THE STATUS OF AND OPPORTUNITIES FOR MINORITIES AND WOMEN IN SMALL BUSINESS IN NEW ENGLAND

by

Kenneth I. Guscott
President, Ken Guscott Associates
Boston, Massachusetts

Introduction

We have undertaken the task of presenting an assessment of directions in which minority businesses in New England are developing.

It is our intent to identify barriers which have impeded the development of minority businesses as well as programs and actions which assist minority businesses to develop. This analysis also attempts to identify the kinds of business opportunities available to minorities; the growth trends or regression; institutional support mechanisms; and institutional barriers to growth and development.

The analysis focuses on those minority businesses which have been aggressive enough to make their firms known to the larger majority businesses and to government agencies. The study would have been too lengthy and time-consuming had we included the mainstay of the minority businesses, i.e., corner stores, funeral
parlors, laundromats, barber and beauty shops, lunch counters, and night clubs. Until the last few years, such businesses have for the most part operated without competition because the neighborhoods in which they are located relied upon them to provide necessary services. High profits were not motivating factors in maintaining these business; more important the entrepreneurial instinct, coupled with their prestigious position within the community.

From our interviews with representatives of minority businesses, government assisted programs, private sector and capital formation services, we decided to separately address the issue of opportunities for women in small businesses.

Gross inequities exist in the incidence of business ownership by minorities who comprise nearly 20% of the people but own approximately 5% of the businesses and account for less than 1% of the gross business income. We have defined several factors which contribute to continued inequities of business opportunities for minorities:

29. Lack of access to necessary working capital.
30. Lack of access to professional managerial training.
31. Covert and overt discrimination.
32. Oftentimes misguided attitudes of consumers and the majority businesses.
33. Pressure to conform to unwieldy paperwork and governmental "red tape".
34. Lack of efficient penetration into the lobbying network.

Despite these obstacles, minority firms in New England continued to develop during the past decade, peaking in 1975. The service category had and still has the largest area of concentration followed by the construction trades. During the past few years, opportunities have grown for minorities in the area of real estate development and management, in the core cities.

Most minority businesses remain small, with an average of 3 employees. The minority firm in New England that employs the largest number of persons (300), is located in Rhode Island and was established in 1970 in the business services sector. The second largest minority employer in New England is also in the business services area. It has 169 employees, is located in Connecticut, and was established in 1971.

However, the growth rate of minority businesses in New England lags behind the growth rate of minorities on a national basis, while there is no significant difference in the rate of turnovers.

Since 1969, when Executive Order 11458 created the Office of Minority Business Enterprise (OMBE), both the government and private sectors have instituted support systems to assure minorities equal access to the economic benefits of business ownership. As we detail later in this report, some are working
well in New England while others are too engulfed in bureaucratic delays and have been less effective.

Methodology

From our many years of involvement with minority businesses both as a minority small business and in providing technical assistance and consulting services to majority and minority firms, we have developed some hypotheses as to the cause and effect of problems affecting minorities and small businesses in the New England area. We have also developed ideas to make minority businesses more viable.

Recognizing that a good portion of minority businesses (small or large) would elect not to respond to business surveys, particularly those divulging financial information, we relied heavily upon data provided in minority business directories covering New England. The first major Minority Business Directory in New England (KGA 100) was published by Ken Guscott Associates in 1972 for OMBE in an effort to "satisfy the needs for both procurement managers of major industry and New England minority entrepreneurs having 'industry-oriented' goods and services." This Directory was updated in 1973, and because of its usefulness in helping the minority entrepreneur to penetrate into the economic markets, the New England Region Minority Business Directory has become a major annual publication of the New England Minority Purchasing Council.

In addition to reviewing the directories of minority businesses in New England, we also had personal interviews with
representatives of minority businesses, government assistance programs, capital formation services, and the private sector.

From the KGA 500, we noted each minority business by SIC number, year established, and number of employees. The same information was extracted from the latest edition of the New England Comprehensive Minority Business Directory. A comparison was made of the minority businesses which were listed in the 1973 Directory and those listed in the New England Purchasing Council Directory as of January 1, 1978, to determine which ones are still in business. To verify our assumption that those no longer listed went out of business, we checked the telephone directories in Massachusetts for those firms listed in 1973, but not listed in any current directories. Our assumption was 85% correct. In the other 15%, we found that the firms had reorganized, diversified, and/or moved to new locations.

Analysis Of Findings

New England area Minority Business Enterprises industrial classifications reflect the trends of the national average. The majority of minority businesses are in the services and retail sales categories. Construction contractors, which seem to accommodate a number of skills and trades suitable for small business operators, represent the third major category. Two areas of minority business growth, which are changes from the historical pattern, are consulting firms and real estate ownership and management.
From the listings in the various New England directories, we note that not all minority businesses are covered, but that the majority are listed. We therefore assume that the numbers and percentages, outlined in this report, are reflective of minority businesses in the New England region. We must also note that during our personal interviews with representatives of the minority businesses, it became evident that a great hesitancy exists for minority firms to disclose accurate financial information about themselves. We therefore extracted only the following information:

- number of minority businesses, by state
- number of minority business failures, by state
- areas of greatest concentration, by state, and year established
- average number of employees

We found 575 minority owned firms listed in the 1978 New England Region Minority Purchasing Directory. A total of 120 minority businesses, which were listed in the KGA 500 Directory as of 1973, are no longer listed in any Directory. Of these, 39 were established prior to 1966, ranging as far back as 1895 and 1909. Forty (40%) per cent of these businesses were in the area of special trade contracting.
Minority Breakdown By State

- Connecticut lists 203 businesses in the 1978 New England Minority Purchasing Directory, employing a total of 1845 persons. The oldest minority firm in the state was established in 1920 in the business services area and employs 140 persons. The largest firm was established in 1971, employing 169 persons.

- Maine lists 15 businesses in the same directory. The largest business in heavy construction, employs 30 persons and was established in 1963.

- Massachusetts data was analyzed in more detail because of accessibility to telephone directories for verifying existence or non-existence of business. Chart A depicts the number of minority businesses, established by year. There were a total of 327 businesses listed in the aforementioned directory. 223 of these were established between the years of 1966-1977. 22% of the businesses fall in the services category with construction trades accounting for 13%.

- New Hampshire lists 5 businesses, two of which are in the wholesale trade, durable goods category.

- Rhode Island lists 23 businesses. The largest firm is in the services category, employing 300 persons. It was established in 1970. It is the largest (in
terms of number of employees) minority owned firm in New England.

