality control provides a good example of what is happening. In any industrial process, the application of the methods of statistical quality control can contribute more to quality and productivity than can any other single technology. Increasingly, major U.S. corporations are indicating that their primary concerns with small U.S. subcontractors and vendors is the absence of an effective quality control system. As a result, these corporations are effectively abandoning U.S. smaller U.S. suppliers in favor of foreign subcontractors with more sophisticated, technology-based quality control procedures. We cannot afford to let this pattern continue.

We have a strong technical base in our universities, but to a significant extent it is only the larger companies that have the resources to tap this resource systematically. Small businesses would tend to relate to their local university and hence would assist in development of an aggregation of business-university activity that supplies local jobs and pumps needed funds into the local economy.

The Committee contends that Government has a valuable role to play in establishing and nurturing linkages among the personnel and institutions of academia, industry, and research laboratories. We need to create support systems for technology transfer that encourage partnership between the academic and small business communities. Such partnerships can help commercialize university-based research and development and serve as a forum to introduce academic engineers and scientists to their counterparts in small technology-based firms.

Through such mechanisms, the technology and expertise which exists in university engineering and computer program departments can be linked with small business to bring innovative ideas more rapidly to commercialization. In building those linkages, we must place a far stronger focus on areas of maximum commercial potential. Closer small business-university collaboration on commercially-significant technology development and technology transfer is vital.

We must link individuals and institutions with technological expertise to smaller firms so that these firms can become aware of and learn how to apply state-of-the-art technologies that can improve their production processes. Such a program would enable trained specialists to review a company's production processes and identify areas in which new technologies could be efficiently applied.

#### THE PROVISIONS OF THE BILL

The provisions of this legislation focus on changes that can be made within existing SBA programs that will improve the competitiveness of our small business sector. At the particular request of the Honorable Andy Ireland, Ranking Minority Member of the Export Subcommittee, the Committee also wishes to emphasize that there are areas outside the Committee's jurisdiction which deserve our attention as legislative advocates of the small business sector. The Committee intends on an ongoing basis to call the needs of the small business community to the attention of the other committees of the House.

#### CHANGES IN EXISTING SBA INTERNATIONAL TRADE OFFICE

H.R. 1854 expands the mandate of the existing Office of International Trade within the Small Business Administration (SBA) and requires special attention to specific export promotion functions.

The Committee is aware of the limited resources available to the SBA for trade-related activities. However, the Committee believes that those resources might be more advisedly used by targeting specific activities that offer the greatest prospects for return and by utilizing the extensive SBA and Small Business Development Center networks and the agency's close ties to the small business community to aggressively market existing trade programs administered by other agencies. In this way, the Office can avoid unnecessary duplication of functions while serving as an effective service delivery mechanism for programs that the small business community has largely been unable to access.

In recent years, both the Executive Branch and the Congress have focussed increasing attention on the need to expand our export base. As part of that public policy commitment, efforts have been made to target existing trade promotion programs to small businesses to help them gain access to foreign markets. Yet, for the most part, these programs have not had a significant impact on the small business community. In fact, large segments of that community remain unaware of many existing programs. A significant reservoir of government assistance for U.S. exporters has been relatively untapped by small and mid-size exporters.

SBA should play a key role in helping the small business community to use relevant programs. The Department of Commerce and SBA have just completed a Memorandum of Understanding intended to help the agencies better coordinate their programs for export assistance and better ensure that the perspectives of small and mid-size companies are taken into account in the administration of old programs and the formulation of new ones. The Committee will be monitoring the implementation of this agreement closely. SBA has already signed a similar document with the Export-Import Bank of the United States that will enable the two agencies to co-guarantee loans to small business exporters.

The Committee is gratified to see increased levels of coordination between SBA and other relevant agencies on trade promotion issues. But testimony received by the Committee clearly demonstrates that a great deal more needs to be done. SBA has an extensive network available to it through the SBA regional and local offices and the Small Business Development Centers through which services can be delivered to the small business community. This network provides a potentially useful service delivery mechanism for existing trade promotion programs of importance to the small business community.

The legislation therefore requires the Office of International Trade to work in close cooperation with relevant Federal agencies, Small Business Development Centers engaged in export promotion efforts, regional and local SBA offices, the small business community, and relevant state and local export promotion programs to assist in developing a distribution network for existing trade programs through use of the SBA regional and local offices and the Small Business Development Center network. In addition, the Office is to assist in the aggressive marketing of these programs and the dissemination of marketing information, including computerized marketing data, to the small business community.

#### *Cooperation with existing export promotion programs*

The legislation requires the Administration to work closely with the Department of Commerce to improve data collection systems so they are of greater utility to small business; improve the utility and accessibility of existing export promotion programs for small business; increase the accessibility of the Export Trading Company facilitating service; and alleviate obstacles in the export licensing system for small high technology companies.

While the Commerce Department is the lead agency for export promotion, it makes no distinction within its programs that invite the small business to utilize its services. The Committee would expect that increased cooperation between SBA and Commerce would result in a program mix of greater utility to the small business community, greater marketing assistance to smaller firms, and greater participation by small businesses in trade missions and trade fairs.

The lack of relevant data remains a particular problem for small businesses that the Committee would expect the Department of Commerce, in cooperation with SBA, to address. Currently, there is no central point within the Federal Government where data is collected on small business exporters, or on potential small business

exporters. Some general statistical information on total exports is collected by the Census Bureau for the International Trade Administration (ITA), but this data is not easily applied to small business for analysis and trade promotion purposes. The information is not broken down by firm size or even by the firm of origin; the current system identifies only the firm shipping the goods. Such a firm is often an intermediary that has purchased goods for trade abroad. As a result, it is difficult to accurately determine product areas where small businesses have been, or could possibly become, successful.

Data collection methods must be reviewed so that information is relevant to today's small business community and today's global economy. Information on exports should be disaggregated on a state-by-state basis, for example, so that states can see which products other states have had success in exporting and the production of Gross State Product figures should be seriously considered. In addition, the SIC code needs to be updated to develop figures on export trading companies and export management companies and to encompass industries currently overlooked.

#### *Cooperation with existing export financing programs*

The Committee notes that the Bank has recently made significant revisions in its programs, including the streamlining and simplification of certain program procedures, that should work to increase the level of export financing available to smaller firms. There has also been a useful emphasis placed on providing insurance and working capital financing to "new-to-export" businesses and on identifying intermediaries that can facilitate marketing of the Bank's programs.

The Committee believes that the Bank is attuned to the needs of smaller firms and committed to taking appropriate steps to satisfy what it predicts will be an increasing usage of its programs by smaller exporters in the future. An internal task force on small business programs and additional export financing needs has only recently made recommendations for additional changes to the Bank's Board of Directors. The Committee plans to work closely with the Bank in these efforts.

Despite the Bank's efforts, however, the effective marketing of its programs remains a serious problem. The Bank itself does not have local or regional administrative offices or, in effect, any distribution network for its programs. In testimony before the Committee, the President and Chairman of the Bank noted that the Bank might usefully use the SBA/SBDC network as a means of marketing and facilitating access to its financing programs. The legislation therefore requires SBA to develop a program in cooperation with the Export-Import Bank through which local and regional SBA offices and the SBDCs could help disseminate information regarding existing SBA and Export-Import Bank export financing programs, aggressively market those programs to the small business community, assist in the processing of loan applications, and increase small business access to export financing.

### *SBA programs*

The new Administrator and other Administration officials indicated to the Committee that they plan to increase their outreach efforts to small businesses with export potential and interest. SBA's computerized "Procurement Automated Source System" has identified over 50,000 small firms with an interest in exporting. Close follow up on this list, combined with an effort to identify foreign market opportunities could yield a significant increase in small business exporting. In a related effort, SBA's Office of Advocacy is in the process of evaluating research proposals that would provide reliable figures on the extent of small business export activity, focussing particularly on identifying those small business sectors which offer the greatest export potential.

The Administration also noted that a major focus of its international trade program for the upcoming year will be to develop ties with state and local organizations. This will enable the SBA to cooperatively plan and implement activities that best meet the needs of the small business community and are most accessible to it. The Office of International Trade should work closely with regional and local SBA offices and the SBDC network in this effort.

These initiatives are consistent with some of the priorities established for the SBA trade program under the legislation. The Committee expects an aggressive effort on these programs and will be monitoring agency progress closely.

### *Market identification*

The legislation also directs the Office of International Trade to undertake certain specific efforts to promote sales opportunities for small business goods and services abroad. The Committee intends for the Office to place much greater emphasis on creating specific and identifiable export opportunities for the small business community. In the Committee's view, too much effort has been expended on trying to generate general interest in exporting within the small business community with no attention given to what export markets might exist for specific products and service. It is counter-productive to foster an interest in exporting that cannot be sustained by the realities of the current international market.

