

SBA TRADE PROGRAMS ACT OF 2007

SEPTEMBER 4, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Ms. VELÁZQUEZ, from the Committee on Small Business,
submitted the following

R E P O R T

[To accompany H.R. 2992]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 2992) to amend the Small Business Act to improve trade programs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

	Page
I. Purpose of the Bill and Summary	5
II. Background and Need for Legislation	6
III. Hearings	7
IV. Committee Consideration	8
V. Committee Votes	8
VI. Section-by-Section Analysis of H.R. 2992	8
VII. Congressional Budget Office Cost Estimate	12
VIII. Committee Estimate of Costs	14
IX. Oversight Findings	14
X. Statement of Constitutional Authority	14
XI. Compliance With Public Law 104-4	14
XII. Congressional Accountability Act	14
XIII. Federal Advisory Committee Statement	14
XIV. Statement of No Earmarks	15
XV. Performance Goals and Objectives	15
XVI. Changes in Existing Law Made by the Bill, as Reported	15

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “SBA Trade Programs Act of 2007”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—SMALL BUSINESS TRADE POLICY

Sec. 101. Develop and implement small business trade policies.

Sec. 102. Establish an annual small business trade strategy.

Sec. 103. Track small business exports and trade resource utilization.

TITLE II—TRADE COMPLIANCE PROGRAMS

Sec. 201. Trade Remedy and Dispute Assistance Initiative.

Sec. 202. Patent Assistance and Intellectual Property Protections Initiative.

TITLE III—TRADE ADJUSTMENT ASSISTANCE FOR SMALL BUSINESSES

Sec. 301. Trade Adjustment Assistance Financing Initiative.

Sec. 302. Technical resources for trade adjustment assistance.

TITLE IV—EXPORT ASSISTANCE

Sec. 401. Increase Small Business Administration participation at Export Assistance Centers.

Sec. 402. Increase access to capital for small and medium-sized exporters.

Sec. 403. Clerical amendment.

TITLE V—AUTHORIZATION OF APPROPRIATIONS

Sec. 501. Authorization of appropriations.

TITLE I—SMALL BUSINESS TRADE POLICY**SEC. 101. TRADE POLICY FOR SMALL BUSINESS.**

Section 22 of the Small Business Act (15 U.S.C. 649) is amended by adding at the end the following:

“(h) **ROLE IN TRADE POLICY.**—

“(1) **RECOMMENDATIONS.**—The director of the Office shall present recommendations regarding small business exporters to trade negotiators.

“(2) **DEVELOPMENT OF TRADE POLICIES.**—The director of the Office shall assist in the development of trade policies that increase opportunities for small businesses in domestic and foreign markets, including the removal of trade barriers.

“(3) **IMPLEMENTATION OF TRADE POLICIES.**—The director of the Office shall assist in the implementation of trade policies through relationships developed with Federal trade policymakers, particularly the United States Trade Representative, and transnational organizations, such as the Organization for Economic Co-operation and Development.

“(4) **SMALL EXPORTER PROMOTION PROGRAMS.**—The director of the Office shall establish programs that will boost the export opportunities of entrepreneurs and encourage transnational organizations, such as the Organization for Economic Co-operation and Development, small exporter organizations, and ministries of foreign governments to support and publicize these programs.

“(5) **STRATEGIC ALLIANCES.**—

“(A) **CONGRESSIONAL NOTIFICATION.**—The director of the Office shall notify the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate of pending strategic alliances.

“(B) **FOLLOW-UP ACTIVITIES.**—The director of the Office shall ensure that planned and documented follow-up activities for strategic alliances increase trade opportunities for small businesses.

“(C) **STRATEGIC ALLIANCE DEFINED.**—In this paragraph, the term ‘strategic alliance’ means a working relationship, entered into between the Small Business Administration and foreign national ministries representing small business concerns, for the purpose of strengthening trade between United States small businesses and foreign small businesses by establishing overseas networks and buyers.”.

SEC. 102. ESTABLISH AN ANNUAL SMALL BUSINESS TRADE STRATEGY.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(i) **ANNUAL SMALL BUSINESS TRADE STRATEGY.**—

“(1) **IN GENERAL.**—The director of the Office shall develop and maintain a small business trade strategy that is contributed as part of the National Export Strategy developed by the Department of Commerce that includes at least the following components:

“(A) Strategies to increase small business export opportunities. The strategies shall include a specific strategy to increase small business export opportunities to the Asia Pacific Region.

“(B) Recommendations to increase the competitiveness of domestic small business industries in the global economy.

“(C) Recommendations to protect small businesses from unfair trade practices, including intellectual property violations.

“(D) Strategies to expand small business representation in United States trade policy formation and implementation.

“(E) Coordination efforts with the Trade Promotion Coordinating Committee of the Department of Commerce, as well as with Federal agencies that also provide trade financing to small businesses, such as the Overseas Private Investment Corporation and the Export-Import Bank.

“(2) REPORT.—At the beginning of each fiscal year, the director shall submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report on the small business trade strategy required by paragraph (1). The report shall cover, at a minimum, each of the components required by paragraph (1) and shall include specific policies and objectives and timelines to implement those policies and objectives.”

