

FINAL REPORT  
OF THE  
IOWA WORLD TRADE  
ADVISORY COMMITTEE

February 25, 1987

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February 25, 1987

The Honorable Donald Avenson, Chairperson  
The Honorable Bill Hutchins, Vice Chairperson  
Members of the Iowa Legislative Council

Dear Council Members:

The World Trade Advisory Committee submits this report in fulfillment of the Legislative Council Charge presented to the Committee.

The Committee began its work February 11, 1986 and following eleven Committee meetings and several months of research, it has prepared this final report.

The report provides a background of the Committee and its charge, a summary of the Committee meetings, information about what the State of Iowa, other entities in Iowa and other states are doing in the area of trade promotion and foreign investment attraction.

Most important are the recommendations we make in the report. We believe these are vital steps toward increasing Iowa exports.

The Committee thanks the Legislative Service Bureau for their cooperation and services throughout the year and particularly through the report production.

Also important to the Committee's work were the Iowa Department of Economic Development staff and the many people who took their time to assist in our research efforts.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ned Chiodo".

NED CHIODO, Chairperson  
Iowa World Trade  
Advisory Committee

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For additional copies of this report please contact:

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SUMMARY OF THE REPORT

## SUMMARY OF THE REPORT

The Iowa World Trade Advisory Committee has prepared a summary of its report to the Iowa Legislative Council and the Iowa General Assembly. The report is divided into several sections which are briefly summarized below.

### BACKGROUND

The World Trade Advisory Committee initially was created as the World Trade Center Site Selection Committee. The Legislative Council retained the membership of the selection committee and added two new members after the Committee was unable to recommend a building proposal for the state to support. The Council charged the new Iowa World Trade Advisory Committee to examine international trade initiatives which the state could sponsor which would potentially increase Iowa exports.

### SUMMARY OF COMMITTEE MINUTES

This section is included in the report in lieu of the full text of the eleven Committee meetings which are on file at the Iowa Legislative Service Bureau. The summaries are brief and generally organized by date and topics.

### IOWA TRADE PROMOTION ACTIVITIES

#### Iowa Department of Economic Development

The activities of the department as they relate to international trade promotion and development are summarized within this section. IDED sponsors several trade promotion

programs. The department organizes international trade missions and trade shows, administers the interest buy-down program, cosponsors seminars and conferences, distributes publications, and staffs foreign offices.

#### Other Iowa International Trade Activities

Not only is the state involved in international trade promotion and assistance, but also there are several other entities which have varying degrees of involvement. This section describes the many activities of the groups in the state. Some of the organizations include the universities and colleges, community colleges, chambers of commerce, and federal agencies.

#### OTHER STATES' INTERNATIONAL TRADE ACTIVITIES

This section describes international trade promotion and development activities in other states. States are focusing efforts on international trade promotion and development as is evidenced by the increase in those expenditures for 29 reporting states from \$21 million in 1984 to \$39 million in 1986. Most states fund trade assistance, disseminate trade leads, sponsor trade conferences and seminars, organize trade show participation, and sponsor and organize trade missions. Thirty-four states now have foreign offices with 70 of them located in 12 countries around the world. This section also highlights two unique programs: federal-state cooperative agreements and a contract between a state and an investment banking firm for the solicitation of foreign direct investment attraction.

#### COMMITTEE FINDINGS AND RECOMMENDATIONS

This portion of the report details the Committee's findings and suggests recommendations which address those findings. The members believe the recommendations will move Iowa significantly in the direction of increasing international trade.

1. REGIONAL TRADE ALLIANCE - This section explains the economies of scale which could be possible should Iowa and other states merge resources. The combined population and

gross products of several states can jockey those states into a higher profile than if they were to remain independent. This improved position would be especially important in attracting foreign investment. Additionally these states could work together on more efficient services.

One potential activity of the association would be mutual planning of trade shows and trade missions. Missions and shows could be planned for a broader range of industries than would be possible for only one state because the depth of each industry would be greater with more states. Another possibility could include sharing of overseas office space and administrative expenses including telex, copying equipment, etc. This section also describes an operating regional trade affiliation of five southern states which has successfully been planning missions and trade shows.

The Committee recommends the state take the lead in developing a regional association of states to accomplish mutual goals.

2. TRADE MISSIONS AND TRADE SHOWS - This section explains the benefits which can be derived from international trade missions and trade shows. Information from those who plan them indicates difficulty in recruiting companies to participate in them. The Committee's telephone survey (Exhibit 1) documented that time and money precluded them from participating. The Committee recommends shows and missions be organized together to decrease both the costs of planning them and the expenses incurred while on them. Successful trade mission planners claim industry specific missions attract more foreign interest. More industry specific missions could be planned in Iowa if there were enough businesses in each industry to attract a sufficient number of participants. The Committee suggests shows and missions be planned in cooperation with other states to decrease the costs of both and to increase the foreign interest in the missions.

The Committee also recommends the state subsidize or loan funds so that financially strapped companies can participate in international trade shows and trade missions.

3. FOREIGN DIRECT INVESTMENT - The section briefly explains the current operation of the Iowa foreign offices. The Committee suggests there are more effective ways of attracting foreign investment than solely through foreign office staff contacts. The Committee recommends the alteration of the office's focus and the increase of their staffs. The state should redirect state emphasis away from foreign investment attraction and toward trade promotion and assistance. More staff should be assigned the trade promotion task and direct investment leads will result as a spin-off of the trade contacts.

The Committee believes a more effective means of attracting foreign direct investment is through the networking which naturally occurs between investment bankers and their clients. To tap into that network, the Committee recommends the state contract with an investment banking firm as an alternative for fulfilling the foreign direct investment goal. The increased foreign office staff would then be free to more aggressively help Iowa companies enter or expand their foreign markets. (The Committee cites a similar arrangement between Oklahoma and the investment banking firm, Morgan Grenfell, Inc. See Exhibit 3.)

4. EXPORT FINANCING - This section describes the sources of financing and the differences between some of the programs states have implemented. The Committee recommends Iowa continue to study the performance of the other state trade finance programs because they are still in their incubation stage.

5. LEASING SPACE IN FACILITIES - The Committee recommends the state lease space in facilities which have the potential to draw international audiences. The Committee members believe this exposure to a continual flow of international visitors can additionally expose Iowa companies to the international marketplace. The state could sublease exhibit space in these facilities, perhaps at subsidized rates, to those Iowa businesses which could not otherwise afford to lease the space.

The Committee describes two facilities in the Midwest which the Committee members believe have the potential to draw qualified international audiences. The centers are the Kansas City Agribusiness Center and the Minnesota World Trade Center.

6. INTERNATIONAL BUSINESS RESEARCH AND TRAINING INSTITUTE - The Committee's telephone survey documented the need for more market information and a means for making that information available. The Committee recognizes the need for an entity to study market information and relate the findings and basic educational programs back to Iowa businesses through training programs.

The Committee proposes an independent organization provide goals and agenda for the institute to ensure that it will fulfill the needs of the Iowa business community and the organizations which serve it. The institute will be able, because of its independence, to determine Iowa business needs and mobilize the appropriate organizations to deliver the services to meet those needs.

It is the Committee's intent that the institute be operated on an ad hoc basis with only a full-time director and secretarial assistance. Specific research projects would be let on a request for proposal basis.

7. HOUSING OF PROGRAMS - The international trade research and training institute needs a location within which to locate and provide services. The Committee members believe that centralizing the location of state-supported trade programs within a facility which leases to other organizations and private entities which also provide international trade services will assist the Iowa business community in its efforts to increase international trade efforts. The Committee members believe that a building marketed as a location for international trade services and activities will focus in-state and out-of-state attention. Iowa businesses will know where to find international trade related assistance and out-of-state visitors will have a place to meet with Iowa business people or to determine where or who else in the state to visit.

The Committee recommends that the state ask for proposals for buildings within which the state can provide trade services and assistance since there are developers interested in building such a facility. Since the developer potentially would financially gain from state-supported services located in the facility, the developer's proposals should provide free space for state-sponsored trade programs. The Committee requests that the selecting body not be required by the state to select proposals should none be acceptable.

8. WORLD TRADE COMMISSION - The Committee believes the independent organization which should be responsible for coordinating the trade institute should be a nine-member commission. The commission should select the director of the institute and approve the operations and activities of the institute. The commission should be the body that determines within which building the state will locate trade-related services.

The Committee also recommends this commission initiate the conversations with other states to develop a trade association for the benefit of all the states involved.

The commission should coordinate the leasing of exhibit space in trade facilities. The commission will negotiate any contract arrangements with investment banking firms to find foreign investment prospects.

With the aid of the institute, the commission also would be the appropriate body to study and report recommendations to the legislature relating to export financing problems and alternatives for addressing them. The commission, through the institute's market research function, will assist with planning foreign trade missions and international trade shows.

9. CONCLUSION (ECONOMIC DEVELOPMENT FOCUS) - This section explains that the Iowa Department of Economic Development is geared toward seeking out-of-state investments in Iowa. The department uses its limited resources of staff and money in pursuit of that goal at the demise of the trade assistance and promotion programs for existing Iowa businesses.

The Committee recommends the state separate the goal of economic development from the goal of international trade promotion and assistance. The Committee members believe that as long as the two goals compete for limited funds within the department, resources will continue to be directed to fulfill the prioritized goal.

If state leadership believe trade promotion and assistance are a priority for Iowa, then it has to be recognized as such and resources have to be committed specifically toward improving and developing programs designed for those purposes.

BACKGROUND

## BACKGROUND

The 1985 General Assembly created the World Trade Center Site Selection Committee to select a developer and a site for an Iowa world trade center. However, after meeting several times with the developer, the Committee did not make a recommendation because terms could not be agreed to within the time constraints.

Recognizing the need to increase Iowa's efforts toward trade promotion, the Iowa Legislative Council changed the focus of the Committee and created the World Trade Advisory Committee at its September 19, 1985, meeting. The Council appropriated \$250,000 for the new Committee to use toward developing ideas to expand Iowa world trade.

The Council leadership appointed two additional members to the original five-member World Trade Center Selection Committee, creating a seven-member committee.

Members of the new Committee include the original five members of the selection committee. Members of the current World Trade Advisory Committee are:

Ned Chiodo, Chairperson (Des Moines) - lobbyist for Personal Representatives, Inc., former Polk County Auditor, former legislator of 10 years, golf course professional and manager;

Richard Canella (Fort Madison) - retired president of Shaeffer Pen, which has international operations;

Dennis Houlihan (Dubuque) - manager of A. G. Edwards and Sons, Inc., an investment banking firm;

Tom Parks (Marion) - President of Kwik-Way Manufacturing, Inc., which is involved in international trade;

Bart Rule (Dunlap) - former executive director of Iowa Association of Association of Municipal Utilities;

Arthur Vogel (Hamburg) - President of Vogel Popcorn, which trades internationally; and

Francis Zrostlick (Garner) - President of Iowa Mold Tooling Inc., which engages in international operations.

The Committee met nine times throughout 1986 and twice in 1987 in pursuit of its objectives. Although not all members were in attendance at all the meetings, all members were apprised of activities and of research through occasional newsletters and circulation of meeting minutes.

## SUMMARY OF COMMITTEE MEETINGS

The World Trade Advisory Committee held nine meetings in 1986 and two in 1987. During the course of the year, the Committee expended funds for the following activities: hired staff person Nancy E. Brennan; funded \$1,000 of a statewide survey of export needs which the University of Iowa and the Cedar Rapids Chamber of Commerce conducted (the funds were not used, so they returned them); expended \$5,000 for an Iowa State University organized conference to discuss the possibilities for an international trade institute; funded \$5,000 of a cross-cultural seminar on China which was organized by Iowa State University for businesses; allocated \$25,000 toward the hiring of a consultant by the Iowa Department of Economic Development; and spent \$5,000 on a telephone survey of Iowa exporters.

A complete copy of the minutes for each meeting is available from the Iowa Legislative Service Bureau. A summation of each of the meetings follows:

### February 11, 1986

All the Committee members, Speaker Avenson, Senator Hultman, and staff were in attendance for the Committee's first meeting. The Committee members discussed their plans for the Committee's work.

### Committee role

Chairperson Chiodo asked the General Assembly leadership and the Committee members to discuss their perception of the Committee's role. Other remarks relating to the Committee are in the notes from the February 28th and March 25th meetings.

Speaker Avenson wanted the Committee to assess the assets and liabilities of the state with regard to trade.

Richard Canella felt the Committee could clarify the language relating to barter.

Chairperson Chiodo indicated the Committee could bring the various splinter groups together and focus the direction of each. He also said the Committee should determine whether Iowa businesses have the necessary and sufficient resources to engage in international trade.

Dennis Houlihan said the Committee could serve as a resource or marketing arm for the state's international programs.

Senate Minority Leader Hultman said the Committee could serve as a coordinator or a catalyst. It should provide the General Assembly direction for programs which can promote the increase of Iowa exports.

Bart Rule said the Committee should stress the cultural aspects of international business. It also should look into the possibility of utilizing the Des Moines railroad yards and airport for trade purposes.

Francis Zrostlick commented that the Committee should make interpreters more accessible for business purposes. It could even make use of Iowa university students. The Committee should educate business people that international sales are not that much unlike domestic sales. The state needs to define existing and developing markets and determine what Iowa businesses need to produce to meet those researched needs.

#### February 28, 1986

Members from the District Export Council, which advises the U.S. Department of Commerce International Trade Administration (ITA) District Office in Des Moines, and the ITA staff addressed the

Committee. Also at the meeting were a member of the Cedar Rapids International Trade Bureau, representatives from the Committee of 200 (a group of interested citizens), staff from the Iowa Development Commission, and a group from Iowa State University.

#### International trade research and training institute

The ISU group presented a proposal for an international trade research and training institute which is described in a separate section of this report.