Therefore, the Office is required to work in conjunction with other relevant agencies, regional and local SBA offices, the SBDC network, and state programs, to develop a mechanism for identifying sub-sectors of the small business community with strong export potential; identifying areas of demand in foreign markets; pre-screening foreign buyers for commercial and credit purposes; and assisting in increasing international marketing by disseminating relevant information regarding market leads, linking potential sellers and buyers, and catalyzing the formation of joint ventures.

### *Formation of export trading companies and other cooperative ventures*

The legislation also directs the Office of International Trade to actively assist small businesses in the formation of export trading companies, export management companies and research and development pools authorized under Section 9 of the Small Business Act.

The Export Trading Company (ETC) Act was intended to facilitate the entry of smaller firms into international markets. Export Trading Companies give small businesses the ability to join forces to operate in overseas markets with protection from antitrust liability. Through joint export ventures they can spread the risks of exporting and gain economies of scale that can result in cost reductions. ETCs offer savings through joint marketing, storage, distribution and transportation.

The ETC Act has been called one of the "best buys" for more effective exporting. But, thus far, the expectations for ETCs have not been met. To date, the Department of Commerce has issued a total of 71 certificates of review, providing antitrust protection to 307 firms and individuals. In part, these low figures reflect a general lack of interest in exporting because of unfavorable economic conditions. However, the level of outreach has also been a problem.

Trade associations are only now beginning to see the potential inherent in the Export Trading Company initiative. Small firms hesitant to enter the international arena on their own are beginning to participate in joint export activities through such groups. These associations, state and local government entities, including port authorities, industrial development corporations, and other non-profit organizations, could be an important source of overall export expansion and of the development of innovative export programs keyed to local, state, and regional needs.

Small business trade association ETCs and state sponsored ETCs appear to have great potential for involving more small and mid-size businesses in the international market. They could also play a useful role in encouraging more small and regional banks, that work closely with small and mid-size companies, to participate more in ETCs. But, despite the potential, progress is very slow.

The SBA local and regional offices and the SBDC network have close ties to state and local development authorities, to local small businesses and their trade associations, and to existing SBA lenders. The Committee believes the SBA could, therefore, usefully catalyze the formation of small business ETCs. The SBA is, therefore, in a superb position to actively assist these entities in the formation of their own ETCs or, at the very least, to inform businesses of what the private sector ETCs have to offer and which will be best suited to individual needs.

The Committee recognizes that the Department of Commerce has an Export Trading Company facilitating service and does not expect the Administration to duplicate the functions of this office. However, the nature of the SBA/SBDC network, provides a useful opportunity for outreach in regard to the ETC program that the Committee expects the Administration to capitalize upon.

The Committee was disturbed to learn that the provision under Section 9 of the Small Business Act providing for the formation of research and development pools has been poorly utilized and expects the Administration to aggressively market that program in the future. This provision allows for the formation of a "flow-through" or "go-between" company which could interpose itself between the government and the small business community to facilitate participation of small firms in government procurement. These pools, if properly formed, obtain important exemptions from

antitrust laws, the Walsh-Healey Act and from rules of "affiliation" as described in the SBA regulations. In short, this is an exemption provided for sound public policy reasons which allows the formation of joint ventures between unaffiliated small companies.

Although the primary purpose of the pools was to facilitate government purchases to small business, there are no limitations on where the pool can market its capabilities, including international markets. Such pools could, therefore, very quickly take on the form of a small business export trading company and, if properly staffed, could also served as a mechanism by which more small companies could become involved in international trade. The pool/ETC could act initially as an Export Management Company (EMC) and then gradually take on the added features of an ETC as the pool resources grow.

The Committee expects that the Administration will update its literature regarding this program, disseminate the information broadly throughout the SBA/SBDC network, and begin to actively encourage and facilitate the formation of small business pools.

#### *Translation service*

The Committee has found that the unavailability of translation services serverely hampers the efforts of most small businesses to expand into international markets. The legislation, therefore, requires that the Administration establish a pilot program for the provision of such services. The program is to identify and publicize existing translation services; identify existing multilingual employees within SBA offices; and establish a full-time translator position in a selected language within one Administration regional office who shall be available to translate any relevant documents, accompany trade missions, and report within one year on the utility and desirability of creating an ongoing function of this nature.

#### *Trade Assistance Division*

The legislation requires the Office of International Trade to establish a Trade Assistance Division to assist small businesses in trade remedy proceedings. The Office is to work in cooperation with other Federal agencies to assist small businesses in initiating, preparing for, and participating in any proceedings relating to the administration of U.S. trade laws; assist small businesses in collecting appropriate data necessary to continue trade remedy proceedings; and facilitate access to trade remedy procedures for small businesses.

The Committee is aware that the International Trade Commission already provides some assistance to companies that wish to initiate trade remedy proceedings. It is not the Committee's intent that the Division within SBA duplicate other existing agency functions, but that it act in a complementary fashion to address the particular problems that small businesses confront.

The Committee would expect the agency to establish rules and regulations regarding the administration of this Division that would ensure that it could allocate necessarily limited resources efficiently. It would further expect the Administration to implement this program in the short-term, to the maximum extent feasible, by the reallocation of existing resources. The Committee would also

expect the Division to make maximum use of an agreement concluded between SBA and the Federal Bar Association (FBA) under which a small firm can now receive an initial, free consultation with an attorney to discuss legal issues and concerns relating to international trade.

In administering the Division, attention should be focused on complaints in which the foreign trade practice at issue has a significant impact on a large portion of the small business community and which hold out a reasonable prospect of redress. Support provided by SBA should be limited to areas beyond the reasonable economic means of the complainant. The Committee would expect SBA to use its existing authority to participate in investigations, hearings, or other proceedings pending before other departments and agencies when appropriate to facilitate small business participation in trade remedy proceedings.

#### *Export licensing*

The legislation requires the Office of International Trade to establish a committee, chaired by the Administrator, with representation from other relevant agencies, which would monitor export control policy and export licensing procedures, develop mechanisms for providing assistance to small businesses regarding these policies and procedures, and make recommendations regarding ways to streamline export licensing procedures for small businesses.

The Committee is aware that changes are currently being contemplated in the export licensing procedures that are intended to significantly streamline and improve these procedures. The Committee would expect the SBA to exercise a useful oversight function in determining to what extent the changes and the implementation of those changes actually improve the situation for smaller firms and whether any additional changes directed particularly at the problems faced by small businesses are necessary or viable. The committee established should specifically consider and report back on the viability of allocating a portion of the resources of the Department of Commerce to facilitating the processing of export licensing applications from smaller firms.

#### *Semiannual reports*

The legislation requires that the Office of International Trade report to the House and Senate Committees on Small Business semiannually regarding its progress in fulfilling the requirements of this section of the Act. The Committee would expect a detailed explanation of the progress made by the Office in identifying specific foreign market opportunities and establishing necessary linkages with U.S. sellers; forming additional small business ETCs, EMCs, and research and development pools; delivering or facilitating access to necessary translation services; increasing small business participation in trade remedy proceedings; and reviewing the functioning of the export licensing system.

#### SPECIFIC REPORTS

Section 4 of the legislation requires the Administration to submit to the House and Senate Small Business Committees within 6

months a number of specific reports. The Committee recognizes that some of the reports requested will require surveys that may not be able to be completed within the six month period. In such cases, the Committee expects the agency to make a good faith effort to move as quickly as possible to complete the report. If it proves impossible to conclude a comprehensive and thoughtful analysis within that time frame, the Committee will expect the agency to report upon progress made at the end of the six-month period, concluding the report itself as quickly as possible thereafter.

The White House Conference on Small Business recommended the implementation of an export incentive program modeled on the SBIR initiative. The Committee is very interested in the concept but has subsequently received varying interpretations as to the appropriate structure and implementation of such a program. The legislation therefore requires SBA to report back within six months on the viability and cost of such a program and alternative methods of structuring it.

The SBA, in cooperation with the Departments of Commerce and State, shall conduct a comprehensive survey of major U.S. trading partners to identify what domestic policies, programs, and incentives, as well as private initiatives, exist to encourage the formation and growth of small business. This survey shall also focus on what public policies and programs these foreign countries have adopted to promote exports of small business goods and services and to induce small firms to expand markets for their products through exporting. The study should specifically examine what tax incentives, export credits and other inducements are targeted at stimulating the growth of small business both domestically and through export-generated sales.

The Committee expects a final report of the agency's findings and recommendations to be made available to the Congress before January 1, 1988. That report shall review the efficacy of current U.S. government programs aimed at promoting small business development by examining, through comparative analysis, the program of other countries. The study shall develop recommendations that could be implemented to strengthen current federal programs servicing small business, and to improve the delivery of services to users. Further, recommendations should be made that will enable small firms to penetrate foreign markets and create demand for U.S. goods and services.