SEC. 103. TRACK SMALL BUSINESS EXPORTS AND TRADE RESOURCE UTILIZATION.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(j) TRACKING SYSTEM.—

“(1) IN GENERAL.—The director of the Office shall develop a system to track small business exports and the use by small businesses of Federal trade promotion resources. The director shall ensure that the system is consistent through each Federal agency member of the Trade Promotion Coordinating Committee.

“(2) DESIGN EMPHASIS.—The director shall give particular attention, in designing the system, to the tracking of data on the trade of services by small exporters, in consultation with the Department of Commerce.

“(3) IMPLEMENTATION.—The director shall work in consultation with members of the Trade Promotion Coordinating Committee to ensure that the system is implemented and that the results of the system are reported annually in the National Export Strategy conducted by the Trade Promotion Coordinating Committee.”

TITLE II—TRADE COMPLIANCE PROGRAMS

SEC. 201. TRADE REMEDY AND DISPUTE ASSISTANCE INITIATIVE.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(k) TRADE REMEDY AND DISPUTE ASSISTANCE INITIATIVE.—The director of the Office shall design, and the district offices of the Administration shall implement, a program that provides technical assistance, counseling services, and reference materials to assist small businesses navigate the trade dispute and remedy processes. The program shall include—

“(1) information on available resources, procedures, and requirements for trade remedy investigations;

“(2) an approach for district office staff to provide one-on-one assistance to small businesses involved in these activities; and

“(3) an identification of legal resources and other tools to ensure small businesses can navigate the trade dispute and remedy processes affordably.”

SEC. 202. PATENT ASSISTANCE AND INTELLECTUAL PROPERTY PROTECTIONS INITIATIVE.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(l) PATENT ASSISTANCE AND INTELLECTUAL PROPERTY PROTECTIONS INITIATIVE.—In consultation with the United States Patent and Trademark Office and the United States Copyright Office, the Office shall design counseling services, including identifying legal resources for small businesses to secure intellectual property protection in foreign countries. To implement the program, the Office shall collaborate with district office staff to provide one-on-one assistance to small businesses involved in these activities.”

TITLE III—TRADE ADJUSTMENT ASSISTANCE FOR SMALL BUSINESSES

SEC. 301. TRADE ADJUSTMENT ASSISTANCE FINANCING INITIATIVE.

Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended—

(1) in paragraph (2)(D) by inserting after “paragraph (14)(A),” the following: “or to participate in a loan made under paragraph (16),”; and

(2) in paragraph (16)—

(A) in subparagraph (D) by striking clauses (i) and (ii) and inserting the following:

“(i) is impacted by—

“(I) increased competition with foreign firms in the relevant market; or

“(II) unfair trade practices, particularly intellectual property violations; and

“(ii) is injured by such impacts.”; and

(B) by adding at the end the following:

“(E) OUTREACH AND MARKETING.—The Administration shall increase outreach and marketing of international trade loans to district offices and private lenders.”.

SEC. 302. TECHNICAL RESOURCES FOR TRADE ADJUSTMENT ASSISTANCE.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(m) TECHNICAL RESOURCES FOR TRADE ADJUSTMENT ASSISTANCE.—

“(1) IN GENERAL.—The director of the Office shall establish a comprehensive set of services to assist small business readjustment, including access to training, technology, marketing assistance, and research and information on domestic and global markets.

“(2) IMPLEMENTATION.—The Administrator shall, by regulation, establish such requirements as may be necessary to carry out paragraph (1).

“(3) OUTREACH.—The Office shall work with the district offices and the outreach business assistance centers of the Administration, including Small Business Development Centers, Women’s Business Centers, and SCORE, to offer the set of services established under paragraph (1) to small businesses in their local communities.”.

TITLE IV—EXPORT ASSISTANCE

SEC. 401. INCREASE SMALL BUSINESS ADMINISTRATION PARTICIPATION AT EXPORT ASSISTANCE CENTERS.

Section 22 of the Small Business Act (15 U.S.C. 649), as amended by this Act, is further amended by adding at the end the following:

“(n) TRADE FINANCE POSITIONS.—

“(1) ADDITIONAL TRADE FINANCE SPECIALISTS.—

“(A) IN GENERAL.—The Office, over the 1-year period beginning on the date of the enactment of this subsection, shall increase the number of trade finance specialists at Export Assistance Centers by at least 6 and thereafter shall maintain the number of such trade finance specialists at or above that number. Candidates for the positions are required to have sufficient qualifications and experiences.

“(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out subparagraph (A) such sums as may be necessary.

“(2) FILLING VACANT POSITIONS.—The Office, over the 3-month period beginning on the date of the enactment of this subsection, shall fill all trade finance positions that have been vacant since 2003. Candidates for the positions are required to have sufficient qualifications and experiences.