#### Needs analysis survey

The Cedar Rapids International Trade Bureau presented a proposal to survey small business export needs throughout the state. The University of Iowa people planned to analyze the data collected from the surveys which were distributed by the chambers of commerce throughout the state. The Committee funded \$1,000 of the project for the data analysis, but because of the poor response to the surveys, the Trade Bureau returned the unused \$1,000 the Committee allocated.

#### Iowa Development Commission (IDC) international activities

Mark Kapfer is the IDC division administrator responsible for the activities of the international group. He explained that the state needed a Japanese office for the state to more actively pursue foreign investment (the General Assembly funded the office in the 1986 session). He said the other foreign offices are underfunded and understaffed. The offices need more staff to attend shows and more money to use for advertising. If the department had \$2 million, Kapfer indicated they would spend it on the foreign offices so the staff could generate more trade leads.

Jon Kuehner explained that missions are too much of a strain on the small business person because there are not enough people employed in a supervisory status for that person to leave the business for an extended time, nor is there enough money in small business operations to cover the expenses of a lengthy trade mission. Because of these problems, Kuehner said the department plans to sponsor fewer missions.

#### House Minority Leader Stromer on the Committee's role

Minority Leader Stromer said the Committee should improve IDC's credibility. IDC Director Alan Thoms responded to Representative Stromer's comment by saying that many of the problems contributing to the lack of credibility are attributable to fragmentation of the services to Iowa business people. Thoms said that the fragmentation should be curtailed with the reorganization effort.

#### Committee of 200

Joe Jongewaard indicated that the Committee of 200 wanted to be the organizational body for the international training and research institute. They proposed to hire staff and to determine programming with advice from the business community and the universities.

#### International Trade Administration (ITA) and the District Export Council (DEC)

The ITA staff and DEC members related their insights and experiences to the Committee.

Trade shows: Jeanine Hettinga (DEC member) said some products are difficult to explain but easier to show. She proposed the state underwrite show participation. According to Hettinga, Great Britain underwrites 25 percent of the space its companies lease, and Italy, 75 percent. She said trade shows are a large expense for a company; she pays \$50,000 for space at an international trade show. Wayne Fox, DEC chairperson, said shows are valuable marketing tools because demonstration of the operation or explanation of the technology behind a product is a large part of selling the product.

Financing: Hettinga can't find a bank in Iowa which can finance the volume of business her company generates, so she banks in Chicago. Fox uses irrevocable letters of credit and has no problems with financing his trade. Canella used cash for his international transactions.

Durden added that the Small Business Administration (SBA) has an inventory loan for financing production for export.

Foreign offices: Both Hettinga and Fox believe that foreign offices are good lead and contact sources.

State Fair: Fox said the state should sell the state fairgrounds and buy land adjoining Heritage Farms outside Des Moines. He envisions a new racetrack and set of buildings could be built and used throughout the year for agricultural exhibits and shows. He also sees seed companies planting demonstration plots and equipment manufacturers demonstrating their equipment working the fields.

(See another DEC member's comments: Joe Wallace's comments on March 25, 1986.)

#### March 25, 1986

This Committee meeting focused on financing and included other comments from Senator Hutchins and DEC member Joe Wallace.

#### Financing

Pierre Herszdorfer (Merchants National Bank) and Kent Mericle (Norwest Bank), both from international divisions within their banks, explained that if a deal is bankable, their banks will finance it; if the deal is not bankable, the state shouldn't finance it either.

Herszdorfer commented that Iowa businesses need to be more flexible with payment and shipping terms; he contended that such flexibility increases the possibility of increasing exports.

Mericle said he traveled throughout Iowa's business community and concluded there is a need for more training in business and export basics. He believes IDC needs to conduct more training sessions.

#### Senate Majority Leader Hutchins on the Committee role

The Committee needs to provide direction for the legislature in what programs to finance for world trade, i.e., staff for foreign offices,

etc.

Joe Wallace (DEC member)

Joe Wallace indicated that he favors a world trade center because it would focus international activity. He added that trade shows are expensive and the state could assist businesses with the expenses. He said missions are good tools for making contacts.

He claims about one half of one percent of U.S. Department of Commerce Trade Opportunities Program (TOPs) leads he receives are valid because the Standard Industrial Code (SIC) used to sort the trade leads is too broad.

April 2, 1986

The Committee met at the University of Iowa to learn about the university's role in international trade.

The university is a member of the Midwest Universities Consortium for International Activities. This group provides technical assistance and educational training for Central American countries and other projects of the consortium.

Also at the university is the Center for International Education and Services, which is the outreach arm of the university to the regional business community. The Center for International and Comparative Studies at the U of I provides degree programs and organizes study groups on specific countries or regions of the world. The university also has a Technology Innovation Center which assists beginning businesses.

The dean for the College of Business Administration said the university has the data base capability of determining product marketability in Western Europe. The college also conducts an alumni survey each year which has a 70 percent return rate; the survey could provide potential leads for Iowa businesses because it specifies the name, position, and business address of each alumnus.

The university has a translation lab which utilizes foreign students to translate foreign broadcasts or uses students to assist businesses with their translation needs. The university has equipment which can translate VCR tapes into the appropriate signals for use with foreign video equipment.

April 29, 1986

The Committee met at the Iowa Development Commission offices where the IDC staff explained the activities and organization of the new Department of Economic Development the General Assembly had just created through state government reorganization.

Department Director Alan Thoms described the organization of the new department and in that discussion indicated that international trade promotion would be part of a bureau under a division within the new department.

Mark Kapfer, division administrator overseeing the international activities, described the activities of the division. He said the foreign offices generate trade leads for Iowa businesses, and staff for those offices provide leads from the trade shows they attend on behalf of Iowa businesses. Kapfer commented that it is difficult to get businesses to follow up on leads generated at a trade show. Jon Kuehner explained the problem is the fear of dealing in the international arena. The department also organizes the annual Governor's export conference but doesn't run many conferences or workshops because of the few staff they have in the international bureau.. Kapfer said the department needs more people for international trade programs. He stated they need one domestic and foreign office person for every 20 trade leads the offices generate.

Kapfer passed out examples of the department's publications relating to international activities. Each year they publish a directory of exporters which they send overseas to the Foreign Commercial Service office libraries. They have a section in the Department of Economic Development's newsletter devoted to reporting the international division's activities over the course of the past year. The office

also has a brochure for informing Iowa businesses about the services available through the state international bureau.

#### May 22, 1986

The Committee met in Cedar Rapids with the directors of the Iowa foreign offices from Germany and Hong Kong who both described their activities and needs.

#### Hong Kong Office

Jimmy Chu attends trade shows, conducts direct mailings for Iowa companies, and acts as a translator. He handles Taiwan, Korea, and Japan.

#### Frankfurt Office

Paul Wagner said there should to be two people in his office so that one can concentrate on foreign investment recruitment and the other can concentrate on trade development.

Currently the focus of the German office is on foreign investment. Wagner said that trade shows are effective in Europe, and Chu commented missions were more effective in the Far East than trade shows.

#### July 2, 1986

The Committee hired Nancy E. Brennan as a staff person for the Committee.

The Committee discussed how trade missions could more effectively be run. One member suggested the trade missions focus on one country for a two-week period. Because there would be less traveling to different countries, it may be more affordable for small business people in terms of time and money.

Canella explained that the Governor's export advisory committee, of which he is a member, heard from a knowledgeable source that bad grain quality was hurting the reputation of other Iowa exports. He said there was some interest in pursuing the issue within that

committee. Chairperson Chiodo said the World Trade Advisory Committee also could look into the issue.

Chairperson Chiodo suggested the Committee let requests for proposals for information the Committee desires beyond what the staff person assembles for the areas of trade missions, trade shows, foreign offices, and clean grain.

The Committee also requested staff person Brennan to research the programming sponsored by the Minnesota and Long Beach world trade centers and the programs originally proposed for the Iowa World Trade Center.

#### August 14, 1986

Brennan presented the Committee a summary of each of the study areas the Committee indicated an interest in at the last meeting. Brennan suggested the Committee wait until after the grain conferences in September to release a request for proposal for that study. (See the minutes from the meeting for discussions about the study areas and Committee members' comments on them.)

#### October 31, 1986

The Committee convened in Des Moines to discuss several issues.

#### IDED consultant

The Committee voted to offer the Iowa Department of Economic Development \$25,000 for the hiring of New York consultant Bob Keller to determine Iowa's exportable products and match them with existing or developing foreign markets.

#### ISU cultural conference on China

The Committee voted to allocate \$5,000 to an ISU-sponsored conference on the "cross-cultural" aspects of doing business with the Chinese. The conference was the first in a series the university plans to offer.

### Mid-America World Trade Center

Pat Marx from the Minnesota World Trade Center spoke to the Committee about the possibility of combining the financial assets of several states to organize a Mid-America (or regional) World Trade Center. The programs would be decided by and sponsored by the participating states. (Since this meeting, Minnesota has abandoned the concept of renaming their facility, but sources indicate the state still may consider discussions of a cooperative trade alliance with other states. Roger Johnson also supported the concept at the January 7, 1987, Committee meeting.)

### Business Research and Training Institute

Paul Coates and Steffan Schmidt from ISU talked with the Committee about the training institute and presented another paper describing the institute. They indicated the new proposal was more specific than their earlier proposal and also involved more expertise from other universities and community colleges throughout the state.

Chairperson Chiodo stated he wants to ask the General Assembly for \$1 million to fund the institute.

### January 7 and 8, 1987

The Committee met in Kansas City to examine the Kansas City Agribusiness Center and then traveled to Boston to tour the World Trade Center Boston.

### Kansas City Agribusiness Center

The developers of the Kansas City Agribusiness Center explained to the Committee the plans they have for the center. President Dick Sneddon and partner Ralph Wenger explained they plan to provide the programming which will draw qualified audiences to the center.

The center has 100,000 sq. ft. for office and permanent exhibit space. Within the building there are conference rooms and a 42,000 sq. ft. exhibit hall. There also are restaurants within the building as well as many in the surrounding area. The center is located in a business park off I-435 near the intersection of three

major interstates. It is 100 yards from a hotel with other meeting and eating establishments.

The developers explained that the annual cost for an 8' x 10' permanent exhibit space is \$1,800. The cost includes utilities and maintenance of the exhibit including the stocking of literature and forwarding of potential trade leads.

#### World Trade Center Boston

The Committee met with the World Trade Institute director Bob Kearney and his associate. They explained the center's background and showed the Committee around the facility. The Massachusetts Port Authority (Massport) owns the pier and building that the private developer leased to develop as the World Trade Center Boston. The developer has spent \$85 million to rehabilitate the old pier which was a passenger ship loading pier.

The 850,000 sq. ft. center has a 120,000 sq. ft. convention center, a 150,000 sq. ft. market center with staffed product display galleries, 350,000 sq. ft. of office space, 24 soundproof conference rooms, a 426 fixed-seat amphitheater equipped for teleconferencing and simultaneous language translation, and many other amenities. The trade center also has a teleconferencing center.

The 150,000 sq. ft. marketing center will be leased only to high technology concerns ranging from software companies to audio-visual firms. Because of the specialized product concentration, the center plans to draw visitors who specifically are there to "shop". The trade center plans to attract 400,000 people each year to its 50 international and technology related trade shows in its convention center.

#### Mid-America Trade Center

Roger Johnson, former president of the Minnesota World Trade Center, met with the Committee in Kansas City to discuss the Mid-America concept. He submitted a proposal which is on file with the meeting minutes at the Legislative Service Bureau.

Johnson is now president of the Mid-America World Trade Center in Wichita, Kansas. Johnson said he took the Mid-America concept with him when he left Minnesota. He is developing the programming for privately funded project in Wichita, Kansas. He is certain Minnesota has abandoned the renaming of the Minnesota Center and is working on a regional trade alliance.

Johnson is attempting to solicit support from several states to form an alliance to pursue some form of a trade group. The shared activities of the states would be dependent upon what the states collectively decide to pursue.

Other Committee business - The Committee members approved the extension of employment of staff person Nancy Brennan until the Committee no longer requests her services.

The Committee members also discussed the final report which they will present to the legislature. Members wanted the following recommendations included:

- creation of a nine-member world trade center commission;
- creation of a world trade research and training institute which the commission will oversee;
- the state should promote additional participation in trade shows and trade missions and provide funding for subsidization for those businesses needing it;
- continue state financing of the interest buy-down program and propose further study of export financing problems;
- state emphasis on development should be redirected toward trade promotion;
- state foreign offices should direct more attention toward trade promotion;
- the commission should pursue the concept of creating a regional trade alliance with other states;
- the commission should pursue the possibility of hiring an investment banking firm to represent Iowa to the firm's clients overseas;

- the commission should pursue the leasing space at trade centers of other facilities which have the potential to expose Iowa businesses to qualified international visitors;
- the commission should ask for proposals to recommend a place within which to locate the institute.

February 16, 1987

The Committee held a conference call to discuss the revisions of the report draft. The Committee appropriated \$5,000 to ISU organizers of a conference for Iowa academic people to discuss plans for a world trade research and training institute.

IOWA TRADE PROMOTION ACTIVITIES

## IOWA TRADE PROMOTION ACTIVITIES

Understanding of Iowa's needs as they relate to international trade promotion and foreign investment attraction requires knowledge of the activities and their success. The Committee through its meetings and staff person identified several of the entities which are involved in international trade promotion and the programs those activities sponsor.

The Iowa Department of Economic Development is the official trade promotion arm of the state for all but unprocessed agricultural commodities which are under the direction of the Department of Agriculture and Land Stewardship.

### IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

The state agency responsible for trade promotion of Iowa-processed products is the Iowa Department of Economic Development, which was previously the Iowa Development Commission. Under the department is the Bureau of Trade, Commerce, and Agriculture which carries out international trade promotion and development activities. There are ten professionals under this bureau: the bureau chief; three foreign office directors in Frankfurt, Hong Kong, and Tokyo; one person for the procurement office; one person for trade shows and missions; one person who concentrates on reverse investment and outreach; one person for processed food promotion domestically and internationally; one person for the sister state program and visiting foreign delegations; and one person to work on export finance and trade leads. The staff also answer telephone inquiries

relating generally to trade or specifically relating to each of their areas of responsibility.