- Vermont has two businesses listed in the 1978 New England Minority Purchasing Directory. One was established in 1972 and provides membership services while the other was established in 1977 in the transportation category.
Selected Statistics by Industry of Minority Owned Firms In the New England Region *As of 1973

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<th>Industry</th>
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1. 19% = fuel oil dealers
   28% = catering

2. 11% = Consulting
   8% = Employment Services
   52% = Maintenance & Janitorial

* Minority owned businesses listed in the ECA 500 Directory, not all inclusive, but indicative of those businesses responding to questionnaire, and verified as bona fide minority businesses.
Personal Interviews

From personal interviews, the following conclusions can be drawn:

Problems

- there has been a great lack of access to venture capital and general financing
- there is an enormous need for technical assistance in finance and business management.
- minority small businesses are being caught in the energy crunch.
- mechanization and (computerization by competitors).
- inability to effectively penetrate the marketplace.

Recommendations

- there should be a sales contract center, where on a one-to-one basis the majority firms display their needs and set-up contracts
- MBE's should be encouraged and helped to market in the non-minority community
- Business education classes should be made more accessible to minorities
- there is a need for developing, centrally if necessary, a program to provide enough financial and technical assistance to the minority entrepreneur, in a timely fashion.
The Status Of Women In Small Business In New England

Over the past two years pressures have developed from the women's movement to be included as minorities for the purpose of reaping the same business opportunities afforded black and other minority business entrepreneurs. This is equally true in New England.

While minority entrepreneurs interviewed in New England are not opposed to the thrust of the women's movement as it relates to entering the business mainstream, they are concerned that the relatively meager resources presently allocated for the "traditional minorities" in this country will diminish to a negligible quantity.

Traditional female minorities have since the inception of the Minority Business Enterprise (Executive Order 11248), been included in the Minority Business Program. White majority females have not.

We therefore recommend that because of the watering down effect of resources allocated for traditional American minority group entrepreneurs, the following considerations be implemented:

- a substantial increase of funds (with white majority females in mind), be allocated in order to service white female business aspirants.
- a uniform definition, evolving from the executive branch of the federal government, defining who is eligible for minority business opportunities under Executive Order 11248. This definition should be
used by all federal agencies. Presently, some agencies include white majority females regardless of their station in life. The Department of Transportation is one such Agency.

Structural Impediments To The Development And Growth Of Minority Business

A set of written and unwritten laws, rules, and regulations determine how business is conducted and who conducts it. In one case, township resisted the awarding of a trucking contract to a well qualified minority trucking firm because township officials believed that minority firms are being given preferential treatment.

In another instance this same firm was not considered as a bidder for a prime contract to move the Federal Reserve Bank because the "decision makers" assumed that a minority firm could not be qualified to handle a job of that size.

At the present time minority fuel oil dealers feel, rightly or wrongly, that they will not be provided with enough heating oil to meet the needs of their customers because they are "the new kid on the block" with no track record or credit. They have already been told that the old practice of 30 to 60 days for account payables will be cut back to 10 days. This has been dictated by the suppliers regardless of the ability of the customers served by the minority fuel oil dealers to meet these payment schedules.
If there is consensus that the development of a healthy, self-sustaining minority business program is in the vital interest of this nation, these unjustified structural barriers that curtail minority business development must be recognized and programs designed and implemented to remove or overcome them.

Fortunately, some enlightened elements of the governmental and private sectors have initiated programs to deal with this situation. Among the more successful and promising of these programs has been the following:

"Set aside" procurement programs in which a pre-agreed amount of contracts for goods and services are earmarked for qualified minority firms. In some areas where the program has been implemented and administered with the full support of the upper management, these programs have proven to be very successful in providing the vehicle through which minority businesses can develop a track record. Every government agency and business in the private sector should expand existing programs or implement set aside programs where none exist until parity is reached in the area of minority business participation in the American economy. Boston Edison company in its Sixth Annual Report of its Minority Procurement Program states that it is considering following the lead of the Government sector by setting up "modest set-aside projects".
Need For Development Or Capital Formation Resources To Finance The Development And Expansion Of Minority Business Enterprises

Normal financial sources have been reluctant to invest in minority businesses except as a so-called "social expenditure". Last year, because of community pressure, the Congress passed legislation creating the community Reinvestment Act (CRA), which requires financial institutions to review and report on their level of investments in the community from which they received their deposits. This program must be monitored to insure that it is implemented.

Various governmental and private programs and procedures can be utilized to insure that lack of capital resources do not hinder the development of minority businesses. Examples of creative programs in providing financial resources are illustrated by the Boston area office of HUD's disposition program and the accelerated accounts payment program which some companies in the private sector, like Raytheon or Boston Edison, have initiated for their minority vendors.

Need Of Governmental and Private Sector To Intervene In Assisting MBE's

Traditionally, once a group develops a business in a given field, it forms a trade association to, among other things, protect its share of the marketplace. Trade groups then restrict entrance into the field by newcomers through licenses procedures...
and high fees, territorial franchises, and an arbitrary limit to the number of people who can be in the industry at any one time.

In the construction industry, the Contractor's bonding requirements, which are a necessity for contractors to enter the mainstream of the industry, are controlled by a few licensed surety companies. Their policies have been to look favorably on those companies with which they have dealt in the past and which have a track record of performance. A small minority firm may be offered a job but be unable to complete it because the firm cannot obtain a performance bond.

This problem can be addressed by reviewing the function of the bonding process and purpose, i.e., the opening up of the bonding resources so that they have a very objective and realistic criteria for issuing bonds. Surety companies, like other monopolies, should be strictly regulated and monitored to insure that minority firms are not discriminated against.

**Real Estate Development Opportunities In The Inner City**

In 1976, the Boston area office of Housing and Urban Development advertised for bidders on a number of multi-family units. These properties, which were foreclosed by HUD, had been managed through contract managers. The bulk of these properties were located in predominatly minority communities within the city of Boston.

Initially five blacks bid for each of the disposition packages offered for public bidding. Among these bidders were those with previous real estate experience, either as real estate
owners, or developers. One was a local building contractor who also owned real estate and there were a few novices in the field. All knew the community and had strong desires to enter into the real estate owning management field.

Let's take a look at the characteristics of the successful bidders:

1. They had to have financial backing, since there was no mortgage guaranty by a federal mortgage insurance program on this property. Properties were sold "as is" and financing had to be arranged by the buyer.

2. Secondly, the successful bidders had management experience in real estate in the areas in which the properties were located.

3. These bidders had knowledge of the community in which the properties were located. That is, they were familiar with the people of the community, the institutions of the community, and the local city government.

It is interesting to note that this program was called to a halt within six months after it had started. With foresight, one of the bidders had made the comment that "white people will stop this program because they feel that blacks are getting too much". Well that may have been true, but there were also complaints from the tenants feeling there would be a lessening of amenities from private owners, as opposed to government sponsored ownership.
which also offered subsidy in the form of low rent. The program was restarted in 1979 at which time a package of 900 units, broken into eight distinct packages, were offered for public sale. The conditions of the sales stipulated that the government would provide, if required, FHA insured mortgages for 90% of the minimum sale price in addition to Section-8 rental subsidy on 100% of the units. These terms and conditions, which were completely different from those made at the original offering, attracted over 100 potential bidders to the pre-bidders conference. The bulk of these attendees at the pre-bidders conference, were developers and managers who were not familiar with and had no stake in the community.