The Committee is also concerned over the continually rising levels of imported goods and the precipitous decline in worldwide demand for U.S. exports, resulting in the loss of valuable foreign markets traditionally dominated by the United States.

In view of the recent decline of the dollar against some other foreign currencies, the Committee believes it is both prudent and necessary to take advantage of this development that makes U.S. exports less expensive. With the decline of the dollar comes an opportunity to stimulate export demand for U.S. goods and services. Numerous services and products offered by U.S. small business could compete worldwide, but are hindered from doing so for various reasons. An obstacle to export trade development frequently cited by small business is the lack of foreign market data.

The Committee directs the Small Business Administration, in conjunction with the Departments of Commerce and State, to undertake a study to determine the volume and dollar amount of goods and services identified by type imported by U.S. trading partners over a ten-year period to the present. In addition, recommendations should be developed: first, to identify potential export market for U.S. goods and services; second, to establish a system for maintaining and disseminating current foreign market data to small business on a timely basis; and third; to devise a comprehensive export strategy and marketing plan for U.S. small business goods and services. The Committee expects the Small Business Administration to complete this project and submit a report of its findings and recommendations to the Congress by January 1, 1988.

#### SBA EXPORT FINANCING

Under the existing 7(a) program, the SBA can provide financing for export and pre-export purposes. The Committee is greatly concerned regarding the minimal use that has been made of this program. The National Commission on Jobs and Small Business noted that only one percent of the Small Business Administration's loan were used for exporting between 1983 and 1985, and no export loans were made in 1986. Since the beginning of the program in 1983, only 87 loans totaling \$23.5 million have been approved.

There has been some indication from SBA field offices and from witnesses who appeared before the Committee that constraints placed on the current program limit its usefulness. H.R. 1854 would, therefore, amend the existing export financing provision under the 7(a) program to give SBA the discretion to extend such financing up to three years, as opposed to the 18 months permitted under existing law. The legislation also make clear that such financing is to be made available to small business export trading companies and small business export management companies, as well as individual small businesses.

The legislation also requires SBA, when considering loan or guarantee applications, to give weight to export-related benefits. This change is not intended to be read as a limitation on the existing mandate regarding export financing, but is intended to encourage SBA to consider favorably those applications with export benefits which also meet other criteria which the Administration is required to consider.

When questioned by the Committee about the underutilization of SBA's short-term export credit program, an Administration representative responded that financing is available, if small businesses want it. The Committee would suggest that, if small businesses, who obviously lack adequate financing, do not appear to want it, there may well be something wrong with the administration of the program.

#### SMALL BUSINESS DEVELOPMENT CENTERS

The Committee notes with approval that some of the Small Business Development Centers have been very successful in implementing innovative export promotion and technology transfer programs. In many ways, the SBDCs are potentially an excellent service de-

livery vehicle for such programs, since they can work on a one-on-one basis with small businessmen and entrepreneurs in over 600 cities and towns across the country. It is the intent of the Committee that the SBDCs build upon and expand current efforts in these areas. The legislation, therefore, gives the SBDCs a more explicit mandate to develop and implement export promotion and technology transfer programs which are defined in considerably more detail.

However, the Committee has some serious concerns regarding the SBA's administration of this program, particularly as reflected in recently-proposed regulations. In the view of the Committee, the decentralization, flexibility, and partnership aspects of the program are essential to its effective delivery of services to the small business community. Given that fact, the regulations recently proposed by the agency are inexplicable and unjustifiable. It is incomprehensible to the Committee that an Administration which speaks so highly of decentralization and local control would propose regulations that move precisely in the opposite direction. Many Members of Congress have asked SBA to withdraw its proposed regulations and the Committee hopes the Administration will do precisely that.

The Committee would expect SBDC export promotion efforts to encompass, although they need not be limited to, identifying and developing potential export markets, facilitating export transactions, developing linkages between U.S. small business firms and pre-screened foreign buyers, assisting small businesses in obtaining export financing, and facilitating the development or reorientation of marketing and production strategies.

The Committee would expect the Small Business Development Centers to work in conjunction with the relevant state agency to develop a comprehensive plan for enhancing the export potential of small businesses located within the State. Where appropriate, the Small Business Development Center may work in cooperation with the state to establish, co-fund, and staff a state international trade center for these purposes.

The Committee was impressed with the innovative efforts being made in several states to encourage small business exports. Several states have highly sophisticated international trade departments within their Small Business Development Centers. The State of Alabama's SBDC is a premiere example of such a program. Its success is evidenced by a survey of the Center's 50 "best" clients in fiscal year 1981 and 1982 which found that 18 had first-time export sales totaling \$22 million. In addition, export sales accounted for 13.1 percent of Alabama's manufacturing output in 1981, a three-fold increase since 1976 when only 4.6 percent of manufacturing output was exported.

At the present time, there are nine SBDCs with an International Trade Center, and an additional eight SBDCs do some export assistance. The aggregate amount of Federal funds being spent for export assistance by these 17 SBDCs is \$1.4 million dollars in fiscal year 1987.

The emphasis that states are placing on international trade development has increased substantially. In FY 1981 states spent about \$17 million for export promotion activities. In FY 1986, that amount totaled over \$39 million. States are also increasing the

number of foreign offices they operate. According to the National Association of State Development Agencies, in 1986, there were 66 state run foreign offices, with Alabama, Georgia, Illinois, New York and Pennsylvania having as many as four foreign offices. Federal activity should continue to catalyze such programs.

The Committee also expects the SBDCs to work closely with the Office of International Trade, regional and local SBA offices, and the Export-Import Bank to make export financing more readily available to small businesses. The SBDCs should work cooperatively to develop a program that will enable Small Business Development Centers to serve as a distribution network and service delivery mechanism for Bank financing programs. Such a program would include assisting in the processing of export loan applications, where appropriate, and otherwise identifying and helping to make available export financing to small businesses.

In addition, the Committee would expect the SBDCs to work closely with small business firms, universities and other appropriate groups to develop computer software "expert systems" directed at enhancing the export capabilities of smaller U.S. firms and facilitating entry into foreign markets and disseminate these systems to the small firms. The Committee also expects the SBDCs to work closely with the small business community, including small business consultants, state agencies, universities and other appropriate groups to make translation services more readily available to small business firms doing business, or attempting to develop business, in foreign markets.

The legislation also specifically expands upon the mandate to the SBDCs to assist in technology transfer, research and development, including applied research, and coupling from existing sources to small businesses. The Committee would expect such efforts to include, although they need not be limited to, working to increase the access of small businesses to the capabilities of automated flexible manufacturing systems. In addition, the Committee expects the SBDCs to work through existing networks and develop new networks for technology transfer that encourage partnership between the small business and academic communities. Such efforts should be directed at helping to commercialize university-based research and development, and introducing university-based engineers and scientists to their counterparts in small technology-based firms. Finally, the SBDCs should explore the viability of developing shared production facilities, under appropriate circumstances.

The Committee believes that the SBDCs provide a useful mechanism for linking the federal government, state and local development agencies, the small business community and local universities in a concerted effort to actively encourage the diffusion of technology and provide technical services to business and industry. Through such a program, we can encourage the technological modernization of American industry. As part of their efforts in regard to technology transfer, the Committee would expect the SBDCs to actively assist small businesses in developing and implementing marketing and production strategies that will enable them to better compete against import competition within the domestic market.

The Committee would encourage the SBDCs to involve small high technology companies and university faculty from science departments and schools of engineering in this effort. The commercialization of fundamental research involves a host of technical and patent problems with which most schools of business administration might be ill-equipped to deal.

The legislation also provides limited additional funding specifically for export promotion and technology transfer activities. No more than \$5 million is authorized for fiscal year 1988 for additional activities in these areas. The state SBDCs are currently funded through an allocation formula based on population. The base program figure against which allocations are calculated is \$65 million. The Committee finds that more than half of the existing SBDCs, including some of those in the best position to undertake additional export promotion and technology transfer efforts, are at the statutory maximum for their program. It is thus unreasonable to expect them to increase their efforts regarding export promotion and technology transfer from their existing budget.

The new legislation would therefore allow for funding in excess of the current statutory maximum for export promotion and technology transfer programs. The base program figure against which the additional allocations for these specific programs will be calculated is \$15 million. Each SBDC would be authorized to share in the program based upon its population as compared to total U.S. population (i.e., the same formula now used for the existing program). However, in order to ensure that a minimum amount was spent on an effective program, states with small populations would nonetheless receive a minimum grant eligibility of \$100,000, regardless of the population in that state.

In performing all the services identified, the Committee expects the Small Business Development Centers to work in close cooperation with the SBA regional and local offices, the local small business community, and appropriate state and local agencies. The new legislation also requires Small Business Development Centers to work in close cooperation with SBA regional and local offices, appropriate federal, state and local agencies and the small business community to serve as an active information dissemination and service delivery mechanism for existing trade promotion, trade finance, trade adjustment and trade data collection programs of particular utility for small businesses.

