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## INTRODUCTION

Let me briefly make a few comments concerning small business and exports. There have been a number of developments in recent weeks which may be of interest to you.

## THE TRADE TALKS AND PROCUREMENT

In hearings, which I chaired in April of this year, the Senate Small Business Committee considered the impact of the Multilateral Trade Negotiations on

small business contracts with the government.

There are currently set-aside programs which assure that a certain proportion of a government agency's contracts go to small businesses. In addition, we also have a "Buy American" program -- which gives large and small firms a preference over foreign companies in bidding for contracts with the federal government.

Other countries have similar provisions and, consequently, many U.S. companies were effectively excluded from competing for those large overseas government contracts.

In testimony before the Small Business Committee, Special Trade Representative Robert Strauss informed us that an International Procurement Code has been negotiated which removes most government preference schemes. In order to open up foreign contracts, valued at some \$20 billion, he admitted that we also had to open up some of our contracting.

Well, this brought expressions of concern from the Committee. Small business was concerned about losing yet another market to foreign imports.

Ambassador Strauss noted that he had negotiated

several exclusions to this Code. First, certain agencies tied to our national security are exempted and will retain their preference or set-aside programs. These agencies include NASA, the Departments of Defense and Energy and others.

Second, only contracts over \$190,000 in value are covered by the Code, thus reserving contracts at less than \$190,000 for U.S. companies. All construction and service contracts are excluded from the Code and all GSA handtool purchases remain primarily U.S. business areas.

Third, all grant monies provided to the States for government purchases are reserved for U.S. companies.

The net effect is that even in the future some 85% of U.S. procurement contracting is reserved for domestic bidding and competition.

Additionally, the Code provides that countries which do not open up their government contracting to U.S. companies would be denied access to U.S. procurement contracts. Japan, particularly, has been reluctant to open government contracts to foreign

bidding. Ambassador Strauss and President Carter are continuing to address this problem.

In summary, much of our government procurement will be open to foreign bidding competition. We must give something in order to get something.

I want to assure you that in reviewing the final treaty provisions, which have yet to reach the Senate, I will be carefully examining the details of the International Procurement Code for its impact on small-business enterprises.

## EXPORTING

Still, I am concerned that the focus is on losing part of a market rather than enthusiasm on gaining new opportunities. One of these opportunities is exports.

Ambassador Strauss pointed out that the Multilateral Trade Agreement is only a beginning for small business. It sets the stage and creates the rules for international competition. Those \$20 billion in government contracts around the world will be fought for by many nations and it is imperative that we mount

an effort to have our small enterprises get a part of that market.

Let me state that the major problem we face today is one of attitude.

I am aware that in this country, it is difficult enough to get through government red tape in order to send a product to Peoria, Illinois, without even thinking about Paris, France. Yet, many small companies think nothing about shipping a product across our continent, while it is really not much farther across the Atlantic.



Because of our large domestic market, we have never really appreciated the importance of exporting. As one speaker said in the hearings, the Europeans and Japanese have "export-led" economies and we have not developed an export mentality. But, let me tell you in one short phrase -- those days are over.

The trade deficit we face of some \$30 billion a year can be helped by reducing imports and controlling our inflation rate. But the time has come to export our way out of this deficit. I noted that in the first quarter of this year, deficit figures for the first time indicated that while we imported 8% more foreign oil,

this was made up by greater exports.

The rest of the world has grown up knowing that they must export. Our export market has remained at about 6.2% of our Gross National Product. Japan exports to the tune of 14% of its GNP and Germany trades some 23% of its GNP. In the last few years, the U.S. share of exported manufactured goods has actually declined. In Germany, a company knows that it must consider making a car that fits air pollution standards in the U.S. and which will fit on narrow English or Japanese roads. It knows to print product information and labelling in the native tongue

of the country to which it is exporting. It knows that its marketing people must speak the language. It knows all of this because it has had to export to survive.

In the U. S., the greatest problem remains information. In a survey by the National Federation of Independent Business, 90% of small businessmen indicated that they knew little or nothing about the DISC program, 88% were unaware of export-import bank assistance and 78% did not know of special small business programs at the Department of Commerce.