Trade leads - The state receives trade leads through its foreign offices and through the trade shows in which it participates. The state also offers the Foreign Commercial Service generated TOPs (Trade Opportunities Program) leads to several hundred Iowa businesses, biweekly. The leads are matched against Iowa businesses' SIC (Standard Industrial Code) numbers and disseminated via computer mailings from Kirkwood Community College.

The department has recently scaled down the number of Iowa businesses which receive the TOPs leads from 2,000 to 400 as the result of a recent survey indicating the lack of interest in the leads by many of the companies. The survey of TOPs users indicated many of the leads were dated or not appropriate for many of the businesses.

Trade seminars - Last fall the department cosponsored several basic how-to-export seminars for Iowa businesses throughout the state. According to bureau personnel, the department had not participated in many seminars prior to that time because of the lack of state personnel to coordinate them.

Publications - The state international bureau publishes a listing of Iowa businesses which export or would be interested in exporting. The listing includes the Standard Industrial Code listing and the firms' addresses and appropriate contacts for the discussions.

In 1986 the bureau published a booklet in Japanese which outlines the advantages for Japanese investment in Iowa.

The bureau also has a section in the agency annual report and newsletter in which it recaps the bureau's activities relating to international trade promotion and investment attraction.

Trade shows - The state development department usually participates in two or more international trade shows each year. The staff

selects shows on the basis of previous experience and whether the show can benefit Iowa firms. The staff judgmentally selects potential participants and sends those businesses letters. The businesses which respond to the letter are the ones which, provided they have the financial resources, will be represented by the IDED staff.

The staff prepares for the show by making an on-site visit to the company to gather information so that the staff person becomes familiar with the company that person will be representing at the show.

The food processor staff person attended two international trade shows in 1985 and three in 1986. In 1985, the state staff represented four companies at the "Taste of Iowa" booth in October at ANUGA in Cologne, West Germany. Three other Iowa firms sent representatives which shared the booth. The staff person from the Hong Kong office represented 11 Iowa companies at the AG China show in November 1985. Two other companies paid IDED a fee and sent their own representatives to share the space.

Foodex was held in March 1986 in Japan. Iowa state staff represented four companies, and two others sent their own exhibits.

The state represented seven Iowa companies at the Inprodorgmash show held in September 1986 in the U.S.S.R. Five other Iowa firms sent their own representatives to the show.

Trade missions - The bureau plans the trade missions several months in advance. The staff selects several destinations within a region in which staff believes there is potential for Iowa businesses. The bureau staff forwards invitations to several firms which may be interested in the mission. Then the staff visits the responding companies to assemble information which the department forwards to the U.S. Department of Commerce's Foreign Commercial Service offices in each of the countries to which the mission will travel. Foreign Commercial Service staff then identify interested foreign contacts

for the Iowa company.

The Iowa staff travels to the country one month prior to the mission to schedule meetings with the potential contacts the FCS has located. The state person also arranges for a stenographer, an interpreter, meeting rooms, and hotel accommodations.

While on the pre-mission trip, the staff person attempts to meet with the foreign contacts to ensure that the Iowa and foreign companies have mutual interests. Then, the same staff person travels with the mission to handle any problems and to ensure the mission's success.

The bureau organized two missions in 1985 to Israel and one to Australia, New Zealand, and Malaysia. The staff also organized one in 1986 to Japan. The Israel mission consisted of the Governor and 31 others, 20 of which were from private industry. The mission to the Pacific countries took seven Iowa firms for a 17-day mission.

The 1986 mission to Japan also was under the Governor's leadership. There were 25 participants from the Cedar Rapids area who contributed to defray the costs of the receptions and a seminar. The Governor also opened the new Iowa foreign office in Japan while there on the mission. The members met with government ministries, Japanese banks, industrial firms, and a trade association.

Governor's missions are planned differently than regular business missions. The Governor primarily makes contacts with government and business leaders for both political and reverse investment purposes. Such missions require extensive planning by IDED staff but do not involve the specific business appointments which are arranged for a regular trade mission. Governor's missions would more appropriately be titled investment missions.

Sister state program - The department recently acquired the sister state program as a result of the 1986 state government reorganization. The state has three sister state agreements: Heibei Province in the Peoples Republic of China, Yaminashi Prefecture in

Japan, and Yucatan State in Mexico.

Originally focused toward cultural and educational exchanges, the relationships have evolved into business ones as each state becomes more aware of the other state's needs. Heibei Province has outlined some buying priorities to Iowa firms, and both Yaminashi and Iowa businesses have found trade contacts.

Investment attraction and foreign offices - The bureau also works on attracting foreign direct investment to Iowa. The department and bureau management have traveled to several U.S. cities to discuss investment in Iowa with the U.S. executive of foreign companies and governments. They also have traveled overseas in that pursuit. The bureau recently placed an exhibit in the Bank of Tokyo, Chicago office, so that it will attract traveling Japanese business people.

Also as part of the investment attraction goal, the department staffs offices in three foreign countries. There is a professional person and secretarial help in each of the offices located in Frankfurt, Hong Kong, and Tokyo. These professionals, who are foreign nationals, have a myriad of responsibilities including: attending and representing Iowa at trade shows, developing foreign investment and trade leads, locating foreign agents and distributors for Iowa firms, assisting in interpreting, and more. The department interacts with the offices on a daily basis via satellite communications.

Food processors - One staff person coordinates all the domestic and international promotion of Iowa food processors. This is the only industry which has one staff person specifically assigned to it. The staff person arranges participation in trade shows and organizes a traveling show entitled "Taste of Iowa".

Financing - The General Assembly enacted an interest buy-down program which the bureau operates. (See the Export Financing section for a description of the program and its operations.)

The staff introduced the program to all the major lenders and

potential exporters throughout the state. The staff plans to do some additional promotion, but their resources are limited because the legislature did not fund any administrative or promotional expenses for the program.

1986 bureau activities - The following are the activities the bureau sponsored in 1986:

- opened a foreign office in Japan, signed cooperative agreements with two Japanese banks for the promotion of Japanese foreign investment in and trade with Iowa, placed an Iowa display in the Bank of Tokyo, Chicago office;
- hosted a procurement mission from the Republic of China, hosted five sister state delegations, and assisted with Senator Grassley's International Trade Symposium which brought foreign dignitaries to Iowa;
- participated in two international food shows and Inprodtorgmash (trade show) in the U.S.S.R., sponsored three Taste of Iowa shows, and organized a trade mission to Israel; and
- participated last fall with other agencies in several trade seminars around the state.

The department signed an agreement January 1, 1987, with international trade consultant, Robert Keller (See Exhibit 2). The contract stipulates the consultant will analyze the state's basic indicators (i.e. population, labor costs, productivity, etc.). He will evaluate Iowa's export development as it is reflected in the industrial and agricultural bases. He also will examine the nature of export growth indicated in export growth trends and the supply base for export development. The contract's major thrust is the targeting of domestic and foreign markets for the products the consultant identifies in the initial studies.

The consultant also will study direct investment in Iowa, comparing it to that of other states, and suggesting how it can be increased.

## OTHER IOWA ACTIVITIES

There are entities within the state other than the state development department (IDED) which are involved in trade promotion and development. Some of these entities receive public funds while others are privately supported activities or organizations. This summation of those activities and the groups is not exhaustive.

### The Department of Agriculture and Land Stewardship

The 1986 General Assembly reorganized state government and, in so doing, included the promotion of processed agricultural commodities under IDED and left the promotion of unprocessed commodities under the state's agriculture department.

The Agricultural Commodities Division under the department has an active promotion program. The program includes trade lead dissemination, trade missions, and trade show participation.

### State universities

The University of Iowa (U of I) and Iowa State University (ISU) both have students and staff involved in programs and activities relating to international trade promotion activities.

### ISU

International trade institute - ISU has several professors, an extension specialist, and a graduate student who have worked on a proposal for an international trade institute which is proposed to meet the business needs of international market research and training. The institute is described under a separate section within this report.

CIRAS - The Center for Industrial Research and Service (CIRAS) also is located at ISU. CIRAS assists businesses to incorporate technological advances into their management and production operations. Most of their efforts are geared toward optimization of plant productivity.

CIRAS administers the Small Business Development Center (SBDC) network. The 11 centers are cosponsored by the Small Business Administration of the U.S. Department of Commerce. These centers are located primarily on college campuses and

receive input from faculty and students, private consultants, SCORE (retired business executives), and full-time professionals who provide small business people free assistance ranging from preparing business plans to marketing.

The center's staff can assist Iowa small businesses to start the process toward building international sales via workshops, marketing assistance, and referrals to the appropriate state or federal agencies or private consultants.

CIRAS staff also publishes a directory of ISU alumni living overseas. Businesses can use these names for contact with someone who understands the two cultures and the business climate in the foreign country.

MERC - The General Assembly created the Meat Export Research Center in the 1985 session. The Center's charge is to research processing and production techniques to increase exports. According to the professor in charge of the meats program, Dennis Olson, one of the center's best successes has been the discovery of utilization techniques for spray dried blood plasma from slaughtered animals. This utilization of traditionally disposed of by-products has lowered costs of production for animal slaughter and has provided overseas markets for at least one Iowa firm.

#### U of I

The university has a Center for International and Comparative Studies which focuses on the differences between countries. There are several regions and programs which are highlighted in the center. The university also has equipment for the translation of foreign television signals as well as for the translation of VHS videotape into format for playback on foreign equipment.

The College of Business Administration has a data base the college claims can determine product marketability in Western Europe. In addition, the college has contact with 70 percent of its alumni, many of whom have overseas positions.

#### Community colleges

Some of the community colleges in the state are actively involved in international promotion efforts. Some of the efforts are limited to educational and cultural programs, and others include more business oriented pursuits.

Each year the Des Moines Area Community College (DMACC) sponsors an annual week-long exhibition featuring a specific country. Last year

the college sponsored a week on China in which the college featured cultural, social, artistic, and business aspects of the country through various media. The college periodically holds workshops on trade mechanics, and it also frequently offers credit courses on international business.

Ed Lowe is manager of international trade relations for the college. Lowe also is the director of the International Business and Visitor Center which is a joint venture of DMACC and the Greater Des Moines Area Chamber of Commerce Federation. He maintains a contact data base in which he enters people's names, background, foreign languages, expertise, and other relevant information. Lowe uses his data base to find contacts, translators and distributors for area business people in their overseas pursuits.

Through the joint-sponsored center, a list of interpreters is maintained, travel arrangements can be finalized, and general information for visitors and area business people is available.

The Kirkwood Community College hosts the state procurement office and also disseminates trade leads biweekly to Iowa businesses from the USDOC TOPs program to which IDED subscribes. The college also offers a 90-hour curriculum in international business.

#### Chambers of Commerce

The Cedar Rapids and the Des Moines chambers both have international programs in which they offer assistance for their area businesses.

Cedar Rapids - The Cedar Rapids International Trade Bureau hosts foreign delegations; mails a monthly newsletter to about 300 members; hosts international trade seminars, conferences, and training sessions; disseminates trade leads; and lobbies for issues before the Iowa legislature.

Des Moines - The Greater Des Moines Area Chamber of Commerce Federation cosponsors the International Business and Visitor Center with the Des Moines Area Community College; Ed Lowe from the college

manages the visitors center and handles the international activities of the chamber. The chamber also hosts foreign delegations and lobbies before the legislature on issues relating to international trade development.

#### International trade clubs

There were five international trade clubs at last count throughout Iowa which usually meet on a monthly basis to discuss topics of interest. Those topics cover a realm of subjects ranging from specifics about trade mechanics to general trade policy. These clubs provide a network through which businesses involved in international activity can exchange information and contacts.

#### FEDERAL TRADE ASSISTANCE AVAILABLE IN IOWA

There are many services available to Iowa exporters from federal government agencies. The agencies include the U.S. Department of Agriculture, the International Trade Administration, and the Small Business Administration.

#### Foreign Agricultural Service (FAS)

The FAS is part of the U.S. Department of Agriculture. The FAS staffs offices abroad for market research and contact referrals for domestic firms and provides trade leads which the Iowa Department of Agriculture and Land Stewardship distributes. FAS also organizes trade missions overseas.

#### International Trade Administration (ITA)

The U.S. Department of Commerce has a district ITA office in Des Moines. Some of the district office services include: professional assistance from a trade specialist, access to some Department of Commerce publications from the office's library, access via telex to all of the FCS posts throughout the world, market identification reports, market assessment studies, and market contact services. The ITA staff can refer businesses to the appropriate people or information if the staff can't help them.

The district office sponsors activities of the District Export Council which is comprised of exporting companies from around Iowa. The purpose of the group is to advise the office in the specific export assistance needs of Iowa businesses.

The Department of Commerce also organizes trade missions abroad for interested and relevant firms. Missions usually are industry specific.

#### The Small Business Administration

The SBA offers financial and technical assistance to Iowa firms contemplating trade abroad. The SBA district office in Des Moines has arranged production financing for many Iowa firms. That loan is entitled the Export Revolving Line of Credit Loan which allows qualified small businesses to purchase the inputs necessary for production for the trade contract.

SBA also cosponsors the 11 Small Business Development Centers located throughout the state. The activities of these centers are described under the ISU section.

OTHER STATES' INTERNATIONAL TRADE ACTIVITIES

## OTHER STATES' INTERNATIONAL TRADE ACTIVITIES

The trade imbalance and general change in economic conditions throughout the country have resulted in states looking overseas to change the economic conditions by increasing export trade and foreign investment. A federal economist contends 31 states are still in a recession while the coastal states are enjoying some expansion of their economies.

### BUDGETS

Statistics collected by the National Association of State Development Agencies (NASDA) and the National Council of State Legislatures (NCSL) indicate the states are directing financial resources toward increased trade promotion and foreign investment recruitment. Every two years NASDA surveys state development agencies to accumulate comparative data about the various export development programs the states sponsor. The 1986 survey (NASDA Export Data Base), compared to the 1984 survey, revealed an increase from 46 states' expenditures of \$27.5 million to the 1986 figure of \$39 million for only 29 reporting states. The 29 states reporting in 1986 had a 1984 total of \$21 million in expenditures for state programs. These figures demonstrate the increased focus of state legislatures on international trade development and foreign investment recruitment.