The Committee intends that references to "the small business community" be read to include state and local chambers of commerce as well as small businesses and other small business associations. The potential addition of 44 state chambers and more than 2,000 local chambers to the information dissemination and service delivery mechanism can greatly enhance the work of the SBDCs in these areas.

The Committee believes that it would be useful to establish much stronger mechanisms for the sharing of information between the SBDCs and between existing SBDCs and program applicants so that the experience of those SBDCs operating successful programs can work to the benefit of others. Therefore, the legislation requires the Deputy Associate Administrator of the SBDC program to

develop and implement mechanisms that will facilitate the exchange of information and ideas.

#### LOAN GUARANTEE PROGRAM

It has repeatedly come to the Committee's attention that smaller firms are facing serious problems obtaining the long-term capital necessary to make the new investment in plant and equipment central to any effort to remain competitive. The Committee believes that, in the short term, the best method of addressing that need is to make available loans that are more consistent with the realities of the market for targeted types of investment and to improve secondary market operations to improve access to long-term capital available from institutional investors. We must recognize that the plant and equipment modernization we seek is a costly undertaking.

The legislation therefore increases the SBA loan guarantee limit from \$500,000 to \$1,000,000 for the purchase of plant and equipment to be used in the production of goods and services involved in international trade, provided that such loans are sold into the secondary market. This amount is to be in addition to any financing solely for working capital, supplies, or revolving lines of credit for export purposes, so that it is clear we are intending to expand available financing.

The Committee notes that the last time the loan guarantee limit was adjusted was more than a decade ago. Since that time, inflation has increased by over 70%.

The Committee believes that the larger size should interest more lenders in making the commitment to set up an SBA department, which would have a positive effect upon the availability of credit to small business. Moreover, the Committee is hopeful that the availability of guarantees on loans in larger amounts will interest smaller banks that have been reluctant to undertake any trade finance to move in that direction.

The provision would also promote secondary market activities by increasing the amount sold (thereby stimulating investor interest) and by providing lenders with first hand experience in secondary market activities (thereby encouraging them to sell other SBA guaranteed loan in the secondary market). The secondary market allows small businesses to tap into the long-term capital of institutional investors such as insurance companies and pension funds, which traditionally have not invested directly in small business. In addition, this secondary market process, through which the originating lender sells the guaranteed portion of a loan to an investor, has a leveraging effect which allows lenders to reinvest or relend the proceeds from the sale of such assets in other small businesses.

The Committee believes that enhancing the access of small business to debt and equity capital is an important economic priority and one which the Committee has consistently addressed. Most recently, in 1984, Congress passed the Small Business Secondary Market Improvement Act (P.L. 98-352) which created an organized market for the sale of the guaranteed portion of section 7(a) loans to investors. This organized secondary market plays an indispensable role in providing debt financing to small businesses. This bill

builds on the marketplace success of P.L. 98-352 and helps to further develop the secondary market for SBA guaranteed loans.

The increased market efficiency translates into smaller firms having greater access to debt capital. With enactment of P.L. 98-352, monthly sales of SBA loans to investors grew from under \$10 million to nearly \$150 million today. The Committee believes the further enhancement of the SBA secondary market by this bill will increase the funds made available to small business, lead to potential competition among lenders, and result in reduced borrowing costs for small business.

The Committee believes that the program, if properly presented, could have a tremendous impact upon lenders' utilization of the SBA program. The Committee would expect that the Administration, as part of its implementation of this provision, would devise a marketing plan and undertake a maximum marketing effort toward the lending community, organizing a series of conferences in at least 10 of the SBA regional offices.

In making reference to "plant and equipment for the production of goods and services involved in international trade," the Committee intends to encompass retooling and modernization to meet import competition as well as for export purposes.

The Committee also believes that there is a need to aggressively explore other innovative financing mechanisms that would increase the availability of capital to small business. The legislation, therefore, also requires the Administration to report to the House and Senate Committees on Small Business within six months after passage of this Act as to the viability of creating cooperative federal-state guarantee programs, particularly for purposes of export financing, to encourage states to coinsure federal loans, thus permitting the federal government to reduce its exposure.

#### SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Committee believes that this country must make a commitment to convert our leadership in science into world leadership in technology. Many witnesses appearing before the Committee have suggested that an expanded SBIR program could be an important part of such an effort. The present SBIR program has been widely recognized as a valuable source of new ideas and very high quality work in support of the sponsoring agency's missions, with prospects for important commercial spin-off benefits. Some witnesses have suggested an increase in the fractional amount of the external research program that is devoted to SBIR. Such an increase might be desirable, and deserves further investigation.

But other witnesses have suggested that a structural deficiency exists in the program—that is, that at the present time there is not enough SBIR funding made available in areas of maximum commercial potential. Some of the largest SBIR programs—DOD and NASA—do not have a strong overlap with commercial products. Conversely, areas of high commercial potential such as EPA, Transportation, and Commerce have so little SBIR funding available that many high quality proposals are never funded, and recognizing the low probability of funding, are probably never written.

The Committee believes the issue of expanding the SBIR program requires closer examination. The legislation therefore requires the Administrator of SBA to report to the House and Senate Committees on Small Business within six months after enactment of this legislation as to the advisability of amending the Small Business Innovation Research program to increase each agency's share of R&D expenditures devoted to it by 0.25 percent per year, until it is 3 percent of the total extramural R&D funds, and targeting a portion of the increment at products with commercialization and/or export potential. The Committee would also entertain recommendations as to how it might selectively expand the program to foster greater emphasis on commercialization and/or export potential.

#### GLOBALIZATION OF PRODUCTION

The Committee is seriously concerned that the smaller manufacturing firms that serve as our second and third-tier subcontractors are rapidly disappearing. Not only do they face substantial import competition, but U.S. prime contractors increasingly rely on foreign subcontractors, sometimes for reasons of cost or quality, often because of the demand of foreign buyers for offsets.

The legislation requires the Administrator of SBA, within one year after passage of this legislation, to submit a written report to the House and Senate Small Business Committees, prepared by SBA in cooperation with other relevant agencies, that would: (1) analyze the effect of increased outsourcing and other shifts in production arrangements on small firms, particularly manufacturing firms, within the U.S. subcontractor tier; (2) assess the impact of specific economic policies in facilitating outsourcing and other internationalized production arrangements; and (3) make recommendations as to changes in government policy that would improve the competitive position of smaller U.S. subcontractors, including recommendations as to incentives which could be provided to larger corporations to maximize their use of U.S. subcontractors and assist these subcontractors in changing production and marketing strategies and in obtaining new business in domestic and foreign markets.

#### SECTION-BY-SECTION SUMMARY AND DESCRIPTION OF THE LEGISLATION AS REPORTED

##### SHORT TITLE

Section 1. Section 1 designates the title of the Act as the "Small Business Trade Competitiveness and Innovation Act."

##### DECLARATION OF POLICY

Section 2. Section 2 declares it to be the policy of the Congress that the Federal government, through the Small Business Administration, should assist small businesses to increase their ability to compete in international markets.

## CHANGES IN EXISTING SBA INTERNATIONAL TRADE OFFICE

Section 3. Section 3 expands the mandate of the existing Office of International Trade within the Small Business Administration (SBA).

Subsection (a) requires SBA to work in close cooperation with relevant Federal agencies, Small Business Development Centers engaged in export promotion efforts, regional and local SBA offices, the small business community, and relevant state and local export promotion programs to assist in developing a distribution network for existing trade promotion, trade finance, trade adjustment, and trade data collection programs through use of the SBA regional and local offices and the Small Business Development Center network; and assist in the aggressive marketing of these programs and the dissemination of marketing information, including computerized marketing data, to the small business community.

Subsection (b) requires the Office to promote sales opportunities for small business goods and services abroad by—

(1) working in conjunction with other relevant agencies, regional and local SBA offices, the SBDC network, and state programs, to develop a mechanism for identifying subsectors of the small business community with strong export potential; identifying areas of demand in foreign markets; prescreening foreign buyers for commercial and credit purposes; and assisting in increasing international marketing by disseminating relevant information regarding market leads, linking potential sellers and buyers, and catalyzing the formation of joint ventures, where appropriate;

(2) actively assisting small businesses in the formation of export trading companies, export management companies and research and development pools authorized under Section 9 of the Small Business Act;

(3) establishing a pilot program for the provision of translation services;

(4) working closely with the Department of Commerce to improve data collection systems so they are of greater utility to small business; improve the utility and accessibility of existing export promotion programs for small business; increase the accessibility of the Export Trading Company facilitating service; and alleviate obstacles in the export licensing system for small high technology companies.