“(3) FILLING GAPS IN HIGH-EXPORT-VOLUME AREAS.—The director of the Office shall—

“(A) not later than 1 year after the date of the enactment of this subsection, carry out a national study to compare the rate of exports from each State and major metropolitan region to the availability of Administration staff participating in Export Assistance Centers in such State or region;

“(B) not later than 2 years after such date of enactment, design a formula to eliminate gaps between supply of, and demand for, such staff in areas with high export volumes; and

“(C) request the additional staff that are required to eliminate such gaps and place them in those areas.”.

SEC. 402. INCREASE ACCESS TO CAPITAL FOR SMALL AND MEDIUM-SIZED EXPORTERS.

Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended—

(1) in paragraph (2)(D) by amending the heading to read as follows: “PARTICIPATION UNDER EXPORT WORKING CAPITAL AND INTERNATIONAL TRADE PROGRAMS”; and

(2) in paragraph (3)—

(A) in subparagraph (A) by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”;

(B) by redesignating subparagraphs (B) and (C) as (C) and (D), respectively;

(C) by inserting after subparagraph (A) the following:

“(B) if the total amount outstanding and committed (by participation or otherwise) solely for the purposes provided in paragraphs (14)(A) and (16) to the borrower from the business loan and investment fund established by this Act would exceed \$2,250,000 (or if the gross loan amount would exceed \$3,000,000), except as provided in subparagraph (C);”;

(D) in subparagraph (C) (as so redesignated) by striking “\$1,750,000, of which not more than \$1,250,000” and inserting “\$2,250,000, of which not more than \$1,600,000”.

SEC. 403. CLERICAL AMENDMENT.

Section 22(c)(5) of the Small Business Act (15 U.S.C. 649) is amended by striking the period at the end and inserting a semicolon.

TITLE V—AUTHORIZATION OF APPROPRIATIONS

SEC. 501. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out this Act and the amendments made by this Act.

I. PURPOSE AND SUMMARY

As market barriers fall across the globe due to trade liberalization, small businesses have benefited from the increased availability of foreign goods and access to vast new markets. However, these firms face significant challenges as a result of globalization, including the need for greater levels of financing for exports as well as resources to stay competitive against foreign producers. Consequently, the Small Business Administration (SBA) has largely focused on removing obstacles to small firms’ success in domestic markets. H.R. 2992, the SBA Trade Programs Act of 2007, amends key sections of the Small Business Act to enhance the agency’s institutional focus on the global pressures and opportunities for small businesses operating in a market without borders. The legislation targets resources for the agency’s export assistance programs and establishes a new mandate to help small businesses prepare for competition against increasing foreign competitors in domestic and global markets.

H.R. 2992 modernizes the agency’s trade programs through four components. Title I provides for the agency’s increasing role integrating small business needs into international trade commitments and national policies. It also mandates that the agency develop and coordinate the implementation of a small-business based trade strategy and a system to track these firms’ benefits from the use of Federal trade promotion resources. Title II helps to ensure that small businesses can participate in a level playing field in the globalized economy by creating tools to prepare against unfair

trade practices, such as intellectual property violations. Trade remedy and dispute assistance tools are created as well as technical assistance for firms to safeguard their patents, trademarks and copyrights in foreign countries. Title III establishes trade adjustment assistance resources for small firms dislocated due to global economic trends. A comprehensive set of services will be developed by the agency's Office of International Trade, including technical and financial resources to aid firms update their enterprises and remain at the cutting edge of their industries. Title IV was designed to facilitate export transactions by small firms and to reduce the risk to private banks for lending to small firms for overseas transactions. Financing and technical assistance resources at the agency are expanded for eligible small and medium sized exporters. The legislation, overall, establishes a comprehensive set of resources at the agency to help small firms overcome significant trade barriers while new markets are opened. Through the bill, it is expected that these firms will have additional resources to access new markets and opportunities to expand their enterprises.

II. BACKGROUND AND NEED FOR LEGISLATION

Although small businesses have demonstrated success and interest in retaining a share of global markets, their corporate counterparts continue to perform at a significant advantage in the current integrated economic structure. This is most clearly demonstrated by the fact that although small and medium sized businesses represent nearly all U.S. exporters, they only generate 30 percent of revenues from these activities. It is likely that this imbalance will continue as large firms have experienced faster growth rates in export-based revenues, 72 percent, than smaller firms, 54 percent. Therefore, these businesses face challenges growing in foreign markets even as the economy becomes globalized.

Small firms have recognized the limits to their competitiveness with larger firms in world markets and have responded accordingly. Recent surveys have found a direct relationship between the size of a firm and its rate of "internationalization"—the larger the firm, the more likely it is to trade in foreign markets. Small firms are consequently losing critical opportunities and becoming less competitive as a result, even though they would particularly benefit from expansion into new markets, thereby increasing their consumer demand, return on investment, and resources for constant innovation.

There are several obstacles creating an unequal playing field for small businesses as the economy becomes globalized. These must be addressed to ensure all firms, especially those with significant potential to benefit from international engagement, can succeed in domestic and global markets.