The Boston area office of HUD listened to the comments made by many community institutions and committees. They were therefore able to set guidelines geared to the needs of the community, thus insuring that only responsible qualified bidders be certified to compete in the bidding process. Part of these guidelines were established by the Washington office of HUD and approximately 25% of the guidelines were established by the local area office, designed to meet the specific needs of the community in which the real estate was located.

The outcome of this sale resulted in two of the packages going to a community owned development corporation and two of the packages going to a local minority builder and developer who had substantial experience in managing properties within this particular community: Two other properties went to a local
development team with substantial experience in owning, rehabilitating, and managing property in the area, one went to a contractor who had a good reputation as a HUD property manager and the final package went to a private joint venture consisting of a local minority and a management firm which was predominantly majority.

This HUD program appears to be working. It offers an example of how an arm of the government can be very influential in providing an opportunity for small minority businesses to get established.

This property was upgraded to meet the housing code requirements of HUD. Community needs were determined and the bidders' qualification requirements were designed so that the needs of the community were recognized and the successful bidders had to demonstrate how these needs were going to be met. In addition, the bidders had to indicate that they were a permanent part of the local community, that they had thought through a plan of action for long term management of this real estate property and that they had a very keen sensitivity to the desires and temperament of the local tenants.

The demonstration project certainly should be constantly reviewed and improved upon where possible. It can be duplicated in any of the major cities of this nation, thus providing excellent opportunity for minority entrepreneurs to enter into the field of multi-family real estate property ownership, and property management. Additionally, if this program is
successesul1y carried out, it will contribute greatly to restoring
the housing stock within our inner cities and provide an
excellent opportunity for members of the minority community.

**The Energy Multi-Family Housing Conservation Program**

The housing stock of this region is in most cases 50 to 60
years old. This housing, from all available studies, will
require retro-fitting in order to reduce the amount of energy
required for heating and cooling in a condition that is
environmentally healthy and liveable. Energy audits will be
required to identify the areas in which energy or heat is being
lost. The federal government has indicated that between $140 to
$180 billion dollars will be made available to reduce the energy
requirements of this nation, with conservation having a high
priority in the region and the national energy programs.

Minority small businesses will have an opportunity to enter a
growing market and to develop innovative cost saving ideas to
meet the needs of this marketplace.

**The Owens Trucking Company Case**

This minority owned trucking company, located in Cambridge,
Mass., was established in 1927. It started with a horse drawn
carriage that was given to the founder as a present by his father
when the founder was 17 years old. The company developed a good
reputation for moving pianos, furniture, etc. In studies made by
the Office of Minority Business Enterprise regarding the
capabilities of minorities within the nation in the trucking
industry, this company consistently was rated with the top ten

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minority-owned transportation companies. However, when the company attempted to expand its operations it encountered a number of obstacles which we should review to understand the difficulties which minority firms can face, regardless of their qualifications.

The Federal Reserve Bank of Boston constructed a new Downtown Boston building in the mid-1970's. In planning for its move to the new quarters six blocks from the old, the Fed considered inviting minority firms to submit bids for the moving contract. Bank officials said they were unaware of any minority owned companies that had the capability, the experience, or the financial backing to bid on this project. Owens' name was brought to the attention of the bank officials responsible for the move but without investigating, the officials decided Owens would not be able to handle a job of this size.

Yet the minority trucking company was in existence for a longer period of time than the majority owned firm that got the contract. Also, Owens had a superior Dun and Bradstreet financial rating and had more storage capacity than the firm that got the job. The storage capacity was one of the considerations used in selecting the moving company, since part of the new equipment that was going to be brought into the building had to be held in temporary storage. Owens also had more rolling stock than the firm that got the job. However, the firm that got the job followed the procedure of bringing in additional rolling stock from other parts of the country to carry out the move.
When pressed for an explanation, Boston Fed officials quite honestly stated that they didn't realize that this minority trucking company had the capabilities of doing the job. At the insistence of the board of directors of the Boston Fed, 10% of the move was subcontracted by the majority trucking firm that got the contract to the minority trucking company.

Nor was this an isolated situation for the minority trucking firm.

Owens encountered similar difficulties when the United Way of Eastern Massachusetts recently moved to a new Boston location. Just prior to the move, minority members of the board of directors of the United Way asked if invitations to bid on handling the move were made to any minority trucking companies. Again the answer given by staff members in charge of the moving operation was that they did not know of any minority-owned companies that could handle the move. No inquiries were made of any of the minority board members prior to awarding of the contract to an established majority company.

From Owens' experiences we can conclude that stereotypes exist which portray minorities as incompetent or incapable of entering into the mainstream of the American business system.

We can also conclude that a need exists for set-aside programs for the utilization of unprotected minority firms so that they can compete in the American business market. As consistently articulated by minority business interests, the question of qualifications, be it experience, managerial, or
financial, often is not the issue. The issue is often protection of the marketplace by those who are in power.

The Fuel Oil Dealers

Recently the National Association for the Advancement of Colored People was requested to investigate a situation in the New England region by a coalition of minority fuel oil dealers. These fuel oil dealers have grown over the last decade to be major suppliers of heating oil to the minority communities.

But these companies are now facing major problems because of the present energy crisis. The major refineries have in effect set up allocation procedures to their distributors who in turn are passing these allocations, restrictions, or reductions along to their retail distributors. The minority dealers, many of whom have not had long term relationships with their distributors, have in many cases been informed that their allocations for the coming winter months will be cut. Traditionally, the dealers had 30-60 days to pay for their product; they have been informed that they must now pay within 10 days or they will not be allowed to receive any more fuel oil. Many of the low income customers will have great difficulty in meeting the increased cost of heating fuel oil this winter and especially of paying basically cash on delivery.

This also creates a situation that threatens to drive minority fuel oil dealers out of business. Also, since they are the only source of providing fuel oil to the inner city, it means that the core city residents face a very serious situation this...
year. This entire scenario demonstrates a situation which requires some type of intervention from the government and the private sector. One of the basic needs would be the development of a line of credit for these fuel oil dealers so that they can meet the financial requirements of the major suppliers. Secondly, there must be government intervention to ensure that the minority fuel oil dealers receive a fair allocation of the product available so that they can serve their communities. This situation threatens to weaken and reverse whatever progress has been made in the past by minority entrepreneurs, which in turn will weaken the viability of the minority community and lessen its ability to be a source of strength to this nation and this region.