Subsection (c) requires the Office of International Trade to:

(1) Develop a program in cooperation with the Export-Import Bank through which local and regional SBA offices and the SBDCs could help disseminate information regarding existing SBA and Export-Import Bank export financing programs, aggressively market those programs to the small business community, assist in the processing of loan applications, and increase small business access to export financing;

(2) Establish a Trade Assistance Division within the Office to assist small businesses in trade remedy proceedings;

(3) Establish a committee to monitor export control policy and export licensing procedures, develop mechanisms for providing assistance to small businesses regarding these policies

and procedures, and make recommendations regarding ways to streamline export licensing procedures for small businesses; and

(4) Report to the House and Senate Committees on Small Business semiannually regarding its progress in fulfilling the requirements of this section of the Act.

#### SPECIFIC REPORTS REQUIRED

Section 4. Section 4 requires the Office of International Trade to undertake certain studies and report back to the House and Senate Committees on Small Business within six months after enactment of the legislation with specific recommendations.

#### EXPORT FINANCING PROVIDED BY THE SMALL BUSINESS ADMINISTRATION

Section 5. Section 5 amends the existing export financing provision under the 7(a) loan and loan guarantee program to establish that the Administration:

(1) May provide extensions and revolving lines of credit for export purposes and pre-export financing to small business export trading companies and small business export management companies, as well as individual small businesses for a period or periods not exceeding three years; and

(2) When considering loan or guarantee applications, shall give weight to export-related benefits.

#### SMALL BUSINESS DEVELOPMENT CENTERS

Section 6. Section 6 gives Small Business Development Centers an explicit mandate to develop and implement export promotion and technology transfer programs and provides limited additional funding for these purposes.

Subsection (a) states that no more than \$5,000,000 is authorized to be appropriated for Fiscal Year 1988 to carry out the provisions of this section.

Subsection (b) amends the mandate under the existing program to:

(1) State explicitly that Small Business Development Centers shall provide management and technical assistance regarding export promotion and technology transfer;

(2) Require Small Business Development Centers to work in close cooperation with SBA regional and local offices, appropriate federal, state and local agencies and the small business community to serve as an active information dissemination and service delivery mechanism for existing trade promotion, trade finance, trade adjustment and trade data collection programs of particular utility for small businesses;

(3) Provide that any applicant funded by the Administration as a Small Business Development Center may apply for an additional grant to be used solely to assist (A) with the development and enhancement of exports by small business concerns; and (B) to assist in technology transfer. Applicants for such additional grants shall comply with all of the provisions of this section, including provided matching funds, except that fund-

ing under this paragraph shall be in addition to the dollar program limitations specified, *provided that*, no recipient of funds shall receive a grant which would exceed its pro rata share of a \$15,000,000 program based upon the populations to be served by the Small Business Development Center as compared to the total population of the United States, or \$100,000 whichever is greater.

(4) Authorize Small Business Development Centers to:

(A) Assist in technology transfer, research and development, including applied research, and coupling from existing sources to small businesses, including (i) working to increase the access of small businesses to the capabilities of automated flexible manufacturing systems; (ii) working through existing networks and developing new networks for technology transfer that encourage partnership between the small business and academic communities to help commercialize university-based research and development, and introduce university-based engineers and scientists to their counterparts in small technology-based firms; (iii) exploring the viability of developing shared production facilities, under appropriate circumstances.

(5) Authorize Small Business Development Centers to:

(A) Actively assist small businesses in exporting by identifying and developing potential export markets, facilitating export transactions, developing linkages between U.S. small business firms and pre-screened foreign buyers, assisting small businesses in obtaining export financing, and facilitating the developing or reorientation of marketing and production strategies. Where appropriate, the Small Business Development Center may work in cooperation with the state to establish a state international trade center for these purposes;

(B) Assist small businesses in developing and implementing marketing and production strategies that will enable them to better compete within the domestic market;

(C) Develop a program in conjunction with the Export-Import Bank that will enable Small Business Development Centers to serve as a distribution network and service delivery mechanism for Bank financing programs, including assisting in the processing of export loan applications, where appropriate, and otherwise identifying and helping to make available export financing to small businesses;

(D) Work closely with small business firms, universities and other appropriate groups to develop computer software "expert systems" directed at enhancing the export capabilities of smaller U.S. firms and facilitating entry into foreign markets;

(E) Work closely with the small business community, small business consultants, state agencies, universities and other appropriate groups to make translation services more readily available to small business firms doing business, or attempting to develop business, in foreign markets;

(6)(A) Require the Small Business Development Centers, in performing services identified, to work in close cooperation with the SBA regional and local offices, the local small business community, and appropriate state and local agencies; and  
(B) require the Deputy Associate Administrator of the SBDC

program to develop and implement mechanisms for the sharing of information between Small Business Development Centers or between existing Small Business Development Centers and program applicants;

(7) Require the Small Business Development Centers, where appropriate, to work in conjunction with the relevant state agency to develop a comprehensive plan for enhancing the export potential of small businesses located within the State. This plan may involve the cofunding and staffing of a State Office of International Trade within the state Small Business Development Center, using joint State and Federal funding, and any other appropriate measures directed at improving the export performance of small businesses within the state.

#### CAPITAL FORMATION

Section 7. Section 7 amends the 7(a) loan and loan guarantee program.

Subsection (a) increases the SBA loan guarantee limit from \$500,000 to \$1,000,000 per borrower for the purchase of plant and equipment used in the production of goods and services involved in international trade if the loans are placed in the secondary market.

Subsection (b) requires the Administrator of SBA to report to the House and Senate Committees on Small Business within six months after passage of this Act as to the viability of creating cooperative federal-state guarantee programs, particularly for purposes of export financing, to encourage states to coinsure federal loans, thus permitting the federal government to reduce its exposure.

#### SMALL BUSINESS INNOVATION RESEARCH

Section 8. Section 8 requires the Administrator of SBA to report to the House and Senate Committees within six months after enactment of this legislation as to the advisability of amending the Small Business Innovation Research program to:

(1) Increase each agency's share of R&D expenditures devoted to it by 0.25 percent per year, until it is 3 percent of the total extramural R&D funds, and targeting a portion of the increment at products with commercialization and/or export potential;

(2) Make the SBIR program permanent with a formal congressional review every ten years, beginning in 1993;

(3) Allocate a modest but appropriate share of each agency's SBIR fund for administrative purposes for effective management, quality maintenance, and the elimination of program delays;

(4) Determine annually that each agency is clearly in full compliance with the law and that SBIR program funding is not being accompanied by parallel reductions in other small business programs;

(5) Create pooled solicitations once or twice a year of subjects submitted by small agencies expending \$20 million to \$100 million in extramural R&D funds, to facilitate their involvement in the SBIR program.

## GLOBALIZATION OF PRODUCTION

Section 9. Section 9 requires the Administrator of SBA, within one year after passage of this legislation, to submit a written report to the House and Senate Small Business Committees, prepared by SBA in cooperation with other relevant agencies, that would—

(1) analyze the effect of increased outsourcing and other shifts in production arrangements on small firms, particularly manufacturing firms, within the U.S. subcontractor tier;

(2) assess the impact of specific economic policies in facilitating outsourcing and other internationalized production arrangements; and

(3) make recommendations as to changes in government policy that would improve the competitive position of smaller U.S. subcontractors, including recommendations as to incentives which could be provided to larger corporations to maximize their use of U.S. subcontractors and assist these subcontractors in changing production and marketing strategies and in obtaining new business in domestic and foreign markets.

## NATIONAL CONFERENCE ON SMALL BUSINESS EXPORTS

Section 10. Section 10 requires the Administration to conduct a National Conference on Small Business Exports before the conclusion of calendar year 1988. The Conference shall specifically consider, and make recommendations regarding, a subsequent International Summit on Small Business and Trade that would help develop a consensus regarding international and national institutional and policy changes necessary to build an international small business sector capable of long-term growth.

## PROMULGATION OF REGULATIONS

Section 11. Section 11 requires the Administration to promulgate final regulations to carry out the provisions of sections 6 and 7 within six months of the date of enactment.

## EFFECTIVE DATE

Section 12. Section 12 provides that the effective date of sections 6 and 7 shall be October 1, 1987.

## STATEMENTS MADE IN ACCORDANCE WITH HOUSE RULES

In accordance with clauses 2(1)(2)(B), 2(1)(3), and 2(1)(4) of rule XI of the Rules of the House of Representatives, the following statements are made.

## COMMITTEE VOTE

(Rule XI, Clause 2(1)(2)(B))

H.R. 1854 was ordered favorably reported by the Full Committee on April 1, 1987, by voice vote with a quorum present.