### STAFFING

States also have increased the staff which administers the trade development programs. According to the 1986 NASDA survey, 36 reporting states have added 109 new staff over the two-year period. Few of the staff increases are a result of increased overseas offices

by the states, even though the states added 15 foreign offices in the two years.

#### PROGRAMS

The states fund several programs for trade development and foreign investment. The programs include trade assistance for businesses, dissemination of trade leads, sponsorship of seminars and conferences, organization of trade missions, sponsorship of trade missions, and operation of overseas state offices. Iowa offers varying degrees of all these programs as well (see the IDED section).

Trade assistance - Nearly all the states (46) provide trade assistance to businesses. That assistance may be a simple referral to direct someone to a more knowledgeable source or it may be to direct a business in how to complete documentation for a foreign transaction. Iowa offers limited trade assistance because of the few number of staff to provide it. Staff usually direct calls to someone who can assist if they cannot answer a question.

Trade leads - Most states (46) also provide trade leads to their clients. Many use the U.S. Department of Commerce (USDOC) Trade Opportunities Program (TOPs) which is a frequently generated source of leads from many USDOC sources. Most states which use TOPs also supplement the leads with internally generated leads. Some states, according to the survey, only utilize their own leads. There are a few states which also verify the legitimacy of the leads prior to dissemination to the business community.

Iowa disseminates trade leads to 400 Iowa businesses and plans to increase the mailings to twice a month.

Seminars and conferences - Another popular program that most states (44) fund is the joint sponsorship of seminars and conferences. States often cosponsor these seminars in conjunction with the International Trade Administration district offices, local trade groups, or with other organizations. The topics can include everything from the exporting basics such as obtaining letters of

credit to the mechanical intricacies of documenting a sale. Iowa also cosponsors seminars and conferences. IDED assisted last fall with several workshops on how to export. These workshops were held around the state and coordinated with the ITA, SBA, and local trade groups. The staff assists with the seminars and conferences when time and need merit.

Trade shows and missions - Many states participate in international trade shows and foreign trade missions. Forty-two states participated in more than 173 international trade shows in 1985 and 1986. The 39 states which conduct trade missions sponsored more than 62 trade missions overseas for 1985 and 1986 (from The States and International Trade: New Roles in Export Development, NCSL, 1986 and the 1986 NASDA State Export Program Data Base).

Iowa also sponsors trade missions and organizes participation in trade shows (see the IDED section).

Foreign offices - Perhaps one of the more costly programs states pursue is the staffing of foreign offices. The number of state foreign offices has increased from 35 in 1984 to 70 in 1986. Thirty-four states have offices in 12 countries throughout the world. The most popular locations are in Tokyo (25 state offices), Belgium (10), and Germany (9). The others are scattered in other countries and cities around the world.

Iowa staffs three foreign offices in Frankfurt, Hong Kong, and Tokyo. The activities are outlined in the section of the report about the Iowa Department of Economic Development.

According to several state officials, the location of the foreign office determines the emphasis of the office toward export promotion or direct investment. But information from NASDA indicates states prioritize foreign investment attraction in state foreign offices. Few offices prioritize trade promotion. The average percentage of time states allocate from trade promotion in the foreign offices is 33.4 percent (from the 1986 NASDA Export Program Data Base).

States have differing ways of attracting foreign investment. Alabama has six offices overseas which measure their effectiveness by the number of foreign visitors they convince to travel to Alabama. The state director of international effort believes the only way to attract investment is to get the business people to visit Alabama. The state boasts a tremendous increase in foreign investment since the opening of the offices around the world in 1972.

One state has initiated a unique approach for obtaining foreign direct investment leads. Oklahoma has the only known agreement of its kind with the goal of increasing exports and foreign direct investment. The state signed an agreement with the investment banker Morgan Grenfell, Inc. to represent the state to Morgan Grenfell's clients as a potential location for foreign direct investment. The agreement is detailed in the Foreign Direct Investment section (See Exhibit 3 for a copy of the agreement).

Other programs - States are engaging in some additional activities to fulfill the goals of increased export sales and foreign investment. The financing activities of the states are described in a separate section. Some states publish brochures, industry directories, catalogs, and newsletters. A couple of the states publish a pictorial catalog of products the state's businesses offer. There are 15 states which publish a separate newsletter periodically; 16 others have a section in the agency newsletter devoted to international division activities. Twenty-seven states conduct surveys of the businesses in the state to prepare the publications, and of these states at least 20 conduct the survey no less than biannually.

Integrated state and federal relationships - There are several states which have either a state staff person in the International Trade Administration District Office or have the state and federal offices colocated. Many of the state development entities have a state staff person located in the ITA district office. The federal government trains the state staff person in trade assistance and the various services the federal office provides the state's businesses. The

close relationship between the state and ITA facilitates the communication between the state and the federal offices, thereby enabling the continuity of services to the business community.

Some states have colocated their trade assistance offices with the federal assistance offices with the federal ITA district office. In 1982 the state of Oklahoma colocated their offices in Oklahoma City. The office is titled "Oklahoma International Export Services". The U.S. Department of Commerce trained Oklahoma staff in the operation of the DIALOG data base and provided software for the hardware the state purchased. The state staff have ready access through the USDOC communications system to all the U.S. consulates and embassies throughout the world. The office also circulates a monthly newsletter to the state's business population (See Exhibit 4 for a copy of a similar agreement between the state of Connecticut and ITA).

COMMITTEE RECOMMENDATIONS AND CONCLUSIONS

## 1. REGIONAL TRADE ALLIANCE

Iowa noncommodity exports are relatively small compared to those of California, Illinois, Michigan, New York, Ohio, and other industrial states. However, were Iowa and other states with small manufacturing populations to merge resources, the region could be at par with some of the largest industrial states.

There are several advantages which could be accrued with a multistate association. This regional association of states could draw attention from foreign business and governmental concerns because of the gross state products and the population size. Such an association would draw attention for those wishing to locate foreign offices or manufacturing plants or even marketing foreign products. The direct investment potential for the Midwest is tremendous with the Japanese and other foreign interests examining the logistics of centrally located manufacturing and distribution centers and the practicalities of the central states' "work ethic".

Iowa and its partners could jointly plan and organize foreign trade missions and international trade shows. Trade staffs from participating states could realize the economies of scale that are possible when homogenous industry trade missions and shows are organized. Per client costs associated with the planning process are decreased with an increase in the number of participants. The missions could gain additional attention that the port authorities

and larger states claim are afforded their trade missions when the mission encompasses a uniform theme or industry. With a deeper manufacturing base upon which to draw, the region also could take advantage of innovative marketing by combining trade missions with minishows and conferences to draw attention and attendance at the events. For example, a mission of agricultural equipment companies could have a minitrade show as well as host a series of related seminars at a concurrent convention, etc.

Other possibilities of a regional approach include the collocation of overseas offices for the purpose of sharing the administrative costs which would decrease the state expenditures on overhead. These prorated shared services could include secretarial services, utilities, office space, conference rooms, telephone services, telex, copying equipment, etc. Were these expenses decreased for the participating states, then perhaps funds could be allocated for increasing budgets for other program expenditures.

Such associations are not foreign to American demographics. In 1983, the Mid-South Trade Council was formed to promote the interests of Alabama, Arkansas, Louisiana, Mississippi, and Tennessee. Louis Brooks is the head of the international trade promotion efforts for Alabama and one of the key initiators of the council. He said the council is a very loose association of state international trade development directors, and he believes their success is due in part to the fact they have no written agreement or bylaws. Since the council's inception, Brooks claims it has cooperated in the planning of nearly 20 trade promotion activities. They alternate the planning of the trade missions and shows among the five states. The council prorates those expenses which are easily prorated, but otherwise, they alternate the planning of the various activities. The council has pooled resources to purchase a folding display for trade shows which features the council's name and generic photographs depicting the region's products.

Brooks said the council has allowed the businesses in his state to participate in many more missions and shows because of the greater

industry depth they now have to work with in the five states. Another advantage of the association with the other states, according to Brooks, is that they know more about the other states' businesses. When leads come into one of the five states, the states forward them on to each other if they don't have a business which can respond.

#### RECOMMENDATION

The Iowa World Trade Advisory Committee members recommend that Iowa should initiate discussions for an international trade promotion alliance with other states. The Committee members believe the association will increase Iowa's visibility to the world while reducing the costs of doing so.

## 2. TRADE MISSIONS AND TRADE SHOWS

### TRADE MISSIONS

Trade missions are organized business trips to foreign countries for the purpose of meeting distributors, agents, or potential sales contacts. Usually an officer or principal in the American firm travels abroad. Many different organizations sponsor and plan missions and charge only the business person's actual personal expenses.

### U.S. Department of Commerce (USDOC) Trade Missions

The USDOC sponsors missions in which the staff invites applications from businesses which are either new to export or new to market. In the past, USDOC offered \$1,000 rebates on some missions for those who could demonstrate their firm was either new-to-export or new-to-market; however, USDOC staff recently indicated rebates no longer will be used.

The USDOC also offers a designation to organizations which organize missions. This designation is IOGA and stands for industry organized and government approved trade missions. State governments, public organizations, and industry associations seek this designation which allows participants official recognition by the U.S. government and ensures the assistance of the USDOC's overseas Department of Commerce's overseas offices, the Foreign Commercial Service (FCS).

### Iowa Department of Economic Development Trade Missions

The Iowa Department of Economic Development (IDC at that time)

sponsored two missions in 1985. In May the mission went to Australia, New Zealand, and Malaysia. June's mission took the participants to Israel and coincided with the Governor's visit and the announcement of a U.S. free trade agreement with the Israelis. The mission planned for 1986 to Thailand, India, and Pakistan was canceled because of a lack of participants. The state seeks IOGA designation for all its missions so that it can use FCS offices to help make appointments for the mission. State missions travel to several different countries within a large region for lengths of time from two to three weeks.

#### Massport Missions

Massport is the port authority of Massachusetts. The Massport international staff consists of four professional staff, two support staff, and student interns. Massport received the "E" award in 1982 for its trade promotion program of which trade missions are the core.

Massport missions are single industry focused and are combined with trade shows. Missions are usually industry specific because of the depth of the several industries in the New England region upon which the staff can draw. The port authority no longer organizes single function trips abroad but now plans trips which integrate trade shows and trade missions. On their way to and from a show, business executives can stop over in different cities to meet with prearranged appointments (the mission). The Massport staff said this method of organizing trade missions, together with trade shows, maximizes the effectiveness of the trip but minimizes the time and expenses.

Instead of using the Foreign Commercial Service, Massport uses several different sources to schedule meetings with the appropriate people. They use the foreign chambers of commerce, trade associations, yellow pages, commercial listings, and the port's foreign office staff.

#### New York World Trade Center Missions

A separate entity of the New York/New Jersey Port Authority at the New York World Trade Center organizes missions overseas. The staff

operates approximately three missions a year, but from July 1986 through March 1987 they will be leading seven missions.

Like the Massport program, the New York staff also takes only one industry on each mission. They claim it is much more efficient to organize. The staff also said the missions draw more foreign interest because they are industry specific. Foreign businesses want to meet with members of the mission to compare production or product. Also, competing domestic companies become more interested in participating in the mission because they want the same advantage their competition acquires by going on the mission, and such competition breeds industry interest in participating in the missions.

#### TRADE SHOWS

Trade shows are perceived by experts as a valuable and cost-effective technique in making trade contacts. Exhibits at a trade show can appeal to all the senses and emotions, bring qualified prospects to the exhibitor, and minimize individual sales call expenses.

Although trade shows are one of the most cost-effective means for making contacts, they are one of the most expensive facets of the marketing mix. Studies indicate expenses per show average \$73,000 exclusive of top management time in attendance at the show (from Bonoma, Thomas, "Get more out of your trade shows", Harvard Business Review, January-February 1983, p. 76).

Companies spend 5 to 35 percent of the annual advertising budget on trade shows. The Bonoma study contends medium-sized firms attend about nine shows annually. Even though the costs seem extravagant, he documented that the costs of trade show contacts are substantially less than those for personal sales contacts. Bonoma's study showed the cost for a trade show contact in 1979 was \$60 relative to a personal sales contact which cost \$140.

Costs affect the ability of small businesses to participate in trade shows. Small businesses may have difficulty allocating the resources necessary for participating in the show. But if the space and the costs of staffing and supplying the booth were shared, the small business people would be in a better financial position to participate in this method of securing contacts or leads.

## FINDINGS

Recruitment for missions - The IDED staff has difficulty recruiting people to go on the missions. The New York/New Jersey Port Authority and Massport (the Massachusetts Port Authority), both of which are recognized for their successful trade missions, also have difficulty in recruiting mission participants.

Several sources indicated some of the reasons for the recruitment problem focus around the availability of time and money. The tight cash flow situations which are prevalent in small businesses keep their owners from taking advantage of the opportunities a mission presents. The Committee's telephone survey of Iowa exporters confirmed the major reason why businesses don't participate in missions; 53 percent of the firms did not have the money or time to participate. Many other reasons were cited, but none were as significant as the percentage for time and money problems.

The telephone survey asked interviewees whether they participated in IDED-sponsored trade missions abroad. Eighty-five percent indicated they never had. A factor in the lack of participation of state-sponsored trade missions is the lack of knowledge about them. Of the reasons given for lack of participation, the second highest reason, after lack of time and finances, was that they had not been asked to participate in IDED missions. The reasons for companies not being asked by IDED to participate included the fact that there are so few missions and so few industries with a sufficient number of businesses in them to plan several missions for different industries.