Pattern Settings

I'm looking at some of the developments in the private sector which have been successful and have set patterns for the future growth of minority business in the New England area, we met with the executive director of the New England Minority Procurement council to learn some of the characteristics of firms which have developed successful minority procurement programs. We found the following characteristics emerging: A large Boston area electronics company has organized a core of retired employees who, on a volunteer basis, are working with minority firms providing technical assistance in sales, marketing and procurement. The company has developed a program for accelerating accounts receivable or accounts payable to the
minority firms so that they may improve their cash flow positions. Another of the private sector successes is a Boston utility which has provided technical assistance and training in sales and marketing procurement. Both firms have participated with minority business entrepreneurs to establish joint ventures in the areas of manufacturing, service delivery, and training programs, with a proviso that after a certain period of time the majority firm will transfer assets for a fair price to the minority firm. This is an incubator type of business development and thus far has proven to be beneficial both to the minority firm and to the majority firm.

Cities And Communities

On the state level we find a number of state agencies that have been developed to promote economic development, but their record of assisting minority businesses is almost non-existent. For example, the Massachusetts Housing Finance Agency, which is a quasi-state agency designed to provide financing and production of housing in the state, has provided very little financing to minority real estate entrepreneurs. In addition, new rules and guidelines recently adopted by the agency make it almost impossible for small business firms, especially minority firms, to ever receive any of the benefits for which this agency was established and financed. We feel this agency must develop a program specifically addressing the needs of minority developers so that they can have an opportunity to benefit from the program and contribute to alleviating the state's housing problems. This
may mean developing mechanisms to see that minority housing developers become involved.

Recommendations

Based upon our findings and knowledge of minority businesses in the New England region, we recommend the following actions:

1. Review and improve upon the HUD/FHA acquisition program for multi-family housing. This is a demonstration project providing excellent opportunities for minority entrepreneurs while reducing the housing shortages in our inner cities.

2. The public and private sectors should provide working capital, technical information, and assistance to minority entrepreneurs to meet the growing need for energy conservation. A growing market exists for energy audits and retro-fitting of housing stock in the New England region.

3. Strengthen the set-aside programs for the utilization of unprotected minority firms.

4. Develop a line of financial credit for minority fuel oil dealers as well as assurance that the minority fuel oil dealers receive a fair allocation of oil.

5. More businesses from the private sector should develop incubator-type businesses with minority entrepreneurs. This means the establishment of joint ventures for a specific length of time, after which assets of the
majority firm partner will be sold to the minority partner at a fair price.

6. Quasi-public corporations, capitalized with public funds to develop businesses, should provide more technical and financial assistance to minority firms.

7. State housing finance agencies must develop programs specifically addressing the needs of the minority real estate developers and contractors.

8. Review and strengthen the certification process for determining what constitutes a minority business. One thing which could be done immediately is to take credit for the fiduciary returns which the minority receives.

9. An in-depth investigation should be undertaken by the Treasury Department to obtain the facts on the extent to which differential criteria are used as a means of excluding minority contractors from full participation in publically-financed programs.
THE STATUS AND OPPORTUNITIES
OF SMALL BUSINESS IN FOREIGN TRADE
IN NEW ENGLAND

by

William F. Tobin
Director of Marketing and Development
Massport
Boston, Mass.

Introduction

The Marshall Machine Company founded in 1939 in Chicopee, Massachusetts manufactures an extensive line of industrial valves and valve repair equipment. A particular line, the valve reseater (repairer) was developed by Mr. Marshall for the U.S. Navy during World War II. The valve reseater, modified and improved over the years, has kept the company profitable but recently, only marginally so.

In 1977, Mr. Marshall realized that unless he could increase the sales of his valve reseater, the company would be forced to significantly curtail their overall operation or go out of business. The valve reseater had been sold to every nuclear power plant in the United States. Mr. Marshall had never traveled outside of the United States and felt uncomfortable when he was introduced to a "foreigner" because of the language barrier and the fact that they were different. Further, while
some members of his industry had become exporters, he had heard
them talk about the collection and distribution problems that
they had encountered. Until 1977, Mr. Marshall had firmly
resolved that he would concentrate on the market he knew, and not
sell outside the United States.

Hesitantly, Mr. Marshall came to the conclusion that he would
have to export, but he had no idea how to begin and little
confidence that he would meet with success. Mr. Marshall had
recently read of a trade mission conducted by the Massachusetts
Port Authority geared to small businesses. Setting aside his
distain for government bureaucracies, he reluctantly contacted
the Authority and asked for assistance. Much to his surprise,
the Authority was not only willing to provide him with
information but also to work directly with him in exploring his
product's potential.

The Authority's research found that while there were 205
nuclear power plants in the United States to which Mr. Marshall
was already selling, there were another 299 in other countries
throughout the world. Of this number, 56% or 167 were located in
Canada and Western Europe. Further research indicated, that
while the company's product would face competition from a West
German supplier, the Marshall Valve Reseater was the higher
quality product.

Today, the Marshall Machine Company is again growing on a
profitable basis with 35% of its sales being generated through
exports.
Prior to 1977, the Marshall Machine Company was among the 88.5% of New England firms that did not export. Mr Marshall discovered that when he applied the same entrepreneurial spirit to exporting that he had used to start the company, many of the barriers to foreign trade he thought existed were not real. With the possibility of failure looming in front of him, he sought out assistance and applied the level of aggressiveness required to bring the company securely back into the black.

Why do only 11.5% of New England manufacturers export? Given equal product potential, why does one firm export and another not? Why does New England import more than it exports? Are the barriers to foreign trade real or are they mythical?

The case of the Marshall Machine Company of Chicopee, Massachusetts lays the foundation for the questions which this paper will address. Possibly this small New England company's history also holds the answers, if we are perceptive enough to recognize them. Before the solution can be found, the problems must be identified: how does the United States eliminate its trade deficit and how do we open world markets to New England small business manufacturers. The basic issues then become defining the role of the small manufacturer and what they can do and defining the role of the Federal Government and what it could do. Any proposed solutions must resolve these two issues. While the small business person may take individual initiative and action, the Government can seek creative ways to operate in concert with them if we are to solve the export problem.
It is clear that the small business manufacturer needs assistance, encouragement and guidance in export development; however, when all is said and done under our system of government and "free enterprise", the basic responsibility and initiative is theirs. They alone are responsible for their bottom line profit, and while they may have cause to criticize the government, no group of stockholders will absolve them of their responsibilities if they fail in their primary mission to create and maintain a profitable operation. Fortunately for the small business manufacturer, untapped avenues for growth and profit clearly exist in the world market through exporting. Moreover, they do not have to pioneer -- the road to exporting is well traveled and the precedents have been set -- yet, their management ability and their entrepreneurial aggressiveness can lead to exporting success.