Transaction costs

With fewer resources to expend on training and compiling information on international agreements, foreign transactions are more difficult for these firms. Due to their limited production, small exporters have higher transaction costs and therefore are constrained in the volume and risk that they can undertake in international commercial opportunities. Consequently, they consistently enter fewer foreign markets than large firms. In 2002, 62 percent of

these firms posted sales to only one foreign market, while more than half of large firms exported to five or more markets. A limitation for small businesses integration into world markets is their lack of adequate connections abroad and resources to develop buyers for goods. In fact, larger firms are twice as likely as small firms to have affiliates abroad to process exports into foreign markets. Consequently, these firms have fewer opportunities to identify and market their goods to foreign consumers.

Regulatory obstacles

Small businesses also struggle with the numerous customs requirements, which limit their access to foreign markets. A study this year by the Organization of Economic Cooperation and Development indicated that regulatory complexity across markets impedes free trade and investment. This is especially true for small businesses that must expend a disproportionate amount of their resources processing local, federal, and international regulations compared to their corporate counterparts. The disproportionate burden of complex regulations impedes small firms from taking full advantage of the system of free trade.

Import effects

Small firms are also impacted by the elimination of market barriers, such as tariffs, due to trade commitments that allow foreign producers to gain increased access to domestic consumers. With higher per-unit expenses, they face steep competition from low-cost producers. As imported products have grown exponentially in the United States, many of these firms and the industries they dominate have disappeared from local and national economies.

To ensure small firms can thrive in a globalized marketplace, the legislation readies the SBA to meet the needs of those entrepreneurs that are adjusting to rapidly changing economic conditions. The SBA Trade Programs Act of 2007 establishes a comprehensive set of resources and tools at the agency so that domestic assistance programs also reflect the international-oriented demands of small businesses.

III. HEARINGS

On June 13, 2007, the Committee on Small Business held a hearing on the impacts of US trade policies upon small businesses. Witnesses representing manufacturing, service, and agricultural sectors discussed foreign and domestic market access issues facing small firms as a result of trade liberalization. The hearing also highlighted the implications of inadequate representation for this sector in the negotiation and implementation of international commitments. On July 5, 2007, a hearing was held to examine the current legislation, which was designed to address these issues. The testimony underscored the need for enhanced export assistance and the creation of trade compliance resources at the agency, which were included in the legislation. The purpose of the hearings was to examine and design small business-based trade policies that support these firms' competitiveness in the globalized economy while improving the nation's trade balance.

IV. COMMITTEE CONSIDERATION

The Committee on Small Business, a quorum being present, met in open session on July 19, 2007 to consider H.R. 2992.

V. COMMITTEE VOTES

The Committee on Small Business ordered H.R. 2992 reported to the House, as amended by an amendment in the nature of substitute, by a voice vote at 10:18 a.m.

VI. SECTION-BY-SECTION ANALYSIS OF H.R. 2992

Section 1. Short title; table of contents

This section includes a short title and the table of contents.

TITLE I

Section 101. Trade policy for small business

This section formalizes SBA's role assisting in the development and implementation of trade policy. Commensurate with international policy, the agency's mandate is expanded to represent small business needs in relationships between the Office of International Trade (OIT) and federal trade policy makers, particularly the U.S. Trade Representative (USTR) and transnational organizations, such as the Organization for Economic Cooperation and Development. It is also the task of the OIT Director to establish programs that will boost entrepreneurs' exports and direct small exporter organizations and Ministries of foreign governments to enact these initiatives. Strategic Alliances, which the agency has increasingly established with Ministries of foreign governments representing small businesses, have also been formalized through the bill. These agreements, their purpose, and expectations are defined by the legislation to ensure they benefit small U.S. businesses.

In its implementation of the requirement, the Committee intends that the agency will establish recommendations on trade policies in order to expand opportunities for small businesses rather than establishing a separate trade policy. Further, the agency is expected to increase its responsibility to represent these firms in the decision-making and implementation process for trade policies. This is consistent with the existing framework in which the USTR serves to coordinate and negotiate trade policy for all U.S. industries, including small businesses.

SBA is expected to serve a similar role in policy making as many other federal agencies, including the U.S. Departments of Commerce and Agriculture. The agency should increase its efforts to reflect small business needs in the globalizing economy particularly due to the industry's lack of representation through a formal negotiator at the USTR. As additional international agreements are implemented, the SBA is responsible for filling gaps in the representation of small businesses in order for these firms to benefit from the system of free trade.

Section 102. Establish an annual small business trade strategy

The agency's OIT is mandated to develop an annual small business trade strategy in coordination with and to inform the nation's plans for global economic integration. The strategy will be in the

form of a report and include at least the following components: strategies to increase exports, including priority markets and industries; plans to increase the competitiveness of domestic small business industries in the global economy; plans to protect small businesses from unfair trade practices, including intellectual property violations and import dumping; strategies to expand small business representation in US trade policy formation and implementation; and coordination efforts with other trade-related Federal agencies, such as the Overseas Private Investment Corporation and the U.S. Export-Import Bank. To increase its effectiveness, the report must include specific policies and a timeline for the implementation of its objectives.

In compliance with international obligations restricting export subsidies, a component within the agency's mandated small business trade strategy was modified to focus upon the removal of trade barriers rather than providing assistance to firms contingent upon overseas sales. SBA's limited role in determining unfair trade practices is reflected by restricting the actions that the agency can take against import dumping.