Trade show participation - The Committee's survey revealed that 69 percent of the businesses did not participate in international trade shows. Of that percentage, 60 percent of the exporters did not participate in international trade shows. Fifty-one percent of the responses cited the primary reason for lack of participation, again, was the lack of time and money. Costs affect the ability of small businesses to participate in trade shows. Small businesses may have difficulty allocating the resources necessary for participating in the show. But if the space and the costs of staffing and supplying the booth were shared, the small business people would be in a better financial position to participate in this method of securing contacts or leads.

RECOMMENDATIONS - Trade shows and trade missions are effective means to expose Iowa businesses to foreign contacts. But to increase participation of Iowa business, the costs of trade shows and missions with regard to both time and money need to be decreased. There are several ways the Committee recommends these costs can be minimized and the benefits maximized. The Committee members believe trade show subsidization would increase small business participation in trade shows. Low- or no-interest loans also could be made available as assistance or as an incentive to encourage Iowa businesses to participate in the shows and missions.

The Committee members believe that in order to decrease the costs and to draw foreign attention to the trade missions, the missions should be combined with the shows. Senior company representatives could personally followup leads resulting from the shows and meet the foreign contacts arranged for as part of the mission. Such a combination of shows and missions could reduce the expenses for small business participation in both shows and missions.

Adding to the cost of Iowa's state-sponsored missions are the number of countries and time involved in each mission. The number of countries on a mission directly affects the travel expenses and time component for each business person. The Committee recommends state missions concentrate on one or two specific countries for a period

no longer than a week. These changes will decrease the expense of the trip and perhaps afford more Iowa businesses the opportunity to participate.

Furthermore, with the addition of staff and change in focus, the foreign offices can be used to make appointments and prepare the agenda for missions traveling abroad from Iowa. More time can be spent working with mission participants to ensure that the meetings between the Iowa business person and foreign representative are optimally productive. Such coordination by foreign office staff could decrease the necessity for pre-mission trips by domestic office staff and also reduce the expense of trade mission planning.

Also in that pursuit of decreasing the time requirements and costs of trade shows and missions, the state should investigate cooperative planning of trade shows and missions through a multistate association. The state could realize the decreased per capita costs for regional cooperation in planning. Plus, the depth of industries within a region would allow the missions and shows to attract more foreign attention by being single industry oriented.

Recruitment of businesses for shows and missions can take place with cooperation between state entities and the business assistance organizations throughout Iowa. Widespread promoting of the missions and shows may result in increased interest in exhibiting, which also should result in a reduction of the per exhibitor cost for the state and, hence, the small business person.

The Committee members believe that because of the importance of trade shows and trade missions in the international marketing arena, the General Assembly should appropriate additional funding for these programs. Additional funds will allow the state to sponsor an exhibit in a trade show in each major region of the world and for each principal industry every year and plan an appropriate trade mission for each show. The funds also will offset or assist Iowa small business expenses for shows and missions.

The Committee believes that active trade show and trade mission recruitment and availability of financial assistance for needy companies will help increase the state's small business exposure to international markets with the result of boosting Iowa's export sales abroad.

### 3. FOREIGN DIRECT INVESTMENT

Foreign direct investment is the investment of foreign source money in a state, and it can be one or a combination of things. It can be an equity investment of 10 percent or more to a company; or it can also be intercompany loans, charges for shipments, products or equipment. Foreign investment can be through reinvested earnings to the American company and not the parent foreign company (from "Foreign Direct Investment in the United States; Completed Transactions, 1974-1983, Volume III", by the U. S. Department of Commerce, International Trade Administration, June 1985).

Foreign companies invest in the U.S. for many reasons. The management may anticipate trade barriers; they may be protecting their products from domestic competition; management may want to decrease the costs of production including transportation, labor, and other expenses; or management may want to increase the ability to serve the foreign market by producing in the market to ease problems of distribution and service.

#### STATES' ACTIVITIES IN ATTRACTING FOREIGN INVESTMENT

Information from the National Association of State Development Agencies indicates states use their foreign offices primarily to secure reverse or direct investment contacts. The Alabama state director for international trade indicated they even base performance of the foreign office's staff on the number of visitations to Alabama. Many states also have signed an agreement similar to the one Iowa signed with the Bank of Tokyo's Chicago office to cooperate

for promotion of trade and investment development. The state of Iowa, among other states, placed a display in the lobby of the Bank of Tokyo in Chicago to catch the attention of visiting Japanese business people and to inform them of what Iowa has to offer.

Another state has taken an unconventional approach toward investment attraction. The state of Oklahoma signed the only known agreement of its kind to increase the export of its products and, foremost, to increase foreign direct investment (See Exhibit 3). The state signed an agreement in July 1986 with the international investment banking firm of Morgan Grenfell, Inc. to represent the state to Morgan Grenfell's clients as a potential location for foreign direct investment. The original contract provided Morgan Grenfell \$250,000 and \$50,000 for expenses for a one-year contract.

The state's goal is to expand and diversify the Oklahoma economy. Morgan Grenfell is to prepare a brochure for prospects entitled "Oklahoma! Investing in the USA". The company is to provide support, promotion, and stimulation for economic development by attracting foreign investment. The contract specifies that Morgan Grenfell will prepare a list of targeted companies that the firm will identify for potential foreign investment participation in Oklahoma.

The contract was geographically limited to representing Oklahoma to Morgan Grenfell clients in the United Kingdom and Western Europe, but the parties amended the contract for additional money and services. In the amendment to the contract, Morgan Grenfell also is representing Oklahoma as a potential location for investment in the U.S. to its clients in Singapore, Hong Kong and Tokyo for an additional \$120,000 and \$20,000 in expenses. The agreement assigns a specific person in Singapore to solely represent Oklahoma's interests.

State officials already report there are negotiations underway for the first investments which are a result of the contract with Morgan Grenfell.

## RECOMMENDATIONS

### Contracted services

The nature of foreign investment recruitment requires long lead time and investment in resources before any payoffs are realized. Foreign investment leads require developing of long-term relationships. Such relationships naturally occur between an investment banker and its client. The Committee believes the state can take advantage of these natural relationships between foreign concerns and their investment banker.

### Foreign offices

The Iowa foreign offices, like those of most other states, concentrate on attracting foreign investment. Each of the Iowa offices has only one staff person to carry out the myriad of tasks assigned. The professional staff person is forced to handle problems on an ad hoc basis. The constant barrage of questions and requests keep them from the more directed efforts at trade promotion activities such as arranging appointments for trade mission participants or qualifying and forwarding trade leads to Iowa businesses.

An agreement similar to the one between Oklahoma and Morgan Grenfell would take advantage of those networks. The Committee recommends the state pursue the possibility of a similar arrangement between the state of Iowa and an investment banking firm with international contacts.

The use of investment banking networks would more appropriately seek foreign investment prospects. Therefore, the Committee proposes the focus of the Iowa foreign offices be redirected toward trade promotion. Someone still can work with the foreign investment contacts developed through trade contacts and leads in addition to those prospects identified by an investment banking firm.

The Committee contends that if the state leaders want to prioritize

trade promotion, the state should fund an increase in the foreign staff. There should be at least two people dedicated to work with current and proposed trade promotion programs, and a least one person to work with foreign investment prospects which both the foreign office trade staff and investment banking firm locate.

#### 4. EXPORT FINANCING

There are many sources of financing for export transactions. Some of these sources include the Export-Import Bank (Eximbank), Small Business Administration (SBA), state financing programs, commercial lenders, factoring houses (which purchase receivables sometimes without recourse), and export management companies (which carry the financing and pay the exporter immediately for the sale).

##### FEDERAL SOURCES OF FINANCING

Eximbank - The Export-Import Bank, or Eximbank, is a U.S. government agency which sponsors several programs through which exporters of all sizes can obtain export financing. There is the Working Capital Guarantee Program which guarantees commercial lenders repayment of loans extended to borrowers for pre-export activities including inventory stocking and overseas marketing operations.

The Eximbank also provides export credit insurance through the Foreign Credit Insurance Association (FCIA).

FCIA - The Foreign Credit Insurance Association (FCIA) is an association of independent insurance companies responsible for administering Eximbank's export credit insurance program. FCIA administers several insurance programs on behalf of Eximbank. There are programs which insure the commercial and political risks for short-, medium-, and long-term loans. The Commercial Bank Guarantee Loan insures commercial lenders' risks. There also is the

New-to-Export policy which covers 95 percent of the commercial risk and 100 percent of the political risk with no deductible. The New-to-Export policy is available to new-to-export companies with export sales not exceeding \$750,000 each of the two years preceding the policy.

For those businesses needing assistance or expertise in operating under the New-to-Export policy, there is the Umbrella policy. This policy is administered for exporters by approved entities such as a bank, an insurance broker, state or municipal government agent, etc. They investigate the buyers and exporters and report all the shipments to FCIA. The administrator acts on behalf of the exporter in relaying information to the FCIA and Eximbank.

FCIA also has the Multibuyer Export policy which covers an exporter's shipments to several buyers for a specified time. This policy allows easier and less constrictive access to credit, thus increasing the speed with which credit decisions can be made. (Information relating to FCIA programs is available from an FCIA pamphlet entitled "Your Competitive Edge in Selling Overseas".)

SBA - The Small Business Administration also has an export loan program available. It is entitled the Revolving Export Line of Credit Loan, through which the agency provides direct loans and loan guarantees to small businesses. This loan program can guarantee up to 90 percent of a bank line of credit to small business exporters who meet SBA criteria.

#### STATE SOURCES OF FINANCING

From 1982 to the end of 1985, 20 states had adopted legislation for export financing to assist small and medium sized exporters in financing their overseas trades (from "The States and International Trade: New Roles in Export Development, National Council of State Legislatures, December 1985). According to IDED research, an additional 12 states have adopted legislation in 1986. Eighteen of the 32 states which have adopted export finance legislation

currently have operating finance programs. Three variations of state export finance programs include loan guarantees, direct loans, and the Iowa interest buy-down program. The financing programs cover both preshipment and postshipment financing. Preshipment financing includes purchase of the inputs for production, and postshipment financing covers credit extended to the foreign buyer.

#### Loan guarantees

The loan guarantee programs usually require the company to be rejected by a lender prior to applying for the guarantee. The loan guarantee actually is made to the lender. It reduces the lender's commercial risk to 10-15 percent of the deal. Since the credit risk of the lending institution is significantly reduced, the lender grants the loan under the guarantee of the state for the other 85-90 percent of the loan. The states usually require the exporter to purchase FCIA insurance from the state under the umbrella policy so that the state's risk of the loan guarantee is also covered.

The guarantee programs vary on the funding of the money. Some states have established bonding authorities with limitations as to the bonded indebtedness from \$50 million to \$100 million. California initially funded their program from the general fund, but staff anticipate repaying at least some of the money from fee proceeds.

California - A California legislator indicated their loan guarantee program was the single most valuable export promotion program the state has sponsored because it actually does increase trade. The program has such a direct effect on increasing trade because the guarantee program is the borrowers' last resort for financing the trades they already have put together.

The California legislature established the Export Finance Office under the World Trade Commission in 1984. The state runs its own loan guarantee program funded with \$2 million for the program and \$350,000 for four professionals and one clerical person. Guarantees are for working capital and postshipment orders no greater than 180 days. The guarantee is for 85 percent of the bank loan with a

\$350,000 limit on the amount loaned.

The program has guaranteed 23 transactions totaling \$3.7 million since starting up operations in mid-1985 ("States Launch Efforts to Make Small Firms Better Exporters", The Wall Street Journal, Feb. 2, 1987, p. 17). According to director Fargo Wells, the office has directly and indirectly generated \$20 million in export activity which would have otherwise not been funded. He explained the authority takes credit for the deals which they convince the bank to take without the need for the guarantee. The California staff has concluded that there is a need for more education in export credit and flexibility for the banking community.

Minnesota - The Minnesota Export Finance Authority has been operational since mid-1985. Since that time the authority has issued approximately \$2.5 million in loan guarantees in 17 transactions. The state guarantees 90 percent of the loan and the interest on the 90 percent. The financial institution is exposed for the remaining interest on the 10 percent of the loan. The state also administers the umbrella policy for Eximbank and FCIA so that 90 percent of the commercial risk and 100 percent of the political risks are covered.

Direct loans - There are several states which created loan authorities for raising funds for export financing. The Illinois program has an independent agency which raises money in the bond market. Since the state is able to borrow the funds at a comparatively low rate on the bond market, Illinois officials expect to loan the funds at comparatively low interest rates. There is also a loan program that Ohio sponsors called the linked deposit program. The state loans funds to the banks to loan at three percent below the market rate. More is explained about each program below.

Illinois - The Illinois program was initiated in July of 1986 when the Illinois Export Development Authority issued \$15 million in taxable bonds which the authority's director claims will support \$45 million in export sales. Since July the Illinois program has made six transactions totaling \$2.5 million in sales, according to

Executive Director John Kerwitz.

The program is administered by the authority's board of directors. The board of directors approves which lenders will be participating lenders and extends a line of credit to each of those approved.

There are virtually no risks for the lending institution under the program. The loan has to be insurable against both political and commercial risks which normally are insurable for 100 and 90 percent, respectively. Additionally, both the authority and the financial institutions have been granted a "hold-harmless" agreement under FCIA which holds both the financing institution and the authority harmless for any loss regardless of cause. Thus, the authority and the financing entity are fully protected against loss.

One of the primary goals of the Illinois program is to make the export loan as easy for a bank to process and administer as an auto loan application. It is the director's hope that the simplicity of the loan application will increase participation by institutions in the program, and particularly the ones which loan to small businesses.

The authority staff review the applications and request credit information relating to the foreign buyer and take care of many of the evaluations which are necessary for the insurance. The authority limited the amount any one company can have outstanding at any particular time to \$500,000 (inclusive of the authority's 90 percent and the bank's 10 percent). With this limitation, the authority's board of directors hopes to assist small and medium sized exporters.