Status of Exporting in New England Today

New England is small business, and the economy of New England is dependent on the success of these small enterprises. (See the Birch, Howell, and Smollen papers for evidence of this pattern). In New England, there are approximately 23,140 manufacturing firms. While there is no precise generally accepted definition of what constitutes a small business, the breakdown of 1978 data (See Table I) shows the relationship between size and exporting. While small businesses are dominant in both the number of firms and number of employees, it is principally the larger establishments that export.
### Table I

**NEW ENGLAND MANUFACTURING FIRMS AND EXPORTING**

<table>
<thead>
<tr>
<th>Employees</th>
<th># of Firms</th>
<th>% Exporting</th>
<th>% That Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-99</td>
<td>20,285</td>
<td>87.7%</td>
<td>1,750</td>
</tr>
<tr>
<td>100-249</td>
<td>1,700</td>
<td>7.3%</td>
<td>440</td>
</tr>
<tr>
<td>250-499</td>
<td>715</td>
<td>3.1%</td>
<td>215</td>
</tr>
<tr>
<td>Over 500</td>
<td>440</td>
<td>1.9%</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>23,140</td>
<td>100.0%</td>
<td>2,660</td>
</tr>
</tbody>
</table>

The above data, from Hall's 1978 Directory of New England Manufacturers, probably overestimates small firm exports since many small business manufacturers record as an export a sale to a domestic buyer who in turn sells the product overseas. Because they know their product will end up overseas, they mistakenly think of it as an export sale. Further, it is generally accepted that the 250 largest United States manufacturing firms are responsible for approximately 80% of all United States manufactured exports. Only 10.6% of New England firms with fewer than 500 employees export, and these account for a very small amount of the manufactured goods that are exported.
Exports Significant To New England

It is clear that the New England economy is more dependent on the exporting of manufactured goods than is the United States as a whole. In 1976, the six New England states produced 5.03% of the value of total United States manufactured shipments, but 6.6% of the value of United States manufactured exports. Exports represented 9.2% of New England's total manufactured shipments compared to 7.0% for the nation, and in New England, 7.8% of manufacturing employment was directly related to producing exports while only 6.3% of U.S. manufacturing employment was related to exports. From 1972 to 1976, New England's manufactured exports increased 159% while United States exports grew by 127%.

Statistically, New England has a mix of export industries such that each employee produces more value added per shipment than the United States average. 68% of New England manufactured exports fall into four industrial classifications: transportation equipment, non-electrical machinery, electric and electronic equipment, and instruments and related products.

While statistics can be used to define where we are, they can also indicate where we could be if we are not restrained by past practices. For example, if it is possible to encourage only 5% of the 20,295 small New England manufacturing firms to export that presently do not, we would achieve a 42% increase in the number of manufacturing firms that export with obvious benefits to the local, regional, and national economy.
The fact that the exporting statistics place New England slightly ahead of the U.S. as a whole leaves little room for comfort simply because the U.S. is doing so poorly as an exporter. For example, one only has to look at real exports as a percent of real GNP in 1977 for the United States and six other major industrial nations.

**TABLE II**

<table>
<thead>
<tr>
<th>Country</th>
<th>Export as Percent of GNP (1977)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>7.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>17.7%</td>
</tr>
<tr>
<td>France</td>
<td>20.7%</td>
</tr>
<tr>
<td>Canada</td>
<td>23.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>24.1%</td>
</tr>
<tr>
<td>W. Germany</td>
<td>28.1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>28.8%</td>
</tr>
</tbody>
</table>

While the United States has been the world's single largest trader, we have also been traditionally the world's largest marketplace. Consequently, New England firms have tended to export out of luxury or on a discretionary basis, rather than out of necessity as many other parts of the world must. When we do export, we tend to adopt the theory of backyard marketing in that we take the path of least resistance and the route that is most familiar and comfortable for us. For example, Canada and Mexico, ranked first and third respectively as the United States leading export markets in manufactured goods in 1978, purchased 30% of all U.S. manufactured exports.
Although New England may surpass the averages in exporting for the U.S., we are nevertheless intrinsically linked to the pattern of the Nation. At the present time, the world is becoming "smaller", competition from abroad is becoming more aggressive, and for the first time what was once considered our own private domain is being openly challenged. This challenge is occurring not only as a result of sophisticated marketing programs by foreign companies but also because of the benign neglect of both the United States government and private sector. For example, in 1965 the United States produced 14.6% of world exports but in 1977, this had shrunk to 10.6%. And in 1965, the U.S. consumed 11.9% of world imports; however, in 1977, we consumed 13.6%. In 1970, the U.S. share of world manufactured exports was 18.4% but by 1977, this had been reduced to 17.6%. During this same period, the combined share of world manufactured exports from West Germany and Japan rose from 30.2% to 34.7%.

We can no longer claim, as we have so often in the past, that New England manufacturers cannot compete in world trade because of the build-in price disadvantage created by many foreign companies use of "cheap" labor. Today, companies in West Germany, Belgium, France, and even Japan are incurring average hourly wage costs higher than those in New England. Even with this advantage working in our favor, we are still losing world markets because these countries are aggressively seeking out new markets for their new products. Their willingness to penetrate new markets coupled with the absence of New England competition
is threatening not only our existing share of world exports but also threatening what we once considered the sanctity of our own domestic marketplace.

The Opportunities That Await

Today the opportunities for New England to expand its export base, or for small businesses to expand its bottom line profit, are abundant. But we must be willing to seek them out and apply the level of the entrepreneurial spirit with which New England manufacturers in the past developed and prospered.

While the U.S. remains the single largest marketplace in the world, the standards of living throughout the industrialized nations of the world have risen significantly. Over the last decade, disposable personal income in France, West Germany, Italy, Netherlands, United Kingdom, Japan and Canada has risen at a faster rate than in New England. Coupled with the rapid growth rate of the emerging Third World countries, this has increased the demand for more discretionary consumer items, as well as, labor saving machinery. Population growth rates while stabilized or declining in many countries, have still produced a numerically rapidly growing population which in itself denotes a need for more goods and services.

As the marketplace and the number of markets expand, communication and speed of travel has made accessible virtually every point of the free world. Yet, how many small business people do you know who are fluent with a second or third language? The "foreign" business people of the world today have compensated for
this by adopting English as the single most widely used business language thereby allowing us to communicate in Frankfurt or Paris as easily as we do in Bangor, Maine or Springfield, Massachusetts.

There is similarly an increasing amount of information on a country's economic status, existing market and industrial data, consumer buying patterns, and a host of other information which makes it just as feasible to analyze a foreign market as it is a domestic market.

The devaluation of the U.S. dollar against major foreign currencies, coupled with escalating foreign industrial and consumer prices, provides U.S. companies with an entirely new competitive advantage. In countries such as Italy, Switzerland, and Japan, where since 1973 the dollar has declined by 45%, 43% and 27% respectively, the New England made product has a distinct price advantage over their foreign domestic competitor.

If ratified, the recent GATT agreement in Geneva could result in easier access by New England manufacturers to certain foreign markets that were previously closed or seriously restricted. Whether this agreement carries all the benefits its proponents claim remains to be seen; however, it is clear that new inroads have been made that will benefit the U.S. exporter.