The plan should be designed and enacted by the beginning of the fiscal year to be coordinated with budget decisions. This will ensure that the agency effectively employs its resources to meet the objectives of the trade strategy. The Committee also expects the agency to consider and implement the trade strategy in collaboration with appropriate state officials and their trade promotion programs.

Section 103. Track small business exports and trade resource utilization

A new mandate requires the agency to ensure federal trade promotion resources benefit small businesses. The OIT Director is responsible for creating a system to track small business exports and use of federal trade promotion resources. Methodological consistency across all agencies is required in the survey; for example, by tracking the number of small and medium sized business export sales transactions per year facilitated through each federal entity of the Trade Promotion Coordinating Committee (TPCC). Particular attention will be given to designing a system that tracks data on the trade of services by small exporters in consultation with the Department of Commerce. The Director of OIT shall also work in consultation with TPCC members to implement the system and report the results annually in the National Export Strategy, conducted by the TPCC.

The Committee expects the agency to immediately begin, following the legislation's enactment, examining ways to develop the system and coordinate its results with TPCC members. For data that is not accessible, the agency must work with the Department of Commerce to develop, compile, and distribute relevant information regarding small business exports.

TITLE II

Section 201. Trade remedy and dispute assistance initiative

SBA's OIT is responsible for providing technical assistance to small businesses involved in trade remedy investigations or prosecuting trade dispute cases. The Division is required to design

counseling services and reference materials to assist small businesses navigate the trade dispute and remedy processes. To implement the program, OIT staff will train district staff to provide one-on-one assistance to small businesses involved in these activities.

It is not the expectation of the Committee that the SBA will supersede other federal agency's responsibilities to enforce trade laws. Instead, the agency is required to fill gaps in services which assist small business file trade disputes and request trade remedy investigations. The Committee recognizes that the President has given responsibility of filing and prosecuting trade disputes to USTR, the Department of Commerce is the lead agency for dealing with unfair trade laws, dumping, and unfair foreign government subsidies. Yet, the SBA is capable of providing appropriate tools which can ensure small firms can prosecute their rights and protect their assets against unfair trade practices.

Section 202. Patent assistance and IP protections initiative

In consultation with the U.S. Patent and Trademark Office, the OIT will design counseling services, including identifying legal resources, to small businesses taking legal action to secure their patent rights in foreign countries. OIT staff and district staff will collaborate on the implementation of this program to serve small businesses involved in these activities.

A portion of the section's terminology has been modified to clarify that the agency is required to assist small businesses secure intellectual property protection available in foreign markets. Through its network of service providers that small businesses currently patronize, the Committee expects the agency to effectively implement this provision by providing the outreach and training to assist these firms. Further, given the particular obstacles small businesses face identifying legal resources in their pursuit of patent protections, the agency's staff must have the expertise needed to effectively address these firms' needs.

TITLE III

Section 301. Trade adjustment assistance financing initiative

Eligibility requirements for International Trade Loans are expanded through this provision to include those firms impacted by unfair trade practices. The 90-percent guarantee for the Export Working Capital program shall apply to International Trade Loans.

Updates to the provision's standards for financing assistance ensure its compliance with the Antidumping Act and the World Trade Organization's regulatory framework. Import dumping as a specific category for lending assistance is eliminated. This will ensure that the appropriate agencies maintain the authority for determining injuries from this trade practice. The specific financing assistance category for firms impacted by currency devaluation practices is also removed to ensure the bill conforms to the current countervailing duty law which does not recognize this action as creating an unfair subsidy. The committee, however, expects the agency to ensure that all small businesses impacted by unfair trade practices are eligible for trade adjustment financing assistance.

Section 302. Technical resources for trade adjustment assistance

SBA's OIT is required to design a comprehensive set of services to assist small businesses readjust to global economic conditions, including the creation of programs that provide assistance to dislocated firms and employees: Management and technical training; access to technology; marketing assistance; as well as research on domestic and global markets. These initiatives will be posted for public comment. These adjustment tools are to be provided to small businesses through OIT's collaboration with the agency's outreach business assistance centers, including its Small Business Development Centers, Women's Business enters, and SCORE program.

Although the Trade Adjustment Act is scheduled to be reauthorized later this year, the Committee believes that all eligible small businesses deserve access to these resources in a timely manner. Further, this section guarantees that these resources will be available to all eligible small businesses.

TITLE IV

Section 401. Increase access to capital for small and medium sized exporters

Loan sizes are increased for small businesses' trade related transactions. SBA participation in trade-related loans through either the International Trade or Export Working Capital programs or a combination of both is raised from \$1.5 million to \$2.25 million; gross amounts are increased from \$2 million to \$3 million.

Raising the loan limits will ensure that the SBA works in collaboration with the U.S. Export-Import Bank in providing adequate financing to small exporting firms. Given the Export-Import Bank's erratic financing levels to small businesses, despite its statutory mandate to provide 20% of lending resources to these firms, the Committee expects the SBA to ensure that entrepreneurs receive the level of funding necessary to undertake profitable export transactions.