Ohio - The Export Bank of Ohio was created in the 1983 state legislature. Termed the linked deposit program, the state deposits state funds equivalent to the approved export loans made by each bank. The banks are obligated to loan the funds at three percent below the market rate to the exporters, making the money available also at reduced interest rates (Business America, "New Export Credit Tools Will Help Smaller Exporters", June 11, 1984, p.5; and The

States and International Trade: New Roles in Export Development, NCSL, December 1985, pp. 87-88).

Interest rate buy-down - Iowa's interest buy-down program which was passed by the General Assembly in the 1986 session is unique. It leaves financing up to the banks, but allows qualifying exporters to apply for a grant of funds to buy down the interest on a loan. The program was funded with \$1 million, all of which is dedicated to programs and not to administration. As of January 1987, the Iowa Department of Economic Development (IDED) has awarded six grants for \$12,000; these supported just over \$500,000 in export sales. A department staff person claims the program merely assists those who already can receive export credit to secure a lower interest rate. The department indicates interest in the program is increasing as more business people and financing institutions become aware of it.

One proponent of the program said his company regained a foreign account that they had previously lost. He indicated it was due to the increased ability to finance the postexport agreement terms through the interest buy-down which brought his company back to a competitive position.

#### SUMMATION OF COMMITTEE FINDINGS

None of the state programs have been in existence long enough to make an accurate statement about the effect of the programs on the availability of export finance in each of the states. Some of the programs which were initially created in 1983 and 1984 have since been amended to make them more workable within the parameters of each of the states. There are, however, some general statements which can be made about the programs.

Loan guarantees - The loan guarantees usually require an exporter to be turned down prior to applying for the guarantee. Such a requirement may preclude some companies from meeting the time requirements for bidding on some trade contracts. However, for those companies which can obtain credit because of the guarantee, the program can mean expanding international markets.

A recent Wall Street Journal article made a case in point about a small California business which was refused credit from commercial lenders until the authority made the loan guarantee. The company, C.M. Magnetics Corp., even secured substantial repeat sales because the California Export Finance Authority guaranteed a working capital loan for the initial order of video tape for China.

Fargo Wells from the California program points out that bankable loans are being turned down by financing institutions and it isn't until after the authority staff works with the file that the banks take a second examination of the loan and fund it, often without the guarantee.

Direct loan - The direct loan programs financed by Illinois and Ohio also have some merits. Proponents claim the programs make export finance available throughout the state because of the availability of loanable reserves for the banks and the ease of the transaction. Still, the state export finance authority approves the lending institutions which may participate, so it remains to be seen whether the banks which loan to small businesses actually make credit more available to those businesses. Additionally, even though the authority doesn't borrow money from the taxpayers, the state will still need to dedicate money for capitalization of the authority. If the Illinois authority can't loan all the money it borrowed from the bond market, the state may be liable for paying the interest.

Another goal for the direct loan programs is that the banks will extend exporters lower interest rates because the money loaned to the financial institutions is borrowed from the bond market rather than the more expensive markets which financial institutions traditionally use. The program is still too new in Illinois to determine whether the banks are passing the savings of the lower interest rates on to the exporters; there are no requirements in Illinois statutes to do so.

Interest rate buy-down - The Iowa program is also too new to pass judgement. The program has assisted some businesses to extend credit to foreign buyers, but it is questionable whether the program addresses the financial needs of small exporters. It does not make credit any more available to small businesses; rather it makes it less expensive.

#### RECOMMENDATION

The telephone survey the Committee sponsored indicated 57 percent of the nonexporters have a problem with financing availability, while 27 percent of the exporters had a problem with financing. These numbers potentially represent a significant number of trade transactions which have faltered because of the lack of credit availability.

The Committee recommends continued study of this issue. More information needs to be gathered to determine what the financing problems are and whether the state should take appropriate action. Further study will provide more time for the Committee to observe the operations of the programs that the other states have recently adopted and implemented.

## 5. LEASING SPACE IN FACILITIES

There are advantages to locating state-supported display areas within buildings with potential for high visibility to qualified audiences. Trade centers create environments which naturally attract targeted or qualified audiences. The World Trade Center in Boston has a product display area dedicated entirely for high technology companies to display their products. The center staff believes the specific focus of the exhibit space will ensure domestic and international visitation.

The Committee has explored the possibility of locating state-sponsored displays in two centers in the region. These are described below. Permanent exhibit space in these facilities offers businesses which cannot afford trade show participation an alternative for presenting their products to qualified audiences.

### THE KANSAS CITY AGRIBUSINESS CENTER

The president of the center is Dick Sneddon, who formerly was the president of the Agricenter International in Memphis, Tennessee. The partner in the project is developer Ralph Wenger from California. Wenger has developed several "mart" buildings for wholesale showing of gifts, apparel, etc.

The primary concept of the center is to provide the agribusiness industry one-stop shopping convenience for audiences ranging from producers to equipment manufacturers. The visitor can view all the

various products available for each segment of the agricultural industry or can visit with company representatives who locate an office in the center. Sneddon explained this is a departure from traditional marketing in the agricultural industry, so to ensure the project's success, their objective is to attract as many qualified people as they can to the center.

Programs - Sneddon said the programs will also draw qualified audiences to the center. The center plans to host several conferences relating to agribusiness throughout the year. Conferences currently are being planned with industry associations in conjunction with small trade shows. Such a conference is being planned for the veterinary medicine industry. The center also plans to host an annual agricultural technology show to highlight the most recent developments in the field. The center plans to draw upon the agricultural audiences which already frequent the Kansas City area throughout the year. According to Sneddon, those audiences conservatively include: 3,000 of the top operators and managers of Farmland Industries cooperatives; 20,000 conventioners from the annual national FFA convention; 500 students from the American Royal 4-H Conference; American Royal attendees; 1,200 foreign visitors and delegations; and 8,500 other convention, seminar, and conference attendees to the Kansas City area each year for agriculturally oriented activities.

Location and facilities - The Agribusiness Center is located at the intersection of three major interstates in the Kansas City area. It is between the Truman Sports Complex and Worlds of Fun on I-435.

The center occupies 100,000 sq. ft. of a 320,000 sq. ft. building in Executive Park. Office space, permanent exhibit space, and meeting rooms occupy the 100,000 sq. ft. There are a 42,000 sq. ft. exhibition hall, two restaurants, on-site catering, a 500-person meeting room, and conference rooms. The center developers are planning construction this spring on a 17,000 sq. ft. two-story showroom for large equipment.

Adjacent to the center is a 340-room hotel which also has meeting rooms and convention facilities. Another hotel will add additional rooms to the business park when it is completed this summer.

Permanent display space - Permanent display space leases are \$1,800 annually for an 8' by 10' space, and the fees include all expenses. The center staff will stock displays with literature and forward trade contacts to the leasee as part of the lease fee.

#### MINNESOTA WORLD TRADE CENTER

The Minnesota World Trade Center is a public/private venture in Saint Paul. The city is the public participant in the project with \$10 million in tax increment financing and an agreement to lease any unleased space which falls below the 85 percent tenancy level upon the opening of the building. The remainder of the financing for the \$110 million building was from private sources. The state is committed to fund programs for the center. The Minnesota World Trade Commission, the members of which are appointed by the governor, directs the center's programs. The state, through the World Trade Commission, will maintain the World Trade Center Association membership and fund \$800,000 for use toward programs for the center. If \$100,000 is raised from the private sector for programs, the state is obligated to match the money.

Facility - The trade center developer plans to open the door in the fall of 1987 and expects occupancy to be at 65 percent; currently leased space is 45 percent. The building is a 36-floor structure with 466,000 sq. ft. The building, encased in glass and polished granite, towers over the central part of downtown Saint Paul and is two blocks from the convention center.

Plans for the building include three floors of retail space, temporary office space, and some exhibit space, although plans for the exhibit space are not finalized.

Programs - The Minnesota World Trade Commission, a state entity,

controls the programming for the state and determines the allocation of the 22,000 sq. ft. the developer gave the state to house the state-sponsored programs. Plans for the programs include a trade institute which will sponsor seminars and workshops and serve as a clearinghouse for world trade information and referrals.

The state is moving the Minnesota Trade Office to the center and consolidating those services with the other trade services the state offers through other departments. Even the Minnesota Export Finance Authority will be consolidated into the Trade Office. According to Richard Nolan, former Minnesota World Trade Commission Chairman and now president of the Minnesota World Trade Center, the trade center is finally starting to focus international trade services and activities.

The Trade Office hosts 20 foreign trade delegations each month, which, with the office moving, will now go to the Minnesota World Trade Center. Tenants in the building will be exposed to these groups.

The center also will be a draw to the international passengers who arrive at the Minneapolis/Saint Paul International Airport on direct flights from foreign countries. Additional international flavor will come from the requirement that 50 percent of the building tenants are to be internationally oriented. According to the developer, BCE Development, there are Iowa companies which have realized the potential international audience and have already leased space in the facility.

Permanent display space - Plans have not been finalized for the permanent display space in the center, but a representative of the developer indicated space would probably rent from around \$12 per sq. ft. for a five-year lease on 1,000 sq. ft.

#### RECOMMENDATION

Trade centers create environments which naturally attract target audiences. The environment may attract international or domestic

attention or specifically targeted industry. Permanent exhibit space offers businesses which cannot afford trade show participation an alternative for presenting their products. Businesses could sublease smaller portions of the exhibit space if they cannot use or afford the larger space.

The Committee recommends the state pursue the leasing of exhibit space in these and other facilities which can draw qualified audiences. Small or financially unequipped companies can exhibit under a state of Iowa banner which not only would provide general information about the state's businesses, but also would allow individual companies to display products or provide brochures for the trade center's targeted audiences. The state could sublease the exhibit areas at subsidized rates to assist businesses to increase their exposure to qualified audiences.

## 6. INTERNATIONAL BUSINESS RESEARCH AND TRAINING INSTITUTE

The October, 1984, Price Waterhouse report on economic development in the state of Iowa indicated it is difficult for Iowa businesses not only to know where to go for help, but even that help exists. The report stated that once that hurdle is cleared, there needs to be an organization which can fulfill the need of educating and training Iowa business people in the tools which they will need to participate in the international arena (from "Trade Promotion and Development Strategies for the State of Iowa," prepared by Price Waterhouse for the Economic Development Administration, U.S. Department of Commerce, 1984).

Additionally, Price Waterhouse pointed out the need for an organization to conduct market research on Iowa's export base and potential growth sectors and markets in both the domestic and international markets. With this information, the state development agency can, as Price Waterhouse suggests, take a more aggressive stance in the marketing of Iowa products because the state will know which products have a demand in a particular market.

### Need for market research and training

Additional support for an organization to conduct research and training comes from Iowa businesses which export or would like to export. The telephone survey of Iowa businesses (Exhibit 1) indicated support for market research and several training programs.

Fifty percent of the interviewees said they could use workshops on

international documentation to better their international trade efforts. Sixty-five percent of the nonexporters indicated international documentation workshops would be helpful to their international efforts. Survey participants also supported the idea of holding other workshops such as international transportation (47 percent of the respondents indicated yes); trade mechanics (51 percent of the respondents indicated yes); and business protocol overseas (57 percent of the respondents indicated yes).

Iowa businesses also voiced support for additional international trade research. There were many consistent responses relating to marketing information and availability of that information. Fifty-six percent of the respondents said that identification of foreign markets is a problem in their efforts to engage in international trade. The survey also revealed this became an increasingly larger problem as the size of the companies decreased. Consistent with the identification problem is the response to the question which asked whether the availability of that market information was a problem; 55 percent said that it was. This is a greater problem for nonexporters. Seventy percent of the nonexporters said market information availability was a problem in their firm's efforts to engage in international trade.

There was overwhelming support for easier access to market data with 69 percent indicating yes. In support of marketing-related workshops, the businesses affirmed ones on export marketing strategies (62 percent) and on more specific strategies such as third world marketing (56 percent).

The telephone survey results document there is a gap of marketing information and accessibility to the information which the Committee believes an international business research and training institute can serve to fill. The training need also is well documented, and with the various trade assistance networks in Iowa, the institute can work to provide the appropriate workshops or training sessions.

### The institute

Although the Price Waterhouse report advised the establishment of two entities to separately fulfill the functions of research and training, the Iowa World Trade Advisory Committee recommends the organization which coordinates the research also be the one that assists or oversees the delivery of the information to the business sector. This tie will ensure that the research will be applicable to business training and marketing needs.

The Committee recommends that Iowa State University coordinate the creation of an international business research and training institute. The institute should be operated on a project basis, and the staff should consist of a director and perhaps secretarial assistance.

The Committee talked with a number of colleges and universities about their international activities. The group from Iowa State University presented a structure and proposed operation for the institute which uses the assets of all academic institutions in the state. The ISU proposal is described below.

### ISU PROPOSAL

Several people from Iowa State University presented the Committee a proposal for an International Business Research and Training Institute which would address those training and research needs for which Price Waterhouse concluded there was a need. The ISU group selected several activities which weren't being pursued by other organizations and those for which they perceived a need by Iowa businesses.

Those activities the group isolated for the training and research institute include:

- serving as a clearinghouse by assembling, processing and disseminating current research information, trade leads and other relevant data for Iowa firms involved in international commerce;

- conducting ongoing research for potential markets, matching those markets with Iowa firms, and developing strategies to penetrate those markets;
- organizing training for the new exporters and the experienced exporters; and
- monitoring changing world economic and political conditions.

The institute's target groups are those businesses which indicate an interest in international trade or those businesses which have conducted international trade and would like to expand their international operations.

### Research

The research will emphasize regional and country demographic, economic, and political conditions. Special research projects could be selected by committees, consisting of business people and educators, which will recommend appropriate projects. Individual market research projects could be initiated on a fee-per-project basis. Because the area studies would be on-going, response time for the requests from the Iowa business community would be minimal.

As an additional part of the research function, the institute staff could develop an inventory of contacts throughout the world utilizing contacts of Iowa firms and contacts of university staff and former university students. The staff would then try to match those contacts with the appropriate Iowa businesses so that those contacts could assist the business people to make the necessary arrangements for entering a specific market or country.

