

Services (GATS). In order to provide effective leverage in these talks, legislation to reform Section 310(b) should explicitly provide for the Government to take on such an obligation. If the WTO basic telecommunications services negotiations are not successful, the U.S. will take a most-favored-nation exception for basic telecommunications services under the GATS.

Third, the bill's market-segment-for-market-segment approach should be dropped to allow market opening generally balanced among telecommunications services markets.

Fourth and finally, the bill's "snapback" provision is a unilateral provision to remove negotiated benefits which would be unacceptable to us if proposed by other nations for themselves. It is unnecessary insofar as the FCC can already condition authorizations and reopen them if the conditions later are not met, consistent with U.S. international obligations.

#### MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

#### EXECUTIVE MESSAGES REFERRED

As in executive session the PRESIDING OFFICER laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

#### REPORT ON THE STATE OF SMALL BUSINESS—MESSAGE FROM THE PRESIDENT—PM 53

The PRESIDING OFFICER laid before the Senate the following messages from the President of the United States, together with an accompanying report; which was referred to the Committee on Small Business.

*To the Congress of the United States:*

I am pleased to forward my second annual report on the state of small business, and to report that small businesses are doing exceptionally well. Business starts and incorporations were up in 1993, the year covered in this report. Failures and bankruptcies were down. Six times as many jobs were created as in the previous year, primarily in industries historically dominated by small businesses.

Small businesses are a critical part of our economy. They employ almost 60 percent of the work force, contribute 54 percent of sales, account for roughly 40 percent of gross domestic product, and are responsible for 50 percent of private sector output. More than 600,000 new firms have been created annually over the past decade, and over much of this period, small firms generated many of the Nation's new jobs. As this report documents, entrepreneurial small businesses are also strong innovators, producing twice as many significant innovations as their larger counterparts.

In short, a great deal of our Nation's economic activity comes from the record number of entrepreneurs living the American Dream. Our job in Government is to make sure that conditions are right for that dynamic activity to continue and to grow.

And we are taking important steps. Maintaining a strong economy while continuing to lower the Federal budget deficit may be the most important step we in Government can take. A lower deficit means that more savings can go into new plant and equipment and that interest rates will be lower. It means that more small businesses can get the financing they need to get started.

We are finally bringing the Federal deficit under control. In 1992 the deficit was \$290 billion. By 1994, the deficit was \$203 billion; we project that it will fall to \$193 billion in 1995.

Deficit reduction matters. We have been enjoying the lowest combined rate of unemployment and inflation in 25 years. Gross domestic product has increased, as have housing starts. New business incorporations continue to climb. We want to continue bringing the deficit down in a way that protects our economic recovery, pays attention to the needs of people, and empowers small business men and women.

#### CAPITAL FORMATION

One area on which we have focused attention is increasing the availability of capital to new and small enterprises, especially the dynamic firms that keep us competitive and contribute so much to economic growth.

Bank regulatory policies are being revised to encourage lending to small firms. Included in the Credit Availability Program that we introduced in 1993 are revised banking regulatory policies concerning some small business loans and permission for financial institutions to create "character loans."

New legislation supported by my Administration and enacted in September 1994, the Reigle Community Development and Regulatory Improvement Act of 1994, establishes a Community Development Financial Institutions Fund for community development banks, amends banking and securities laws to encourage the creation of a secondary market for small business loans, and reduces the regulatory burden for financial institutions by changing or eliminating 50 banking regulations.

Under the Small Business Administration Reauthorization and Amendments Act of 1994, the Small Business Administration (SBA) is authorized to increase the number of guaranteed small business loans for the next 3 years. The budget proposed for the SBA will encourage private funds to be directed to the small businesses that most need access to capital. While continuing cost-cutting efforts, the plan proposes to fund new loan and venture capital authority for SBA's credit and investment programs. Changes in the SBA's 7(a) guaranteed loan program will increase the amount of private sec-

tor lending leveraged for every dollar of taxpayer funds invested in the program.

Through the Small Business Investment Company (SBIC) program, a group of new venture capital firms are expected to make available several billion dollars in equity financing for startups and growing firms. The SBIC program will continue to grow as regulations promulgated in the past year facilitate financing with a newly created participating equity security instrument.

And the Securities and Exchange Commission's simplified filing and registration requirements for small firm securities have helped encourage new entries by small firms into capital markets.

We are recommending other changes that will help make more capital available to small firms. In reauthorizing Superfund, my Administration seeks to limit lender liability for Superfund remediation costs, which have had an adverse effect on lending to small businesses. Interagency teams have been examining additional cost-effective ways to expand the availability of small business financing, such as new options for expanding equity investments in small firms and improvements to existing microlending efforts.

We've also recognized that we can help small business people increase their available capital through tax reductions and incentives. We increased by 75 percent, from \$10,000 to \$17,500, the amount a small business can deduct as expenses for equipment purchases. Tax incentives in the 1993 Budget Reconciliation Act are having their effect, encouraging long-term investment in small firms. And the empowerment zone program offers significant tax incentives—a 20 percent wage credit, \$20,000 in expensing, and tax-exempt facility bonds—for firms within the zones.

#### REGULATION AND PAPERWORK

But increasing the availability of capital to small firms is only part of the battle. We also have to make sure that Government doesn't get in the way. And we're making progress in our efforts to create a smaller, smarter, less costly and more effective Government that is closer to home—closer to the small businesses and citizens it serves.

In the first round of our reinventing Government initiative—the National Performance Review—we asked Government professionals for their best ideas on how to create a better Government with less red tape. One recommendation was that Federal agency compliance with the Regulatory Flexibility Act—that requires agencies to examine proposed and existing regulations for their effects on small entities—be subject to judicial review. In other words, they said we need to put teeth in the legislation requiring Federal agencies to pay attention to small business concerns when they write regulations. That proposal has been under debate in the Congress.