Section 402. Expand participation at U.S. Export Assistance Centers (USEACs)

As domestic small businesses look for new markets and industries face increased competition for foreign competitors, the legislation expands technical assistance for overseas transactions. This reverses the decline in the agency's resources which have helped to maintain these firms' competitiveness in global markets, particularly against foreign companies receiving some form of national export subsidies. The legislation provides for the re-establishment of six trade finance specialists administered by the SBA previously serving in the Department of Commerce's U.S. Export Assistance Centers (USEAC). These staff will specifically assist small exporters to address financing challenges the sector faces, including identifying private lending resources and designing a financing strategy for overseas transactions. The agency is required to fulfill this requirement within the first year after the enactment of the legislation.

The agency's dwindling technical assistance resources for small businesses in high export volume areas have been reinforced through the section. Trade finance specialist positions that have

been vacant for several years, including staff designated for USEACs located in New Orleans and New York City must be filled immediately. These regions have critical connections to global markets and have been constrained in exporting activities as a result of inadequate technical assistance for small businesses.

Reducing gaps in the agency's supply of finance counseling for overseas transactions will be facilitated by the additional responsibility for the OIT Director to study, design, and implement a formula for the maintenance of new trade finance specialists. This will ensure that small businesses in regions with significant international ports and small exporter populations have access to financing and technical assistance in order to affordably and conveniently export their goods. Funds are authorized to fulfill this section, as needed.

The Committee expects that the agency requests adequate funding as authorized in the legislation to hire and maintain the trade finance specialists. Candidates for the trade finance specialist positions must possess sufficient qualifications and experiences. It is further expected that the agency permanently reverses its decline of these resources and instead expand this program.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

JULY 26, 2007.

Hon. NYDIA M. VELÁZQUEZ,
Chairwoman, Committee on Small Business,
House of Representatives, Washington, DC.

DEAR MADAM CHAIRWOMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2992, the SBA Trade Programs Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

H.R. 2992—SBA Trade Programs Act of 2007

Summary: H.R. 2992 would require the Small Business Administration's (SBA's) Office of International Trade (OIT) to develop policies and programs to increase the capacity of small businesses to engage in trade with foreign countries. The bill also would authorize SBA to increase the number of trade finance specialists working in SBA's export assistance centers. Finally, the bill would make several changes to the 7(a) loan program to ease the financial requirements for loan guarantees to small businesses engaged in international trade. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 2992 would cost \$2 million in 2008 and \$19 million over the 2008–2012 period. Enacting H.R. 2992 would not affect direct spending or revenues.

H.R. 2992 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no cost on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2992 is shown in the following table. The costs

of this legislation fall within budget function 370 (commerce and housing credit).

	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Additional Staff:					
Estimated Authorization Level	3	3	3	3	3
Estimated Outlays	2	3	3	3	3
Tracking System:					
Estimated Authorization Level	1	2	1	1	1
Estimated Outlays	*	2	1	1	1
Total:					
Estimated Authorization Level	4	5	4	4	4
Estimated Outlays	2	5	4	4	4

Note: * = Less than \$500,000

Basis of estimate: For this estimate, CBO assumes that H.R. 2992 will be enacted near the beginning of 2008, that appropriations will be provided in each fiscal year, and that spending will follow historical patterns. Based on information from SBA, CBO estimates that implementing H.R. 2992 would cost \$2 million in 2008 and \$19 million over the 2008–2012 period, assuming appropriation of the necessary amounts.

Additional Staff

H.R. 2992 would direct SBA to fill certain positions, which support trade financing for small businesses, that have been vacant since 2003. Further, SBA would be required to increase the number of trade finance specialists working at its export assistance centers within a year of enactment of the bill. Based on information from SBA, CBO estimates that ten additional staff positions (four to fill vacancies plus six authorized by the bill) would cost \$1 million in 2008 and \$9 million over the 2008–2012 period.

The bill would require SBA's Office of International Trade to develop strategies and programs to aid small businesses that are engaged in or affected by international trade. Based on information from SBA, CBO expects that an additional seven positions would be added to the OIT to develop programs that provide technical assistance and counseling in areas such as trade disputes and remedies as well as intellectual property protection. CBO estimates that the additional OIT staff would cost \$1 million in 2008 and \$5 million over the 2008–2012 period.

Tracking System

H.R. 2992 would require SBA to develop a system to track the volume of exports produced by small businesses. Based on information from SBA, CBO expects that the agency would test the tracking system using a pilot program in the first year, and move to full development of the system 2 years after enactment of the bill. CBO estimates that developing and maintaining the system would cost less than \$500,000 in 2008 and \$5 million over the 2008–2012 period.

SBA Loans

Finally, the bill would make changes to the 7(a) loan guarantee program, specifically, increasing the guarantee amount and the

maximum loan limit for loans that would be used for international trade or foreign market development. Based on information from SBA, CBO expects that these more advantageous loan terms would not have a significant effect on the cost of the program because of the small number of international trade loans. Further, because the 7(a) program operates at a zero subsidy (that is, the estimated cost of providing loan guarantees is covered by fees charged to borrowers and lenders), CBO estimates that implementing these changes would have no significant effect on the budget.