## OVERSIGHT FINDINGS AND RECOMMENDATIONS

(Rule XI, Clauses 2(1)(3)(A) and (D), and Rule X, Clauses 2(b)(1) and (2) and 4(c)(2))

With regard to subdivision (A), relating to oversight findings, the Committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provision of this rule of the House which states:

In addition each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee. \* \* \*

With regard to subdivision (B), relating to the statement required by section 308(a) of the Congressional Budget and Impoundment Control Act of 1974, the following statement is made relative to the legislation:

The hearings conducted by the Committee on Small Business yielded information and data that support the Committee's findings that it is important for the U.S. economy to have small and mid-size businesses become involved in the international economy to a greater extent, and that the Small Business Administration must take a leading role in working with the small business community and with other relevant organizations to achieve that end. This documentation is incorporated in the findings and recommendations of the Committee, as expressed in the legislation, and in earlier portions of this report.

The Committee finds that this legislation would assist in increasing the participation of small and mid-size companies in world markets by emphasizing that the design and implementation of government international trade programs must reflect the needs of smaller exporters; by assisting smaller business in obtaining their capital requirements through promoting the development of a secondary market for industrial mortgages; and, by facilitating technology transfer to smaller firms. The recommendation of the Committee, therefore, is that the House pass H.R. 1854, as ordered reported by the Committee on Small Business.

No formal oversight findings or recommendations have been submitted by the Committee on Government Operations.

## BUDGET AUTHORITY/CREDIT AUTHORITY

Section 3(3) of the Congressional Budget Act defines the term "tax expenditures" as those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential tax rate of tax, or a deferral of tax liability.

None of the provisions of H.R. 1854 deals with taxation and thus, in the Committee's opinion, this bill does not provide new or increased tax expenditures.

Section 3(2) of the Congressional Budget Act defines the term "budget authority" as authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect off-setting receipts.

Section 3(10) of such Act defines "credit authority" as authority to incur direct loan obligations or to incur primary loan guarantee commitments.

Under these definitions, it is the final action of Congress that authorizes an agency to enter into obligations which constitutes new budget authority or new credit authority. In those cases which entail (1) an authorization for an agency to undertake a program or enter guarantees; (2) an authorization for appropriation of funds to permit that agency to enter into obligations; and (3) an actual appropriation of such funds, it would be only the final action of Congress in appropriating funds which constitutes the budget authority or the credit authority.

None of the provisions of H.R. 1854 appropriates funds and thus, in the Committee's opinion, the bill does not provide new budget authority or new credit authority.

**COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE PURSUANT  
TO SECTION 403 OF THE CONGRESSIONAL BUDGET ACT OF 1974**

(Rule XI, Clause 2 (1)(3)(C))

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, April 6, 1987.*

Hon. JOHN LAFALCE,  
*Chairman, Committee on Small Business, U.S. House of Representatives,  
Rayburn House Office Building, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 1854, the Small Business Trade Competitiveness and Innovation Act, as ordered reported by the House Committee on Small Business, April 1, 1987. We estimate that enactment of this bill would cost the federal government \$6 to \$8 million in 1988, and up to \$2 million annually beginning in 1989, assuming appropriations are provided for the activities authorized in the bill. In addition, 1988 commitments for a new loan guarantee program could result in additional net outlays of about \$65 million over the next ten years.

H.R. 1854 authorizes the appropriation of \$5 million 1988 to create a new grant program administered by the Small Business Development Centers. The bill would also require SBA to conduct a National Conference on Small Business Exports during 1988 and to prepare a number of reports. Further, it would create a new Trade Assistance Division in the Office of International Trade within the Small Business Administration (SBA). The cost of SBA's new trade assistance activities will depend on the scope of the effort undertaken and on appropriations actions. It could range from a minimal effort costing \$200,000 annually to a more ambitious effort costing as much as \$2 million a year. Although no authorization of appropriations is specified in the bill for these activities, based on preliminary information from SBA and assuming that the conference is largely funded by the users, we expect that SBA would incur costs of \$1 million to \$3 million in 1988 and up to \$2 million in each year thereafter for staffing, travel and other expenses.

In addition, H.R. 1854 would create a new industrial mortgage loan program, authorizing SBA to guarantee loans of up to \$1 million each for firms involved in international trade. These loans would be secured by a first lien position or first mortgage on the property financed by such loans. Although the bill would not increase the existing 1988 authorization ceiling of \$2.7 billion to accommodate this program, we expect that limited demand for other types of guarantees would leave room under the ceiling for about \$400 million worth of industrial mortgage loan guarantees in 1988. While the demand for such loans is uncertain, we believe they could total several hundred million dollars annually. The amount of defaults on SBA-guaranteed loans varies depending upon the program and the general state of the economy, but CBO estimates that about 20 percent of all loans guaranteed by SBA will require repurchase by the agency. Thus, if \$400 million in new loan guarantees are made for this program, in addition to guarantees that would otherwise be made, SBA would spend about \$80 million for loan defaults over the next ten years less recoveries of about \$15 million. No outlays for defaults are likely in 1988. The amount of additional guarantees that would result after 1988 would depend on the guarantee ceilings enacted in future years.

No costs would be incurred by state or local governments as a result of enactment of this bill.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,  
Sincerely,

JAMES BLUM  
(For Edward M. Gramlich, Acting Director).

#### FIVE-YEAR COST ESTIMATES

(Rule XIII, clause 7)

In compliance with clause 7, rule XIII of the House of Representatives, the Committee makes the following statement:

The cost estimate and comparison prepared by the Director of the Congressional Budget Office has been included above. Accordingly, it is not necessary for the Committee to include an estimate of the costs of carrying out this bill in this fiscal year and the five subsequent fiscal years.

No cost estimate was submitted by any Government agency on H.R. 1854 to the Committee.

#### INFLATION IMPACT STATEMENT

(Rule XI, Clause 2(1)(4))

The Committee estimates that this bill will not have any impact on any inflationary trends in the national economy.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill,

as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### SMALL BUSINESS ACT

\* \* \* \* \*  
 SEC. 2. (a) \* \* \*

(b) *It is the declared policy of the Congress that the Federal Government, through the Small Business Administration, should aid or assist small businesses, as defined under this Act, to increase their ability to compete in international markets by—*

- (1) *enhancing their ability to export;*
- (2) *facilitating technology transfers;*
- (3) *increasing their ability to compete effectively and efficiently against imports; and*
- (4) *increasing the access of small businesses to long-term capital for the purchase of new plant and equipment used in the production of goods and services involved in international trade.*

[(b)] (c) It is the declared policy of the Congress that the Government, through the Small Business Administration, should aid and assist small business concerns which are engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries; and the financial assistance programs authorized by this Act are also to be used to assist such concerns.

[(c)] (d) (1) The assistance programs authorized by sections 7(i) and 7(j) of this Act are to be utilized to assist in the establishment, preservation, and strengthening of small business concerns and improve the managerial skills employed in such enterprises, with special attention to small business concerns (1) located in urban or rural areas with high proportions of unemployed or low-income individuals; or (2) owned by low-income individuals; and to mobilize for these objectives private as well as public managerial skills and resources.

\* \* \* \* \*  
 [(d)] (e) Further, it is the declared policy of the Congress that the Government should aid and assist victims of floods and other catastrophes, and small-business concerns which are displaced as a result of federally aided construction programs.

[(e)] (f) (1) with respect to the Administration's business development programs the Congress finds—

- (A) that the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic equality for such persons and improve the functioning of our national economy;

\* \* \* \* \*  
 SEC. 7. (a) The Administration is empowered to the extent and in such amounts as provided in advance in appropriation Acts to make loans for plant acquisition, construction, conversion, or expansion, including the acquisition of land, material, supplies, equip-

ment, and working capital, and to make loans to any qualified small business concern, including those owned by qualified Indian tribes, for purposes of this Act. Such financings may be made either directly or in cooperation with banks or other financial institutions through agreements to participation on an immediate or deferred (guaranteed) basis. These powers shall be subject, however, to the following restrictions, limitations, and provisions:

(1) \* \* \*

(2) In agreements to participate in loans on deferred basis under this subsection, such participation by the Administration, except as provided in paragraph (6), shall be:

(A) \* \* \*

(B) subject to the limitation in paragraph (3)—

(i) not less than 70 per centum nor more than 85 per centum of the financing outstanding at the time of disbursement if such financing exceeds \$155,000 but is less than \$714,285, [and]

\* \* \* \* \*

*(iii) not less than 85 per centum of the financing outstanding at the time of disbursement if such financing is an industrial mortgage loan under paragraph (16) and is less than \$1,176,470, and*

*(iv) less than 85 per centum of the financing outstanding at the time of disbursement if such financing is an industrial mortgage loan under paragraph (16) and exceeds \$1,176,470:*

\* \* \* \* \*

[(3) No loan under this subsection shall be made if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund established by this Act would exceed \$500,000; *Provided*, That no such loan made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate basis shall exceed \$350,000.]