**Advantages for Small Firms**

What advantages or opportunities do these changes offer the small business or do they apply only to the large multinational firms? The answer is that they offer more to the small business
that is now not exporting, if for no other reason than the room for improvement is infinitesimal when starting from ground zero. In our experience, the small business enterprise enjoys specific advantages that gives it the competitive edge over their larger counterpart in many export markets. For example:

1. **Flexibility on Pricing**: In the absence of worldwide pricing agreements and established pricing patterns and policies, the smaller company can raise or lower their prices to meet individual market conditions. They can negotiate such matters as quantity, service, and transportation, all of which effect the price, more easily and more quickly than their larger corporate competitor, and in many cases, can offer a lower price and still maintain their profit because of their lower overhead costs.

2. **Personalized Service**: Most buyers, whether it be an individual or corporate purchasing agent, prefer to deal with the top person. The small firm can offer that kind of service, thus eliminating the buyer's fear of being bounced from one corporate department to another. In addition, the small business person can usually respond more quickly whether it be on pricing or servicing. This can be extremely important in establishing a new market overseas, since the foreign buyer is seeking a high degree of confidence in their new trading partner.
3. Willingness to Modify: The smaller company often has the edge on the larger manufacturer in adapting their product to the particular needs of the individual marketplace, while still maintaining their profit levels. Whether it be to metric specifications, or to custom tailoring for a particular industrial application, or to accommodate the particular buying pattern and customs the small business can often respond more effectively than a large firm.

4. Economics of Scale: In many situations, the smaller company can successfully go after a particular market, or segment of a market their larger counterpart would find unattractively small or too costly to pursue.

5. Small is Beautiful: Inclusive of the above points, one can simply state that the flexibility of an entrepreneurial smaller company enables it to move more quickly, be more decisive, and more responsive than its large corporate counterpart.

In short, the small business can have several distinct advantages in entering new foreign markets. While it is true that in some cases, they cannot match the larger sales organizations or research staffs of the multinational, they are in a better position to take a rifle shot approach and concentrate on a particular market in a more direct manner.

The typical small business usually manufactures a limited line of products which can make them more subject to economic
swings in the marketplace. They basically have three choices in maintaining their market share. They can continue to improve upon their existing products; something that is usually mandatory for continued profits; they can diversify; or they can increase the size of their marketplace. By increasing their market size, through export, they become less subject to the cyclical impact of localized economic downswings. They can smooth out traditional seasonal curves making both their supply and demand more consistent. As in the case of the Marshall Machine Company, if there is going to be a halt or slowdown in new nuclear power plants in the United States because of environmental concerns, the company can shift its emphasis or take up the slack with sales to their foreign markets. In short, they have spread their risks, and increased their profit potential by not being dependent on one marketplace.

Opportunity Costs

While there are many advantages for the small business who exports, there are also distinct disadvantages for the manufacturer who does not export. If the New England manufacturer of a unique or marketable product leaves a void in the world market, that void will be quickly filled by a foreign company who is not intimidated by international selling as is their New England counterpart. Not only are we facing competition from abroad, but we are increasingly facing it here in our domestic markets. The 1970's have given birth to a new wave of international marketers and entrepreneurs who are
penetrating markets that were once considered protected and safe from outside competition. The immediate response to this in New England has been talk of protective tariffs and trade barriers, but these will do little to halt the emerging international entrepreneur. While governments argue back and forth, the foreign entrepreneur who is worried about increasing American tariffs is establishing his plants in the U.S. In New England, the number of foreign owned manufacturing plants increased from 185 in 1975 to 254 in 1978.

Now, with the advantages of exporting becoming clearer every day and the disadvantages becoming painfully more obvious, why aren't more New England small businesses becoming more aggressive and entering the export field? Unfortunately, there is not one reason but rather a conglomeration of fears, misinformation, lack of motivating incentives combined with ineffective federal bureaucratic programs operating in the absence of co-ordinated direction.

**Myths and Facts in Exporting: The Massport Experience**

In the Fall of 1977, the Massachusetts Port Authority at the request of the Smaller Business Association of New England created the Small Business Export Program. The goal of the program, simply stated, is to encourage small businesses who are not now exporting to any significant degree to do so, not as a one-time transaction, but on a permanent basis -- profitably. It is the first program of its kind in the nation designed specifically to encourage and assist small business manufacturers.
who lack the resources and time to explore their international trade opportunities. Since its inception, the Small Business Export Program has received approximately 1,500 inquiries and more than 700 completed applications. The initial hesitations concerning exporting expressed by these manufacturers points all too clearly to the roadblocks that are restricting increased export growth in New England. Probably the single greatest barrier to stimulation of exports is lack of understanding and misinformation that exists throughout New England regarding exporting, such as the following myths:

1. **Myth:** "It takes too long to fly to Europe. I can't spend all my time on a plane."
   **Fact:** The fastest commercial flight from Boston to Los Angeles is 5 hours and 45 minutes. A flight from Boston to London takes only 50 minutes more.

2. **Myth:** "We won't get paid."
   **Fact:** Using an Irrevocable Letter of Credit, a manufacturer can receive full payment within five days after his shipment leaves the dock. There are also numerous other forms of credit arrangements that can be made just as there are for a domestic sale.

3. **Myth:** "Documentation for exporting is too complicated."

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Fact: Service companies such as Custom House Brokers and/or International Freight Forwarders will do all necessary documentation and paperwork as part of the service they provide to a shipper.

4. Myth: "If I sell overseas, my product will be duplicated."
Fact: Patent protection is available worldwide. Besides if a foreign competitor wanted to duplicate a particular product that was not patented, all he would have to do is buy one in the U.S. and then duplicate it.

5. Myth: "Some governments of the world are politically unstable, and I won't get paid if there is a revolution."
Fact: OPIC, the Overseas Private Investment Corporation, an agency of the Federal Government, insures sales to political risk countries.
6. Myth: "It is too costly to ship goods overseas."
Fact: In many cases, it is more costly or at least as costly to ship goods from Boston to the West Coast of the U.S. than it is to ship from Boston to Europe. In addition, many export sales are made FOB factory which means the U.S. exporter does not get involved with transportation costs on a direct basis.

The Small Business Export Program was designed to demonstrate to small business manufacturers that the road to exporting is not mythical. The Program is based on two fundamental premises. First, small business manufacturers are interested in profit; and second, that prior to their taking the first major step, they must be shown on a one-on-one basis that there is the potential for profit in exporting. Through the Program, the Authority provides, without charge, a selected number of small business manufacturers with individual assistance in the following areas:

- analyzing markets to determine the nature of a company's export potential;
- training and advising on matters concerning export pricing, shipping, documentation, financing and business customs;
- identifying and contacting potential foreign customers and distributors for a company's products;
arranging and sponsoring foreign trade missions for participating firms to meet with prescreened buyers, distributors, sales representatives, and organizations interested in licensing or joint ventures; and,

- providing interest free loans for firms participating in trade missions to the extent of one half of the economy round trip air fare, $100 per diem during the mission, and $200 per trip for such services as secretarial and interpreters used while abroad.