Intergovernmental And Private-Sector Impact: H.R. 2992 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no cost on State, local, or tribal governments.

Estimate prepared by: Federal Costs: Susan Willie; Impact on state, local, and tribal governments: Elizabeth Cove; Impact on the Private Sector: Jacob Kuipers.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

VIII. COMMITTEE ESTIMATE OF COSTS

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 2992. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

IX. OVERSIGHT FINDINGS

In accordance with clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2992 are incorporated into the descriptive portions of this report.

X. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, clause 18, of the Constitution of the United States.

XI. COMPLIANCE WITH PUBLIC LAW 104-4

H.R. 2992 contains no unfunded mandates.

XII. CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 2992 does not relate to the terms and conditions of employment or access to public services or accommodations with the meaning of section 102(b)(3) of P.L. 104-1.

XIII. FEDERAL ADVISORY COMMITTEE STATEMENT

H.R. 2992 does not establish or authorize the establishment of any new advisory committees.

XIV. STATEMENT OF NO EARMARKS

Pursuant to clause 9 of rule XXI, H.R. 2992 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of rule XXI.

XV. PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 2992 includes a number of provisions designed to update and to improve the Small Business Administration's international trade programs.

XVI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) 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. 7. (a) LOANS TO SMALL BUSINESS CONCERNS; ALLOWABLE PURPOSES; QUALIFIED BUSINESS; RESTRICTIONS AND LIMITATIONS.—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, equipment, 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 participate on an immediate or deferred (guaranteed) basis. These powers shall be subject, however, to the following restrictions, limitations, and provisions:

- (1) * * *
- (2) LEVEL OF PARTICIPATION IN GUARANTEED LOANS.—
 - (A) * * *

* * * * *

- (D) **[PARTICIPATION UNDER EXPORT WORKING CAPITAL PROGRAM]** *PARTICIPATION UNDER EXPORT WORKING CAPITAL AND INTERNATIONAL TRADE PROGRAMS.*—Notwithstanding subparagraph (A), in an agreement to participate in a loan on a deferred basis under the Export Working Capital Program established pursuant to paragraph (14)(A), or to participate in a loan made under paragraph (16), such participation by the Administration shall not exceed 90 percent.
- (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 \$1,500,000 (or if the gross loan amount

would exceed \$2,000,000), except as provided in **[(B)]** subparagraphs (B) and (C);

(B) if the total amount outstanding and committed (by participation or otherwise) solely for the purposes provided in paragraphs (14)(A) and (16) to the borrower from the business loan and investment fund established by this Act would exceed \$2,250,000 (or if the gross loan amount would exceed \$3,000,000), except as provided in subparagraph (C);

[(B)] *(C) 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 **[\$1,750,000, of which not more than \$1,250,000]** \$2,250,000, of which not more than \$1,600,000 may be used for working capital, supplies, or financings under section 7(a)(14) for export purposes; and*

[(C)] *(D) 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.*

* * * * *
(16) INTERNATIONAL TRADE.—
(A) * * *

* * * * *
(D) ADVERSELY AFFECTED BY INTERNATIONAL TRADE.—

For purposes of this paragraph, a small business concern is adversely affected by international trade if, as determined by the Administrator, the small business concern—

[(i) is confronting increased competition with foreign firms in the relevant market; and

[(ii) is injured by such competition.]

(i) is impacted by—

(I) increased competition with foreign firms in the relevant market; or

(II) unfair trade practices, particularly intellectual property violations; and

(ii) is injured by such impacts.

(E) OUTREACH AND MARKETING.—The Administration shall increase outreach and marketing of international trade loans to district offices and private lenders.

* * * * *
SEC. 22. (a) * * *

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

(1) * * *

* * * * *

(5) make available to the small business community information regarding conferences on exporting and international trade sponsored by the public and private sector**【.】**;

* * * * *

(h) ROLE IN TRADE POLICY.—

(1) RECOMMENDATIONS.—The director of the Office shall present recommendations regarding small business exporters to trade negotiators.

(2) DEVELOPMENT OF TRADE POLICIES.—The director of the Office shall assist in the development of trade policies that increase opportunities for small businesses in domestic and foreign markets, including the removal of trade barriers.

(3) IMPLEMENTATION OF TRADE POLICIES.—The director of the Office shall assist in the implementation of trade policies through relationships developed with Federal trade policy-makers, particularly the United States Trade Representative, and transnational organizations, such as the Organization for Economic Co-operation and Development.

(4) SMALL EXPORTER PROMOTION PROGRAMS.—The director of the Office shall establish programs that will boost the export opportunities of entrepreneurs and encourage transnational organizations, such as the Organization for Economic Co-operation and Development, small exporter organizations, and ministries of foreign governments to support and publicize these programs.

(5) STRATEGIC ALLIANCES.—

(A) CONGRESSIONAL NOTIFICATION.—The director of the Office shall notify the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate of pending strategic alliances.

(B) FOLLOW-UP ACTIVITIES.—The director of the Office shall ensure that planned and documented follow-up activities for strategic alliances increase trade opportunities for small businesses.