(3) *No loan shall be made under this subsection—*

*(A) if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund established by this Act would exceed \$500,000, except as provided in subparagraph (B);*

*(B) if the total amount outstanding and committed (on a deferred basis) solely for the purposes provided in paragraph (16) to the borrower from the business loan and investment fund established by this Act would exceed \$1,000,000, such amount to be in addition to any financing solely for working capital, supplies, or revolving lines of credit for export purposes up to a maximum of \$500,000 as provided in subparagraph (A); and*

*(C) if effected either directly or in cooperation with banks or other lending institutions through agreements to partici-*

*pate on an immediate basis if the amount would exceed \$350,000.*

\* \* \* \* \*

**[(14)** The Administration under this subsection may provide extensions and revolving lines of credit for export purposes to enable small business concerns to develop foreign markets and for preexport financing: *Provided, however,* That no such extension or revolving line of credit may be made for a period or periods exceeding eighteen months. A bank or participating lending institution may establish the rate of interest on extensions and revolving lines of credit as may be legal and reasonable.]

*(14)(A) The administration under this subsection may provide extensions and revolving lines of credit for export purposes and for pre-export financing to enable small business concerns, including small business export trading companies and small business export management companies, to develop foreign markets: Provided, however, That no such extension or revolving line of credit may be made for a period or periods exceeding three years. A bank or participating lending institution may establish the rate of interest on extensions and revolving lines of credit as may be legal and reasonable; and*

*(B) When considering loan or guarantee applications, the Administration shall give weight to export-related benefits, including opening new markets for United States goods and services abroad and encouraging the involvement of the small businesses, including agricultural concerns, in the export market.*

\* \* \* \* \*

*(16) The Administration may guarantee industrial mortgage loans under this paragraph to assist any small business concern, including start-ups, in the financing of the acquisition, construction, conversion or expansion of plant or equipment to be used in the United States in the production of goods and services involved in international trade: Provided, That such loans are secured by a first lien position or first mortgage on the property financed by such loans: Provided further, That the lender agrees to sell the loan in the secondary market as authorized in section 5(f) and 5(g) of this Act within one hundred and eighty days of the date of disbursement.*

*(17) The Administration shall authorize lending institutions in addition to banks to make loans authorized under this subsection.*

**[(16)] (18)** The Administration shall collect a guarantee fee equal to two percent of the amount of the deferred participation share of any loan under this subsection other than a loan repayable in one year or less or a loan under paragraph (13). The fee shall be payable by the participating lending institution and may be charged to the borrower.

\* \* \* \* \*

(z) There are authorized to be appropriated to the Administration for fiscal year 1988, \$634,000,000. Of such sum, \$509,000,000 shall be available to carry out the programs referred to in paragraphs (1) through (3) of subsection (y); \$13,000,000 shall be available to carry out the provisions of section 412 of the Small Business Investment Act of 1958; and \$212,000,000 shall be available for salaries and expenses of the Administration. There also are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes, including administrative expenses, of sections 7(B)(1) and 7(b)(2) of this Act; and there are authorized to be transferred from the disaster loan revolving funds such sums as may be necessary and appropriate for such administrative expenses. *There are hereby authorized to be appropriated to the Administration for fiscal year 1988, \$5,000,000 to carry out the provisions of section 21(a)(6).*

SEC. 21. (a)(1) The Administration is authorized to make grants (including contracts and cooperative agreements) to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities (herein referred to as "applicants") to assist in establishing small business development centers and to any such body for: small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises; *management and technical assistance regarding export promotion and technology transfer*; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts. The term of such grants shall be made on a calendar year basis or to coincide with the Federal fiscal year.

*(2) The Small Business Development Centers shall work in close cooperation with the Administration's regional and local offices, appropriate Federal, State, and local agencies and the small business community to serve as an active information dissemination and service delivery mechanism for existing trade promotion, trade finance, trade adjustment and trade data collection programs of particular utility for small businesses. Such Centers are encouraged to use funds provided under this Act to establish a toll-free telephone number to provide access for small businesses to the assistance provided under this Act.*

**[(2)]** (3) The Small Business Development Center Program shall be under the general management and oversight of the Administration, but with recognition that a partnership exists under this section between the Administration and the applicant for the delivery of assistance to the small business community. Services shall be provided pursuant to a negotiated cooperative agreement with full participation of both parties.

**[(3)]** (4) Except as provided in paragraph (4), the Administration shall require, as a condition to any grant (or amendment or modification thereof) made to an applicant under this section that

an additional amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government: *Provided*, That the additional amount shall not include any amount of indirect costs or in-kind contributions paid for under any Federal program, nor shall such indirect costs or in-kind contributions exceed 50 per centum of the non-Federal additional amount: *Provided further*, That no recipient of funds under this section shall receive a grant which would exceed its pro rata share of a \$65,000,000 program based upon the population to be served by the Small Business Development Center as compared to the total population in the United States, or \$200,000, whichever is greater.

**[(4)]** (5) In lieu of the matching funds required in paragraph (3), the Administration shall require as a condition of any grant (or amendment or modification thereof) made to an applicant under this section, that a matching amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government, to be comprised of not less than 50 per centum cash and not more than 50 per centum of indirect costs and in-kind contributions as follows:

(A) for grants for performance commencing on or after October 1, 1987 if the applicant is located in a State which received its grant for performance under this section on or before August 1, 1984;

\* \* \* \* \*

(6) *Any applicant which is funded by the Administration as a Small Business Development Center may apply for an additional grant to be used solely to assist—*

(A) *with the development and enhancement of exports by small business concerns; and*

(B) *to assist in technology transfer, as provided under subparagraphs (B) through (G) of subsection (c)(3). Applicants for such additional grants shall comply with all of the provisions of this section, including providing matching funds, except that funding under this paragraph shall be effective for any fiscal year to the extent provided in advance in appropriations Acts and shall be in addition to the dollar program limitations specified in paragraphs (4) and (5): Provided, That no recipient of funds under this paragraph shall receive a grant which would exceed its pro rata share of a \$15,000,000 program based upon the populations to be served by the Small Business Development Center as compared to the total population of the United States, or \$100,000, whichever is greater.*

\* \* \* \* \*

(c)(1) \* \* \*

\* \* \* \* \*

(3) Services provided by a small business development center shall include, but shall not be limited to—

(A) furnishing one-to-one individual counseling to small businesses;

**[(B) assisting in technology transfer, research, and coupling from existing sources to small businesses;]**

*(B) assisting in technology transfer, research and development, including applied research, and coupling from existing sources to small businesses, including—*

*(i) working to increase the access of small businesses to the capabilities of automated flexible manufacturing systems;*

*(ii) working through existing networks and developing new networks for technology transfer that encourage partnerships between the small business and academic communities to help commercialize university-based research and development and introduce university-based engineers and scientists to their counterparts in small technology-based firms; and*

*(iii) exploring the viability of developing shared production facilities, under appropriate circumstances;*

*(C) actively assisting small businesses in exporting by identifying and developing potential export markets, facilitating export transactions, developing linkages between United States small business firms and pre-screened foreign buyers, assisting small businesses to participate in international trade shows, assisting small businesses in obtaining export financing, and facilitating the development or reorientation of marketing and production strategies; where appropriate, the Small Business Development Center may work in cooperation with the State to establish a State international trade center for these purposes;*

*(D) assisting small businesses in developing and implementing marketing and production strategies that will enable them to better compete within the domestic market;*

*(E) developing a program in conjunction with the Export-Import Bank and local and regional Administration offices that will enable Small Business Development Centers to serve as a distribution network and service delivery mechanism for Bank financing programs, including assisting in the processing of export loan applications, where appropriate, and otherwise identifying and helping to make available export financing to small businesses;*

*(F) working closely with small business firms, universities and other appropriate groups to develop computer software "export systems" for distribution to small firms that are directed at enhancing the export capabilities of smaller United States firms and facilitating entry into foreign markets;*

*(G) working closely with the small business community, small business consultants, State agencies, universities and other appropriate groups to make translation services more readily available to small business firms doing business, or attempting to develop business, in foreign markets;*

**[(C)](H) maintaining current information concerning Federal, State, and local regulations that affect small businesses and counsel small businesses on methods of compliance. Counseling and technology development shall be provided when necessary to help small businesses find solutions for complying with envi-**

ronmental, energy, health, safety, and other Federal, State, and local regulations;

[(D)](I) coordinating and conducting research into technical and general small business problems for which there are no ready solutions;

[(E)](J) providing and maintaining a comprehensive library that contains current information and statistical data needed by small businesses;

[(F)](K) maintaining a working relationship and open communications with the financial and investment communities, legal associations, local and regional private consultants, and local and regional small business groups and associations in order to help address the various needs of the small business community;

[(G)](L) conducting in-depth surveys for local small business groups in order to develop general information regarding the local economy and general small business strengths and weaknesses in the locality; and

[(H)](M) maintaining lists of local and regional private consultants to whom small businesses can be referred.