The Committee recommends the research and training initially be conducted on a task basis. Such projects could include similar sessions like the Cross Cultural Aspects of Conducting Business in China which ISU sponsored in November 1986, and the Committee helped sponsor with a \$5,000 grant.

### Training

The institute's training function will ensure the assessed needs are fulfilled. Training programs will utilize resources from both the

private and public sectors and will range from broad-based seminars on the basics of international trade to topics relating to specific regions of the world.

As part of the training function, the institute will arrange to catalog information relating to international trade for use as a reference base for Iowa businesses. Additionally, businesses will have access to an international trade library, which also will be developed and supported by the institute.

#### People behind the institute

Several ISU people participated in the institute discussions and worked on the proposals. Dr. Steffen Schmidt, who is a professor of Latin American Studies at ISU, and Paul Coates, who is an Extension Training Specialist at ISU, together are the spokespeople for the group which is working on this project.

Other professors working on the institute concept at ISU are: Don Hadwiger, Agricultural Policy; Victor Olorunsola, Chair of the Department of Political Science and Public Administration; John Wong, Chair of the Marketing Department; Yong Lee, Management and Organization; John Hawley, a graduate candidate in public administration who was involved in the planning of the institute proposal.

The ISU group is planning a conference this spring for Iowa college and university representatives to discuss the potential programs and goals for the institute. The Committee allocated \$5,000 for expenses related to the conference.

#### Operation

The Iowa State University group proposes to coordinate the efforts of the institute, but the institute will utilize the research and training resources of the University of Iowa, University of Northern Iowa, private colleges and universities, community colleges, and other trade assistance resources in the state.

An independent organization should oversee the operation of the institute to ensure the state's resources are efficiently used to fulfill the needs of the Iowa business community.

The Committee recommends the General Assembly fund the institute so that it can become fully operational. Such an amount should not be less than \$500,000 for start-up operations.

## 7. HOUSING OF PROGRAMS

World trade centers present an identifiable focal point to draw out-of-state and out-of-country visitors and provide those within the state a focal point from which to reach out to others. But a building alone cannot necessarily draw the visitors to it without some other amenities. The developer needs to qualify the building tenants so those visiting the trade center know what they can expect to find in the center. The developer also needs to create the atmosphere which will draw the qualified audiences to the center.

Tenants covering all aspects of the exporting spectrum can be attracted to a world trade center. A range of tenants would provide a one-stop location for business people to find assistance for their international trades. Those tenants may include: law firms which write contract specifications or licensing agreements; federal staff to assist with sales documentation or to provide advice on the licensing documents required for export; an organization which can assist in trade mission planning or cultural education; companies which specialize in export management or freight forwarding; or companies which operate in international markets.

The building can also have many amenities which visitors and tenants may utilize. Such amenities could include meeting rooms, temporary office space, computer access, communications center, telecommunication, audio/visual services, etc.

The center could bring trade service organizations together for the convenience of the business consumers so they can access assistance at one location and also have the legal and other professional tenants within the same building to assist further their international trade efforts.

This centralization of trade assistance organizations and businesses would help Iowa businesses identify where to go for information or assistance relating to international trade.

The demand could potentially increase for trade center leases if trade service entities and the programs those entities sponsor were located in the building. Because of the additional international related traffic that the assistance organizations would attract through the programs they sponsor, the center would monetarily benefit. Program users would make use of building services which could also benefit the developer. This is especially evident with the trade center in Minnesota. The developer is gaining interest in office space leases from several businesses which, the developer says, realize the Minnesota Trade Office (which is locating in the center) draws 20 foreign trade delegations each month.

#### RECOMMENDATION

The Committee recommends the state consolidate trade services within a central location if a developer of a world trade center in Iowa offers the state space for its international trade programs.

The Committee is aware of developers interested in building or refurbishing buildings in Iowa for the purpose of designating such as a world trade center. With this interest, the Committee recommends the state no longer consider capital financing of a world trade center. Rather, the Committee recommends the state concentrate on planning and funding the programs which can further educate and expose Iowa businesses to foreign markets. If the state leadership desires to pursue consolidating trade services within a building, then the state should first request proposals for the location of the state-sponsored programs.

The Committee recommends that the state allow complete flexibility in the consideration of the proposals. There should not be any time constraints or requirements to select any submitted proposals. This would allow plenty of time to consider any proposals and reject or accept any proposals.

The Committee also recommends the state obtain and maintain membership in the World Trade Center Association for the advantages of networking and program sharing. The state can then designate the building which will be the world trade center within which the state will locate international trade services and trade center association activities. The state will evaluate the success of the developer in maintaining the integrity of the building as the world trade center, and should the developer not maintain the criteria required by the state for world trade center designation, the state may withdraw its services and world trade center association related activities.

## 8. WORLD TRADE COMMISSION

The 1984 Price Waterhouse report entitled "Trade Promotion and Development Strategies for the State of Iowa" recommended, on page 11, the need for a coalition of public and private sector groups. According to the report this coalition should work toward eliminating the gaps and overlaps in the existing programs and "capitalize on the resources of a collective trade promotion effort".

Although the report recommended four organizations be responsible for the various trade development efforts, the World Trade Advisory Committee recommends only one entity be established to fulfill the needs prescribed by the Price Waterhouse study.

The Committee recommends the establishment of a broad based Iowa World Trade Commission. The Governor and the Legislative Council will appoint the nine-member commission which will be comprised of voting members of the business community and the general public.

The Commission will interact with banking interests, major Iowa exporters, small and medium-sized exporters, nonexporters, representatives from an export trading company, representatives from state and private universities and colleges, and representatives from community colleges. The commission members will have insights as to the most viable program delivery organizations because of its coordinating role between all the groups involved in the international trade scenario.

The commission will be obligated to avoid duplicating activities which may be conducted by other state, federal or private concerns. Such a charge will make this proposal consistent with executive and legislative intent relating to reorganization of state government by ensuring that duplication is minimized.

#### Commission activities

The World Trade Commission will oversee implementation of several programs its members believe are essential for increasing international exports from Iowa. The commission will oversee the operation of the international business research and training institute by establishing the goals and reviewing the operations of the institute. The commission will work with the director to coordinate and plan the institute activities, and the director will supervise the research and training staff to ensure the institute's goals are achieved.

The commission will work toward increasing participation in international trade shows and foreign trade missions abroad. Through the network of the institute, small businesses will learn of various shows and missions which the regional trade group organizes. The commission could use the institute to assist the state in determining business assistance for trade mission and show participation.

The commission will participate in the creation of the regional association of states with the goal of cooperation for expanding international trade. The commission will encourage joint planning of shows and missions and perhaps explore other possibilities such as shared foreign office expenses.

The Committee proposes the commission at least have input, if not set the goals, for the foreign offices relating to trade promotion and development. With the change in the focus of the foreign offices, the commission, on behalf of the state, will negotiate a contract with an investment banker for foreign investment leads.

The commission will negotiate leases in trade facilities and work with public and private entities to sublease the space to Iowa firms so they can expand their exposure to foreign markets.

The commission will, through the institute, collect information relating to the performance of other states' export finance programs. It will monitor the effect of Iowa's interest buy-down program on encouraging exports. The commission will further research the questions of export finance availability and make recommendations to the Iowa General Assembly.

Finally, the commission will apply for membership in the World Trade Center Association on behalf of the state of Iowa. It will release requests for proposals for the housing of state trade programs and determine which, if any, are acceptable. Upon acceptance, the commission will designate a facility and determine the criteria for the developer to maintain the designation.

## 9. CONCLUSION (ECONOMIC DEVELOPMENT FOCUS)

In the fall of 1985, the Legislative Extended Assistance Group at the University of Iowa surveyed 500 Iowa small businesses from the universe of over 100,000 Iowa businesses. That study, released in March 1986, demonstrates the familiarity of Iowa small businesses with the assistance available through trade associations, the SBA, community colleges and the ISU Extension Service. The survey revealed 66 percent of the respondents were not familiar with the assistance available through IDED (See Exhibit 5). New emphasis has to be placed so that small businesses know what trade services are available and from whom they are available.

Part of the reason why services are not well communicated to small businesses is because the focus of the Iowa Department of Economic Development has been toward economic development on a large scale. The department's emphasis is more toward the goal of recruiting new businesses from other states and abroad to move to or invest in Iowa than toward counseling existing Iowa firms one-on-one with trade assistance.

IDED's activities currently are not focused on the one-on-one assistance to the state's existing business sector. The department provides some assistance to Iowa business people when they call the IDED offices, but any large-scale assistance is directed toward direct investment prospects (economic development).

Inconsistent with the department's activities to recruit those large-

scale projects are those programs which assist Iowa small businesses expand their markets (trade development and promotion). Current programs which the international bureau administers under IDED for trade promotion have become diluted because of insufficient funding or staff to administer the programs. This dilution and lack of depth are a result of the prioritization of the department's goal to recruit the investment prospects. IDED management has to constantly juggle the other financial and staffing requirements of the department to fulfill that major goal. Unfortunately, it is to the detriment of the Iowa small and medium-sized businesses which need that assistance on a more fundamental level.

If Iowa is to focus on international trade promotion, separate from international development, it is imperative the state separate these functions from one another as much as is feasible. If these are recognized as distinctly separate goals, then more effective programs can be designed to address Iowa trade promotion goals. Because IDED currently is not concentrating its resources on these fundamental programs, separating these functions can easily be accomplished. Such an action will be a signal to the businesses of the state and the foreign contacts abroad that the state is committed to making international trade promotion a central focus for the state of Iowa.

The members of the Iowa World Trade Advisory Committee believe these initiatives will make trade promotion and assistance more accessible and financially available by removing some of the barriers which Iowa business people indicate keep them from either entering or expanding their international trade efforts. The Committee emphasizes these programs need to be similar to the market they attempt to access: dynamic. Therefore, the Committee recommends monitoring of the effects of these proposed new or expanded programs.

EXHIBITS

### LIST OF EXHIBITS

1. Survey of Iowa Exporters
2. Contract Agreement Between Iowa Department of Economic Development and Mr. Robert Keller for Brokerage and World Trade Expertise
3. Contract Between Oklahoma Public Trust Compact and Morgan Grenfell and Company Limited
4. FY 1987 Federal/State Cooperative Plan (Connecticut and U.S. Department of Commerce)
5. Legislative Extended Assistance Group - Iowa Small Business Survey
6. Letter to World Trade Advisory Committee from Mr. Bart Basche of Lee's Research & Development, Ltd. .

## SURVEY OF IOWA EXPORTERS

January 1987, the Committee hired the marketing firm Valentine-Radford to conduct a telephone survey of Iowa exporters. The sample was selected from the Iowa 1985-1986 Directory of Exporters published by the Iowa Development Commission (now the Iowa Department of Economic Development). Completed calls totalled 170 from a population of approximately 1,100 businesses.

The Committee's staff person, Nancy Brennan, designed the survey which used some of the questions from the Cedar Rapids International Trade Bureau's and the University of Iowa's mail survey which they conducted last summer.

The Committee's survey asked several questions relating to the company's involvement in international trade, its training needs, its marketing requirements, whether it participates in trade shows and trade missions, and whether it has problems securing financing for its trade deals. The answers to the survey are reflected by percentages of responses. The questions and responses are listed below:

## DEMOGRAPHICS OF SURVEYED COMPANIES

### Involvement in international trade:

73% of respondents currently are involved in international trade

43% of those who are not involved in international trade have not considered exporting their products

### Breakdown of exports as a percentage of sales (exporters):

45% less than 5 percent of sales  
22% 5 to 9 percent of sales  
15% 10 to 19 percent of sales  
6% 20 to 29 percent of sales  
3% 30 to 49 percent of sales  
5% over 50 percent of sales  
5% don't know or refused to answer

### Gross annual sales volume:

21% less than \$500,000  
14% \$500,000 to \$1 million  
25% \$1,000,001 to \$10 million  
11% \$10,000,001 to \$50 million  
3% over \$50 million  
26% don't know or refused to answer

Number of employees in 1986:

- 39% less than 20 employees
- 38% 20 to 99 employees
- 10% 100 to 249 employees
- 6% 250 to 499 employees
- 2% 500 to 1,000 employees
- 4% more than 1,000 employees
- 1% refused to answer

Type of businesses:

- 43% manufacturers of industrial goods
- 19% processors of foods or raw agricultural products
- 18% manufacturers of consumer goods
- 8% manufacturers of components used in manufacturing
- 4% wholesalers or retailers
- 3% export agents or brokers, trading companies
- 6% other

(NOTE: 50 percent of the non-exporters are manufacturers of industrial goods.)

Ways the exporters began exporting:

(Some of the respondents had more than one answer, so the percentages are reflective of the responses):

- 43% responded to unsolicited orders
- 27% responded to contacts made at trade shows
- 14% actively researched and sought foreign markets
- 3% responded to contacts made on trade missions
- 3% contacted an export management company, agent or broker
- 10% other

## TRAINING NEEDS

### Would workshops on trade mechanics be helpful?

YES - 51% of all respondents  
44% of exporters  
70% of non-exporters

NO - 49% of all respondents

(NOTE: the percentage of no responses increased as the size of the company, in terms of employees, increased. Larger companies do not have need for this training.)

### Would workshops on international documentation be helpful?

YES - 50% of all respondents  
44% of exporters  
65% of non-exporters

NO - 48% of all respondents

(Don't know responses accounted for 2%)

### Would workshops on international transportation be helpful?

YES - 47% of all respondents  
40% of exporters  
65% of non-exporters

NO - 52% of all respondents

(Don't know responses accounted for 1%)

## MARKETING INFORMATION AND TRAINING

### Is identification of new foreign markets a problem?

YES (and sometimes) - 56% of all respondents  
53% of exporters  
63% of non-exporters

NO - 44% of all respondents

### Is availability of foreign market information a problem?

YES (and sometimes) - 55% of all respondents  
50% of exporters  
70% of non-exporters

NO - 45% of all respondents

### Would easier access to market data be helpful for export efforts?

YES - 69% of all respondents  
68% of exporters  
72% of non-exporters

NO - 31% of all respondents

### Would workshops on export marketing strategies be helpful?

YES - 62% of all respondents  
56% of exporters  
80% of non-exporters

NO - 38% of all respondents

Would easier access to trade publications be helpful for export efforts?