A company's selection to participate in the program is done on the basis of their products export potential, their financial history, their available financial and operating resources to meet increased production demands, and management's desire and ability to become an exporter. In addition, companies selected cannot presently be engaged in any significant export activities.

Companies are scheduled for trade missions only if it is believed that the contacts made for them overseas will result in increasing their bottom line profits.

During a trade mission, a minimum of 10 individual, prequalified sales meetings, held at the foreign company's offices, are arranged for each participating company. While each participating company is responsible for their representative's travel costs, all logistical arrangements such as hotels, flights, and car reservations are taken care of by the Authority.
Prior to each trade mission, a day-long seminar is held for the participants to acquaint them with the various aspects of exporting. Topics include international banking, freight forwarding, insurance, European business practices, distribution and joint venturing and licensing.

Since its inception, four trade missions have been sponsored under the program. Twenty-five companies have directly participated. A composite picture of the twenty-five participating companies would produce a manufacturing company which has been in business for twenty-eight years, with fifty-five employees, annual sales of $1,900,000 where exports account for less than 4.0%.

Thus far the program has produced actual export sales of $1,436,000 to companies met directly or indirectly during the trade mission. Eighteen foreign distributors have been signed and eleven European companies have come to the States to pursue further discussions and negotiations with participating companies.

The Small Business Export Program is a permanent program of the Authority and with current levels of staffing, four trade missions are planned each year. Including the Authority's Belgian office, three professionals and two secretaries are assigned to this program; however, each individual has responsibilities in addition to their program work.
Lessons for Small Business

While the objectives of the program remain the same, the program itself is constantly being modified to reflect the suggestions, experiences, successes and mistakes of both the participants and the program staff. The four missions conducted under the auspices of the program have pointed out that:

1. The decision to export on the part of a small business manufacturer, particularly one who has not been overseas before, is a personal as well as a business decision. In addition to the myths of exporting that have been outlined earlier, there is a degree of suspicion and anxiety regarding the unknown. Even a sophisticated business person has felt apprehension and self-doubt in matters that they would not even think twice about in the U.S. This attitude on the part of small business manufacturers has dictated that the program be kept small so that each participant can be responded to on a one-to-one, personal basis.

2. All products are not what their manufacturer claim them to be. It is natural that each manufacturer will have the tendency to think that their product is unique, but unfortunately this is not always the case. It is necessary that an objective analysis be done on each product's marketability. Some
products will be well received overseas, others only marginally, and some not at all. Many companies, therefore, rather than modify their product to meet the market demands, will rule out exporting altogether rather than search out additional or different markets. While the program is geared at the present time for Europe, what is not marketable there may be very much in demand somewhere else.

3. While it may be fairly easy to identify the types of buyers for a particular product overseas, it is far more difficult to identify the right person, the decision maker, in the prospective purchasing company. Quite often, the tendency is to contact the purchasing department of the prospective company, but rarely does the purchasing agent make the decision of what to buy, but rather they implement a decision that has already been made by someone else. One of the most difficult aspects for the program staff, therefore, is to identify the proper decision maker for a particular product. It may be a Chief Field Engineer, a Director of Research, Treasurer, or Director of Operations.

4. It is quite necessary in arranging for a sales meeting in Europe to ascertain that the European company is not agreeing to the meeting simply as a
courtesy, or to find out what the competition is offering. Indeed in the first trade mission conducted under the program, two meetings were arranged with "buyers" who in reality turned out to be manufacturers of a competing line. While the meetings turned out to be very informative to the New England manufacturers involved, it did not result in any sales.

5. As a general rule, it is unrealistic to believe that on a company's first trip to Europe, they will make some sales. While this has happened on some of the missions, it should not be expected. Becoming an exporter is not a one shot situation, but rather requires time, patience and a lot of follow through. For those participating companies that have not done as well as others in the program, it can almost always be attributed to either the inability or lack of willingness to do the proper follow up. In almost all cases, additional trips to Europe are necessary if a company is to achieve success as an exporter.

6. While a New England manufacturer can plan to export their product and sell it F.O.B. their plant, it is necessary to understand and identify the various distribution costs and tariffs and duties even if they are not going to pay them. The program has
placed significant attention on this detail as it is necessary that the manufacturer understand what the final selling price will be so that it can be ascertained what the degree of price competitiveness is that they will face from a foreign company.

In short, the program's success has been its attempt to focus on each participating company as an individual and its willingness to uncover and identify all of the minute details that are necessary for the participant to be properly prepared. The program does not conduct its trade missions on an industry basis, but rather an individual company is selected based on product research which has shown there is a high chance of success.

The Authority's Small Business Export Program has been successful, demonstrating that exporting is not impossible, or as difficult as many believe. However, it is a mistake to attempt to export without properly investigating the marketplace to be penetrated and to travel to that marketplace without understanding the manner and methods of doing business there.
Barriers Still Exist

Programs such as the Small Business Export Program can eliminate many of the roadblocks to exporting and demonstrate that exporting can be highly profitable. However there are additional barriers that have severely restricted exports in New England. The first are those barriers legislated or decreed by governments, both U.S. and foreign, which are designed to protect a domestic industry; these take the forms of tariffs, duties and/or protectionist policies which are levied to restrict or eliminate the importation of certain goods. These barriers can hinder entrance into certain markets; however, with the devaluation of the dollar against the currencies of many countries, and a product that offers uniqueness either in the functions it can perform or its quality, these barriers can often be overcome. In addition, it is not uncommon to apply for and receive an exemption from certain tariffs if it can be shown that there is not a company in the foreign country that manufactures a similar product.

However, it is the second barrier that is by far the most crippling. The U.S. government's inefficiency, lack of a formal export policy, misdirected programs and refusal to understand the motivations of small business has probably dampened export opportunities more than any other single factor. One hears in Washington today, both from the Administration and Congress, that more must be done to encourage exports. Yet all that is happening is that more and more Governmental agencies and
departments are focusing their attention on this problem by simply duplicating the same non-effectual programs that have been in operation for years. The United States Government by attempting to be all things to all people has continuously blocked the road to export stimulation. For example, federal agencies such as OPIC and Eximbank, while supposedly geared to promote exports, were really created and are today shrouded in non-economic international policy making. Further, OPIC, who is presently redirecting its efforts towards the "Small" business manufacturer, defines a small business as any company not on the Fortune 1000 list. The one thousandth company on that list has sales of $100,000,000, a far cry from what one generally considers small. In addition, one only has to look at government imposed restrictions to further comprehend the sense of futility that faces not only existing U.S. exporters but potential exporters. Consider these U.S. barriers to exporting that the New England manufacturer must deal with:

1. **Export controls** to prevent shortages in our domestic economy, for national security reasons and/or to promote U.S. foreign policy means many U.S. products must be licensed for export.