Personally, I see the challenge for all business large and small in the United States for the decades ahead as meeting the export issue head on. There is no getting out of this and there is no escape. We must develop an export mentality and we must export.

#### FEDERAL EXPORT PROMOTION

Let me mention to you some of the important items which are coming up before the federal government in this area.

The Banking Committee, on which I serve, has held hearings on our export promotion activities and the President has submitted a program for export

promotion. I feel that this effort should get a high priority by the Congress.

During testimony before the Small Business Committee, I asked Ambassador Robert Strauss how he would characterize our current export promotion activities. His reply was "BUM". When I asked him to expand on that point, he replied "REAL BUM."

Now, it is essential that the federal government coordinate its efforts on exporting which are currently spread through some 200 agencies. The federal government must act to assist, rather than hinder, exports.

Of the 50,000 small business firms with export potential, less than half are doing so. Indeed, at present, 100 U.S. firms account for 50% of our total exports and 250 account for 75%.

On the Banking Committee, we will consider the problems created by the government in the areas of export financing, red tape, health and safety regulations, limitations on government loan guarantees and insurance, and other matters for which the government is responsible.

The federal government can provide dynamic assistance to large and small businesses to stimulate export. Translation facilities, information gathering

and counseling in overseas matters are all functions of a federal program.

## STATE PROGRAMS

There is a need, however, to emphasize the important role that the States must play in export promotion.

While a lot of money comes from the federal government, it is really the States which know the people, know who has the potential for export and who will respond to export promotion.

North Carolina has one of the finest export programs around. With our office in Dusseldorf,

West Germany, and a Japanese-speaking representative contracted with the Department of Commerce, the State has done much to assist North Carolina businesses in taking advantage of European and Japanese trade opportunities. - This type of activity needs to be encouraged.

I believe that the States will have a major part to play in encouraging small businesses to take advantage of foreign government procurement. I want you to know that I have taken action just this past week to assist the States in their efforts.



In a mark-up of the authorization bill for the Small Business Administration, I was able to have added a separate title called the "Small Business Export Assistance Project of 1979".

Under this new title, SBA is directed to study its current export programs, to develop a plan of comprehensive action and to submit it to the Congress within 120 days for our review.

The strongest criticism of SBA is that it has been disorganized and that insufficient manpower is directed at the important areas of procurement and

export assistance. This amendment requires the SBA to devote more resources to export promotion, while coordinating the SBA's efforts with other federal agencies. We must correct the situation where SBA proudly announces that it has targeted \$100 million in loan guarantees for small exporters, but makes less than \$20 million in such guarantees.

I know of nothing more frustrating than calling a government agency and being told that they don't know the answer or who to call to find out. Small business needs assistance; big business already has the staff and time. This amendment should enable the SBA to provide positive assistance to small businesses desiring to export.

The exciting part of this amendment, however, is a section which directs the Small Business Administration to develop a plan for a State matching grant program. The SBA is directed to produce a plan for making grants to States which seek to begin or to expand an existing small business export project. Once the plan is submitted, we will then work to provide funding, with the expectation that this would reach \$5 million in the first year.

I will be working to insure that the matching grant program has reasonable criteria and minimal

paperwork requirements. I want to have the federal government on record as assisting and in partnership with progressive State programs for encouraging small business exporting. Work remains to be done with this amendment, but I hope that by this time next year, I will be able to tell you that a working, federal grant program exists.

In this way, I believe that small business can benefit from the new international trade arrangements. In this way, the federal government will be helping those companies which stand to lose something by the new rules.

Personally, I welcome the new procurement code. It represents a challenge for all businesses, large and small. I am confident that our businessmen have the skill and ability to win out in the competition for foreign government contracts.

### CONCLUSION

I am a strong supporter of small business. Today, over 50% of all innovations come from small businesses, and productivity in small enterprises is about 1 1/2 times as great as in larger firms.

Government procurement and set-aside programs have been beneficial. I want you to know that under the new International Procurement Code, most small business procurement markets are preserved. But rather than worry over what may be lost, I want to encourage you to consider what may be gained.

The international procurement market is a large one. I intend to assist you in gaining a share of that market.