(C) STRATEGIC ALLIANCE DEFINED.—In this paragraph, the term “strategic alliance” means a working relationship, entered into between the Small Business Administration and foreign national ministries representing small business concerns, for the purpose of strengthening trade between United States small businesses and foreign small businesses by establishing overseas networks and buyers.

(i) ANNUAL SMALL BUSINESS TRADE STRATEGY.—

(1) IN GENERAL.—The director of the Office shall develop and maintain a small business trade strategy that is contributed as part of the National Export Strategy developed by the Department of Commerce that includes at least the following components:

(A) Strategies to increase small business export opportunities. The strategies shall include a specific strategy to increase small business export opportunities to the Asia Pacific Region.

(B) Recommendations to increase the competitiveness of domestic small business industries in the global economy.

(C) Recommendations to protect small businesses from unfair trade practices, including intellectual property violations.

(D) Strategies to expand small business representation in United States trade policy formation and implementation.

(E) *Coordination efforts with the Trade Promotion Coordinating Committee of the Department of Commerce, as well as with Federal agencies that also provide trade financing to small businesses, such as the Overseas Private Investment Corporation and the Export-Import Bank.*

(2) *REPORT.—At the beginning of each fiscal year, the director shall submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report on the small business trade strategy required by paragraph (1). The report shall cover, at a minimum, each of the components required by paragraph (1) and shall include specific policies and objectives and timelines to implement those policies and objectives.*

(j) *TRACKING SYSTEM.—*

(1) *IN GENERAL.—The director of the Office shall develop a system to track small business exports and the use by small businesses of Federal trade promotion resources. The director shall ensure that the system is consistent through each Federal agency member of the Trade Promotion Coordinating Committee.*

(2) *DESIGN EMPHASIS.—The director shall give particular attention, in designing the system, to the tracking of data on the trade of services by small exporters, in consultation with the Department of Commerce.*

(3) *IMPLEMENTATION.—The director shall work in consultation with members of the Trade Promotion Coordinating Committee to ensure that the system is implemented and that the results of the system are reported annually in the National Export Strategy conducted by the Trade Promotion Coordinating Committee.*

(k) *TRADE REMEDY AND DISPUTE ASSISTANCE INITIATIVE.—The director of the Office shall design, and the district offices of the Administration shall implement, a program that provides technical assistance, counseling services, and reference materials to assist small businesses navigate the trade dispute and remedy processes. The program shall include—*

(1) *information on available resources, procedures, and requirements for trade remedy investigations;*

(2) *an approach for district office staff to provide one-on-one assistance to small businesses involved in these activities; and*

(3) *an identification of legal resources and other tools to ensure small businesses can navigate the trade dispute and remedy processes affordably.*

(l) *PATENT ASSISTANCE AND INTELLECTUAL PROPERTY PROTECTIONS INITIATIVE.—In consultation with the United States Patent and Trademark Office and the United States Copyright Office, the Office shall design counseling services, including identifying legal resources for small businesses to secure intellectual property protection in foreign countries. To implement the program, the Office shall collaborate with district office staff to provide one-on-one assistance to small businesses involved in these activities.*

(m) *TECHNICAL RESOURCES FOR TRADE ADJUSTMENT ASSISTANCE.—*

(1) *IN GENERAL.—The director of the Office shall establish a comprehensive set of services to assist small business readjust-*

ment, including access to training, technology, marketing assistance, and research and information on domestic and global markets.

(2) IMPLEMENTATION.—The Administrator shall, by regulation, establish such requirements as may be necessary to carry out paragraph (1).

(3) OUTREACH.—The Office shall work with the district offices and the outreach business assistance centers of the Administration, including Small Business Development Centers, Women’s Business Centers, and SCORE, to offer the set of services established under paragraph (1) to small businesses in their local communities.

(n) TRADE FINANCE POSITIONS.—

(1) ADDITIONAL TRADE FINANCE SPECIALISTS.—

(A) IN GENERAL.—The Office, over the 1-year period beginning on the date of the enactment of this subsection, shall increase the number of trade finance specialists at Export Assistance Centers by at least 6 and thereafter shall maintain the number of such trade finance specialists at or above that number. Candidates for the positions are required to have sufficient qualifications and experiences.

(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out subparagraph (A) such sums as may be necessary.

(2) FILLING VACANT POSITIONS.—The Office, over the 3-month period beginning on the date of the enactment of this subsection, shall fill all trade finance positions that have been vacant since 2003. Candidates for the positions are required to have sufficient qualifications and experiences.

(3) FILLING GAPS IN HIGH-EXPORT-VOLUME AREAS.—The director of the Office shall—

(A) not later than 1 year after the date of the enactment of this subsection, carry out a national study to compare the rate of exports from each State and major metropolitan region to the availability of Administration staff participating in Export Assistance Centers in such State or region;

(B) not later than 2 years after such date of enactment, design a formula to eliminate gaps between supply of, and demand for, such staff in areas with high export volumes; and

(C) request the additional staff that are required to eliminate such gaps and place them in those areas.

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