2. **Restrictions on trade with Communist Bloc Countries** based on freedom of emigration provisions. In a number of cases, individual United States export sales have been held up pending the release of certain individuals in a particular country.
3. Regulation on sale of military equipment: In 1977, the President announced a policy prohibiting American companies from being the first supplier to introduce into a region new weapons system which would create new combat capability.

4. Human Rights Restrictions: Federal agencies such as OPIC and Eximbank are required to consider the human rights records of recipient countries prior to assisting a United States exporter.

5. Cargo Preference laws wherein U.S. flag vessels must be used to transport certain products or goods. This often places the American exporter at a serious price disadvantage.

6. Health and Safety restrictions wherein an American exporter must not only comply with the laws of the country that he is exporting to, which is reasonable, but he must also comply with the laws of the United States as they apply to his product even if it is not to be consumed in the U.S.

There are many other acts of the U.S. Government which place the New England exporters at a distinct disadvantage such as the Clean Air Act, Federal Water Pollution Central Act, Occupational Safety and Health Act, Foreign Corrupt Practices Act, Anti Boycott amendments to the Export Administration Act, and environmental impact statements. (See the Puryear and Wiggins paper on Federal regulations for a discussion of how these affect
small business in Region I.) There is no better summary of this problem than to quote a portion of a speech by Senator Adlai E. Stevenson III as he introduced a bill in the United States Senate on March 22, 1979.

"Mr. President, the United States is the only nation -- in this century at least -- which regards its exports as a privilege to be bestowed only upon the worthiest of foreigners. Other nations see clearly the increased production and jobs exports yield. We too frequently succumb instead to seductive notions of "leverage" or theological calls to purification through self-denial. We must have more to offer a needy world than our own moral superiority. Ill-conceived efforts to pressure other nations through refusals to export deprives the United States of influence as well as sales."

In dealing with exporting by the small business manufacturer, Government must recognize and treat accordingly two separate categories. The small business manufacturer who is now not exporting and the small business manufacturer who is exporting. Their problems are different -- the first must be shown how, when and where; the second must be assisted in financing and in breaking down existing domestic and foreign barriers to exporting. They should be offered incentives which will encourage them to expand their exports. In creating laws and regulations which will allow them to achieve their objectives, Government should be careful not to pit small businesses against
their larger counterparts. Small may be beautiful but big is not automatically ugly. It serves no purpose to encourage growth only to penalize it when that growth is achieved.

Policy Recommendations

This is not a policy paper and the suggestions offered are done so in the broadest sense, perhaps they are mere sparks that will illuminate an idea that can be studied in more depth or incorporated in more detailed proposals. Further the suggestions put forth here must not be considered as either all encompassing or the totality of what Government can or should do, but rather an integral part of an overall solution.

If we are to emerge from the Dark Ages of Exporting, for in comparison with other nations that is truly where we are, Government ought to first recognize that a specific export policy for small business does not exist. Second, Government should understand what motivates a small business manufacturer, and third, Government should then adopt and implement a small business export policy that is specifically designed to increase the number of small United States manufacturers that export and to increase the amount of exporting by those firms as well as by existing exporters.

Based on the above criteria, it is suggested that the following be considered in formulating new export incentives directed toward the small business manufacturer.

1. For the small business manufacturer who is presently not exporting, it is recommended that a special unit within
the Commerce Department be created to offer a Small Business Export Program modeled after the current program operated by the Massachusetts Port Authority. This program virtually in its entirety could be implemented by the Commerce Department with a central co-ordinating office in Washington having one or more specialists assigned to and operating in each of the Department's 43 District Offices. Each District Office could then operate through the Department's country specialists and the Commercial Attaches in the targeted countries. A program such as proposed could be measured and evaluated on an annual basis in concrete terms rather than in subjective judgment.

Agencies such as OPIC and Eximbank would have a certain percent of their funds earmarked specifically for small business exporters, with a further subdivision being made for new to market small business manufacturers. Such programs within these agencies would not only increase export viability but should also be done in a manner that is measurable on a factual basis rather than on a subjective basis thereby eliminating the self-serving Public Relations annual reviews that claim great accomplishments in a cloud of confusion and ambiguity. Experience gained from the Massachusetts Port Authority's Small Business Export Program has clearly
demonstrated that manufacturers presently not exporting will respond to a realistic and successful program.

3. A government loan guarantee program which would have government guarantee all or a significant portion of loans made by commercial banks to encourage the expansion of exporting by small business manufacturers, and new to market exporters. A program of this type would automatically bring into the picture potentially 14,000 banks who would be in effect promoting exporting by small manufacturers. While bankers in general have not been overly aggressive in seeking out new to market businesses, they are much more cognizant of what motivates a small business manufacturer than is the Government, and this understanding as demonstrated in the Small Business Export Program has clearly pointed out that the small business manufacturer is much more willing to take the first step if they are dealing with someone who understands their problems and someone they can relate to.

4. At the present time, U.S. Commercial Attaches stationed overseas in Embassies or Consulates fall under the direction and supervision of the State Department. Past experience has shown that this is at best an ineffecual way to promote American commercialism overseas. Commercial Attaches should be employees of the Commerce Department operating under the control and supervision
of that Department. It is difficult enough to report to one organization in the bureaucracy of Washington; it is impossible to be effective and report to two organizations as is the present situation. Experience has shown that not only has this type of bureaucracy made it more difficult for small business manufacturers to get started as exporters, but in many cases have persuaded companies that exporting is so confusing that they have backed away from it altogether.

5. Fluency in at least one foreign language should be mandatory in the awarding of a college degree. In many countries of the world today, English is a mandatory language in primary and secondary schools. If the United States is to become a truly permanent world power, this cannot be done on the basis of military strength alone. We, as a country and as a people, must truly become international. It is time we stop insisting that the world should operate in the American way. Fluency in a foreign language will give us the basis for understanding the differences and perspectives of the people of other nations, and with this understanding, many of the barriers of trade will be once and for all removed. Under the Small Business Export Program, many of the meetings held abroad are done so with the assistance of an interpreter, not necessarily because the foreign business person doesn't
speak English, but because there appears to be increasing national pride which they enjoy emphasizing.

The cause of the U.S. trade deficit is not the oil crisis and it is not inflation, it is simply that we are exporting too little by too few. Therein lies our solution to the problem, we must increase the number of U.S. manufacturers that will export, and in doing so, we will emerge with a stronger and healthier national and international economy as will the individual manufacturers that participate in this growth.

The Administration has heralded the President's "Export Policy" as "First of all, it, in effect raises a new battle flag, signaling the importance we attach to the problem". An export policy should not be used to identify the problem, it should spell out the solutions to those problems. It is reassuring that the Administration knows there is a problem, but the time of raising the "battle flag" is past; we must now fight the battle with entrepreneurial aggressiveness supported by government action that paves the way for export expansion rather than hindering it.