\* \* \* \* \*

*(5) In performing the services identified in paragraph (3), the Small Business Development Centers shall work in close cooperation with the Administration's regional and local offices, the local small business community, and appropriate State and local agencies.*

*(6) The Deputy Associate Administrator of the Small Business Development Center Program shall develop and implement mechanisms for the sharing of information between Small Business Development Centers or between existing Small Business Development Centers and program applicants.*

*(d) Where appropriate, the Small Business Development Centers shall work in conjunction with the relevant State agency to develop a comprehensive plan for enhancing the export potential of small businesses located within the State. This plan may involve the co-funding and staffing of a State Office of International Trade within the State Small Business Development Center, using joint State and Federal funding, and any other appropriate measures directed at improving the export performance of small businesses within the State.*

[(d)](e) Laboratories operated and funded by the Federal Government are authorized and directed to cooperate with the Administration in developing and establishing programs to support small business development centers by making facilities and equipment available; providing experiment station capabilities in adaptive engineering; providing library and technical information processing capabilities; and providing professional staff for consulting. The Administration is authorized to reimburse the laboratories for such services.

[(e)](f) The National Science Foundation is authorized and directed to cooperate with the Administration and with the Small Business Development Centers in developing and establishing programs to support the centers.

**[(f)](g)** The National Aeronautics and Space Administration and industrial application centers supported by the National Aeronautics and Space Administration are authorized and directed to cooperate with small business development centers participating in this program. The National Aeronautics and Space Administration shall report annually on the performance of such industrial application centers with recommendations to the Administration and the Congress on how such industrial application centers can be strengthened and expanded. The National Aeronautics and Space Administration shall include in its report to Congress information on the ability of industrial application centers to interact with the Nation's small business community and recommendations to the Administration on continued funding.

**[(g)](h)(1)** The Administrator shall appoint a Deputy Associate Administrator for Management Assistance who shall report to the Associate Administrator for Management Assistance and who shall serve without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at a rate not less than the rate of GS-17 of the General Schedule.

\* \* \* \* \*

**[(h)](i)(1)** There is established a National Small Business Development Center Advisory Board (herein referred to as "Board") which shall consist of nine members appointed from civilian life by the Administrator and who shall be persons of outstanding qualifications known to be familiar and sympathetic with small business needs and problems. No more than three members shall be from universities or their affiliates and six shall be from small businesses or associations representing small businesses. At the time of the appointment of the Board, the Administrator shall designate one-third of the members and at least one from each category whose term shall end in two years from the date of appointment, a second third whose term shall end in three years from the date of appointment, and the final third whose term shall end in four years from the date of appointment. Succeeding Boards shall have three-year terms, with one-third of the Board changing each year.

\* \* \* \* \*

**[(i)](j)(1)** Each small business development center shall establish an advisory board.

\* \* \* \* \*

**[(j)](k)** Within six months of the date of enactment of the Small Business Development Center Improvement Act of 1984, the Administration shall develop and implement a program proposal for onsite evaluation of each Small Business Development Center. Such evaluation shall be conducted at least once every two years and shall provide for the participation of a representative of at least one other Small Business Development Center on a cost-reimbursement basis.

**[(k)](l)** The authority to enter into contracts shall be in effect for each fiscal year only to the extent or in the amounts as are provided in advance in appropriations Acts.

## SEC. 22. (a) \* \* \*

(b) *The Office shall work in close cooperation with relevant Federal agencies, Small Business Development Centers engaged in export promotion efforts, regional and local Administration offices, the small business community, and relevant State and local export promotion programs to—*

(1) *assist in developing a distribution network for existing trade promotion, trade finance, trade adjustment, and trade data collection programs through use of the Administration's regional and local offices and the Small Business Development Center network; and*

(2) *assist in the aggressive marketing of these programs and the dissemination of marketing information, including computerized marketing data, to the small business community.*

[(b)] (c) *The Office shall promote sales opportunities for small business goods and services abroad. To accomplish this objective the office shall—*

(1) *in conjunction with other relevant agencies, regional and local Administration offices, the Small Business Development Center network, and State programs, develop a mechanism for (A) identifying sub-sectors of the small business community with strong export potential; (B) identifying areas of demand in foreign markets; (C) prescreening foreign buyers for commercial and credit purposes; and (D) assisting in increasing international marketing by disseminating relevant information regarding market leads, linking potential sellers and buyers, and catalyzing the information of joint ventures, where appropriate;*

(2) *actively assist shall businesses in the development and formation of export trading companies, export management companies and research and development pools authorized under section 9 of this Act;*

(3) *work in conjunction with other Federal agencies, regional and local offices of the Administration, the Small Business Development Center network, and the private sector to establish a pilot program which must include, but need not be limited to, the following:*

(A) *the identification and publication of exiting translation services, including such services available through colleges and universities participating in the Small Business Development Center Program;*

(B) *the identification by name and language of each multilingual employee of the Administration in each Administration office and collection and publication of a list of such employee within each office;*

(C) *the establishment of a full-time position for one Administration regional office of a translator fluent in an language to be designated by the Administration who—*

(i) *shall be available to translate any document submitted by any small business through any Administration office of Small Business Development Center office;*

(ii) *shall be available to accompany any trade mission to a country whose population speaks the selected language; and*

(iii) shall report within one year of selection for this duty to the Administrator and the Committees on Small Business of the House of Representatives and the Senate regarding the utility and necessity of creating a permanent function of this nature within the Administration;

(4) work closely with the Department of Commerce to—

(A) develop a mechanism for collecting, analyzing, and periodically updating relevant data regarding the small business share of United States exports and the nature of State exports (including the production of Gross State Product figures) and disseminating the data to the small business community;

(B) make recommendations regarding revision of the SIC code to encompass industries currently overlooked and to create SIC codes for export trading companies and export management companies;

(C) improve the utility and accessibility of existing export promotion programs for small businesses;

(D) increase the accessibility of the Export Trading Company facilitating service; and

(E) alleviate obstacles in the export licensing system for small high technology companies;

(5) make available to the small business community information regarding conferences on small business issues, including international conferences, sponsored by the public and private sector;

[(1)] (6) provide small businesses with access to current and complete export information by—

(A) making available, at the Administration's regional offices through cooperation with the Department of Commerce, export information, including, but not limited to, the worldwide information and trade system and world trade data reports;

\* \* \* \* \*

[(2)] (7) encourage through cooperation with the Department of Commerce, greater small business participation in trade fairs, shows, missions, and other domestic and overseas export development activities of the Department of Commerce; and

[(3)] (8) facilitate decentralized delivery of export information and assistance to small businesses by assigning full-time export development specialists to each Administration regional office and assigning primary responsibility for export development to one person in each district office. Such specialists shall—

(A) assist small businesses in obtaining export information and assistance from other Federal departments and agencies;

\* \* \* \* \*

(d) The Office shall develop a program through which export specialists in the regional offices of the Administration, regional and

local loan officers, and Small Business Development Center personnel can facilitate the access of small businesses to relevant export financing programs of the Export-Import Bank of the United States and to export and pre-export financing programs available from the Administration. To accomplish this goal, the Office shall work in cooperation with the Export-Import Bank and the small business community, including small business trade associations, to—

(1) aggressively market existing Administration export financing and pre-export financing programs;

(2) identify financing available under various Export-Import Bank programs, and aggressively market those programs to small businesses;

(3) assist in the development of financial intermediaries and other multipliers and facilitate the access of those intermediaries to existing financing programs;

(4) create the capability within the Administration's regional and local offices to prepare and facilitate the processing of Export-Import Bank loan applications on behalf of small businesses;

(5) promote greater participation by private financial institutions, particularly those institutions already participating in loan programs under this Act, in export finance; and

(6) provide for the participation of appropriate Administration personnel in training programs conducted by the Export-Import Bank.

(e) The Office shall establish a Trade Assistance Division which shall—

(1) work in cooperation with other Federal agencies to assist small businesses in initiating, preparing for, and participating in any proceedings relating to the administration of the United States trade laws;

(2) assist small businesses in collecting appropriate data necessary to continue trade remedy proceedings; and

(3) work with the Department of Commerce, the Office of the United States Trade Representative, and the International Trade Commission to facilitate access to trade remedy procedures for small businesses.

(f) The Office shall establish a committee to be chaired by the Administrator with representation from other relevant agencies which would—

(1) monitor export control policy and export licensing procedures on an ongoing basis;

(2) develop mechanisms for providing assistance to small businesses regarding export control policy and export licensing procedures; and

(3) make recommendations for streamlining and expediting the export licensing procedures for smaller firms.

(g) The Office shall report to the Committees on Small Business of the House of Representatives and the Senate on a semiannual basis as to its progress in implementing the requirements under this section.