YES - 50% of all respondents  
47% of exporters  
59% of non-exporters

NO - 50% of all respondents

Would workshops on Third World trade be helpful for export efforts?

YES - 56% of all respondents  
55% of exporters  
61% of non-exporters

NO - 42% of all respondents

(Don't know responses accounted for over 1%)

Would workshops on business policy and risk analysis be helpful?

YES - 51% of all respondents  
48% of exporters  
59% of non-exporters

NO - 48% of all respondents

(Don't know responses accounted for 1%)

CULTURAL ASPECTS OF INTERNATIONAL TRADE

Would workshops on business protocol overseas be helpful?

YES - 57% of all respondents  
51% of exporters  
74% of non-exporters

NO - 41% of all respondents

(Don't know responses accounted for 2%)

Would workshops with business people on trade practices be helpful?

YES - 65% of all respondents  
59% of exporters  
83% of non-exporters

NO - 34% of all respondents

(Don't know responses accounted for 1%)

## TRADE FINANCING

### Is availability of in-house expertise a problem?

YES (and sometimes) - 43% of all respondents  
38% of exporters  
57% of non-exporters

NO - 56% of all respondents

(Don't know responses accounted for 1%)

NOTE - This appears to be more of a problem for smaller firms:

	<u>NUMBER OF EMPLOYEES</u>			
	<u>less than 20</u>	<u>20-99</u>	<u>100-249</u>	<u>250-499</u>
% of YES Responses	54.5	41	30	27

### Is availability of trade financing a problem?

YES (and sometimes)- 35% of all respondents  
27% of exporters  
57% of non-exporters

NO - 65% of all respondents

(NOTE: 82% of those who indicated they had a problem securing financing, were those who employed fewer than 100 full-time employees.)

## TRADE SHOWS

### Firms which participate in international trade shows:

YES - 31% of all respondents  
40% of exporters  
4% of non-exporters

NO - 69% of all respondents

(NOTE: the percentage of participants increases as the size of the firms increase except for the top end of the spectrum. This indicated medium size firms are more active in trade show participation.)

### Reasons for lack of trade show participation:

51% Lack of finances and time  
11% Trade show not appropriate  
8% Company too small  
30% Other reasons (mostly single mention)

### Would low or no interest loans for trade shows be helpful?

YES - 56% of all respondents  
52% of exporters  
67% of non-exporters

NO - 42% of all respondents

(Don't know responses accounted for 2%)

## TRADE MISSIONS

### Firms which participate in state sponsored trade missions abroad:

YES - 15% of all respondents  
19% of exporters  
4% of non-exporters  
NO - 85% of all respondents

### Reasons why firms don't participate in state sponsored trade missions:

47% Lack of finances or time  
8% No awareness or invitation to participate  
8% Not appropriate for product or worth the time any money  
29% Other reasons (mostly single mention)  
8% Don't know or refused

### Would low or no interest loans for trade missions be helpful?

YES - 56% of all respondents  
51% of exporters  
70% of non-exporters  
NO - 44% of all respondents  
(Don't know responses accounted for 1%)

### Would city or chamber sponsored missions be helpful?

YES - 42% of all respondents  
36% of exporters  
59% of non-exporters  
NO - 53% of all respondents  
(Don't know responses accounted for 5%)

CONTRACT NUMBER SAT/INC 87-01

CONTRACT AGREEMENT  
BETWEEN  
IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT  
AND  
MR. ROBERT KELLER  
FOR  
BROKERAGE AND WORLD TRADE EXPERTISE

THIS AGREEMENT, effective as of January 1, 1987, by and between the Iowa Department of Economic Development, hereinafter abbreviated as IDED, and Mr. Robert Keller, hereinafter referred to as the CONTRACTOR;

WHEREAS, IDED is the designated leader in the field of economic development in Iowa;

WHEREAS, IDED wishes to obtain technical assistance and expertise in the area of brokerage and world trade that would reposition Iowa products and services in the domestic and international marketplace; and

WHEREAS, the CONTRACTOR represents that it is qualified and able to render brokerage and world trade expertise.

NOW, therefore, IDED and the CONTRACTOR do mutually agree as follows:

I. SERVICES TO BE PROVIDED

Pursuant to SF 2175 and SF 2303, as amended, IDED shall purchase technical expertise from the CONTRACTOR. CONTRACTOR shall provide expertise in the area of brokerage and world trade to reposition Iowa products and services in the domestic and international marketplace. A complete statement of work and services is detailed in Appendix A.

II. TERM OF AGREEMENT

Performance under this Agreement shall commence on January 1, 1987, and shall continue until the agreed upon services are completed, which shall be July 31, 1987. This period may be extended, contingent upon satisfactory work and available funding.

III. CONTRACT PAYMENT CONSIDERATIONS

- A. IDED agrees to reimburse the CONTRACTOR at the rate of one hundred fifty thousand dollars (\$155,000) according to the fee schedule in Appendix B. IDED will pay for related expenses for travel, ground transportation, lodging, and meals incurred by the Contractor in the performance of this contract.
- B. Method of Payment: Payment by IDED shall be made after the receipt of services and upon submission of proper invoices

and documentation by the CONTRACTOR. Said claims are subject to the approval and acceptance of appropriate IDED officials prior to payment. Payment is made according to the schedule outlined in Appendix B.

IV. GENERAL PROVISIONS AND CONDITIONS

- A. Indemnification Clause: The CONTRACTOR agrees to jointly and severally indemnify and hold IDED and/or its successors, and assigns harmless from and against all liability, loss, damage or expense, including reasonable counsel fees, which IDED may incur or sustain by reason of failure of CONTRACTOR to fully perform and comply with the terms and obligations of this agreement.
- B. Compliance with Laws: The CONTRACTOR agrees that for the duration of and as a condition of IDED's duty to perform under the terms of this contract that it will be in compliance with all applicable laws and regulations of the State of Iowa and the Federal government, including, but not limited to Equal Employment Opportunity provisions, Occupational Health and Safety Act, records retention, audit requirements, and allowable costs.
- C. Technical Assistance and Consultation: IDED shall furnish the CONTRACTOR with such technical assistance and consultation by IDED staff as is reasonably necessary to assure satisfactory performance in providing the services required by this Agreement.
- IDED shall designate Cynthia Lidgett to serve as Project Officer for this Agreement. All contact between IDED and the CONTRACTOR regarding matters relative to this Agreement shall be coordinated through the IDED designated Project Officer.
- D. Amendment of Agreement: This Agreement may be amended as the IDED and the CONTRACTOR mutually agree in writing. Except for the specific provision of the Agreement which is thereby amended, the Agreement shall remain in full force and effect after such amendment subject to the same laws, obligations, conditions, provisions, rules and regulations as prior to said amendment.
- E. NonDiscrimination in Employment: The CONTRACTOR shall operate under this Agreement so that no person, otherwise qualified, is denied employment or other benefits on the grounds of race, color, sex, creed, national origin, age, marital status, or physical or mental handicap which would not reasonably preclude the required performance. Except in subcontracts for standard commercial supplies or raw materials, the CONTRACTOR shall include a clause similar to this clause in all sub-contracts.

- F. NonAssignment: The CONTRACTOR may not during the term of this contract or any renewals or extensions of the contract, transfer, assign or sub-contract all or any part of the contract without the prior written consent of the Project Officer.
- G. Termination for Convenience: The performance of work under this Agreement may be terminated by IDEED in accordance with this clause in whole, or in part, whenever IDEED shall determine that such termination is in the best interest of the State. IDEED will pay all reasonable costs associated with this Agreement that the CONTRACTOR has incurred up to the date of termination, including actual costs for work performed by third parties. IDEED will not pay for any work which has not been done prior to the date of termination.
- H. Termination for Default: If the CONTRACTOR fails to fulfill its obligations under this Agreement properly and on time, or otherwise violates any provision of the Agreement, IDEED may terminate the Agreement by written notice to the CONTRACTOR. The notice shall specify the acts or omissions relied on as cause for termination. All finished or unfinished products and services provided by the CONTRACTOR shall, at IDEED option, become the State's property. IDEED shall pay the CONTRACTOR fair and equitable compensation for satisfactory performance prior to receipt of notice of termination.
- I. Document Retention and Inspection: CONTRACTOR shall retain all books, records and other documents relevant to this Agreement for a period of no less than three years after the date of the final invoice submission. And upon receipt of reasonable written notice, full access and the right to examine any of said materials shall be afforded Federal and/or state auditors who shall have substantiated in writing a need therefore in the performance of their official duties and such other persons as are authorized by IDEED.
- J. This Agreement, together with Appendices A and B represents the complete, total and final understanding of the PARTIES and no other understanding or representations, oral or written, regarding the subject matter of this Agreement, shall be deemed to exist or to bind the PARTIES hereto at the time of execution.

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TRANS-NATIONAL MANAGEMENT

CORPORATION

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P R O P O S A L

IOWA'S GLOBAL COMPETITIVENESS:  
A DIAGNOSIS

PREPARED FOR:

IOWA DEPARTMENT OF  
ECONOMIC DEVELOPMENT

PREPARED BY:

TNMC

SEPTEMBER 8, 1986

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TRANS-NATIONAL MANAGEMENT  
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CONCEPTUAL FRAMEWORK

It is impossible to guarantee full economic development in the state of Iowa merely by creating an industrial base of new and innovative companies. These enterprises will not succeed unless they have the international competitiveness and know-how to enter the global market place.

Peter Drucker has stated, "From now on any country but also any business that wants to prosper will have to accept that it is the world economy that leads." Therefore regional economic policies will succeed only if they strengthen their region's international position.

In the U.S. domestic market today, competition comes not only from regional and national U.S. companies but even from companies in faraway places with unpronounceable names such as Pidurutalagala and Euskadi. Such competition is the result of the globalization of the world economy.

The massive U.S. market accounts for 25 percent of the total global market, and foreign companies have taken advantage of this huge potential to increase their market share. In the same way, American companies who wish to increase their total market share must look to the global market.

The Department of Commerce estimates that over 20,000 U.S. companies could successfully enter the foreign marketplace but have not done so. This asymmetry must be reversed if the U.S. economy is to maintain its position in this new integrated world market. Most non-Fortune 500 companies do not have the knowhow to formulate global market or investment strategies. Entry strategies are plural rather than singular in nature. That is, such strategies are not necessarily restricted to physical export, but many also take the form of technology transfer, licensing, joint venture, or some such combination.

Our proposal is for the diagnosis of Iowa's competitive potential within the global economy. This diagnosis will:

- examine the comparative advantage of the state's industrial/agro base for both export and reverse investment and
- identify possible sectors of opportunity for each

In this way the analysis will lay the groundwork and become the blueprint for the implementation of the Iowa Department of Economic Development's (IDED's) strategy of increasing Iowa's role within the global marketplace.

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IOWA'S GLOBAL COMPETITIVENESS:  
A DIAGNOSIS

PHASE I - THE MACRO LEVEL:  
Overview of the Economic Environment

This first phase of the diagnosis builds the framework for in-depth sector analysis in Phase II. The overview places specific emphasis on the elements which could act as catalysts on the growth potential of the state.

PHASE I - ELEMENTS

- A. Analysis of Basic indicators
  - 1. Population, Employment, Education
  - 2. Labor Costs & Productivity
  - 3. Inflation and Monetary Policy
  - 4. Exchange Rate and Balance of Payments as They Affect Iowa's Economic Development
  - 5. Overall Economic Growth of the State
  
- B. Evaluation of Iowa's Export Development and Growth
  - 1. Industrial Base
  - 2. Agricultural Base
  - 3. Export Growth Trends
  - 4. The Supply Base for Export Development

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5. Demand Analysis
  - a. Demand Markets for Iowa's Products
    - U.S.
    - Foreign
  - b. Constraints on Growth of Demand
  
- C. Evaluation of Iowa's Investment Development and Policy
  1. Growth and Structure of Reverse Investment into Iowa
  2. Investment Parameters: Incentives and Constraints
    - a. U.S. Domestic Market Potential
    - b. State Industrial Investment Policy
      - Tax Incentives
      - Labor Incentives
      - Subsidies
      - Other Investment Incentives
    - c. Comparison with Other States' Industrial Investment Policies
    - d. Investment Constraints

PHASE II AND III - THE MEZZO LEVEL

Having placed the state's product sector categories in the context of their economic environment, we will next probe the sectors specifically to determine their relative export and investment potential.

PHASE II - EXPORT DEVELOPMENT: STRATEGIC SECTORAL ANALYSIS

In Phase II, we use the Export Development Quotient Model to quantitatively identify and select up to 50 sectors of opportunity for export growth (the sectors will be of at least 4 digit SITC specificity). In addition, 3 separate target markets will be used:

- Domestic U.S. Market
- EEC
- Japan

PHASE II - ELEMENTS

- A. Pre-screening and selection of product categories by 4 digit SITC subsectors for input into the Export Development Quotient Model
- B. The Quotient Model
  1. United States Domestic Market
    - Import Volume
    - Import Growth
    - Export Volume
    - Export Growth
    - Domestic Production
    - Growth Rate of Domestic Production

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2. Demand in Target Export Markets
  - Target Market Imports
  - Growth Rate of Imports
  - Iowa/U.S. Volume of Exports to Target Market
  - Growth Rate of Exports
  - Iowa/U.S. Market Share in Target Market
  - Growth Rate of Market Share in Target Market
  
3. Analysis of Competition in U.S. and Target Import Markets
  - Number of Countries exporting to U.S. Market
  - Number of Countries Exporting to Target Market (EEC and Japan)
  - Number of Countries Holding Significant Market Share
  - Transportation Cost Competitiveness of Iowa/U.S. vs. Competition in Target Markets
  - Price Competitiveness of Iowan Products by Product Category

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PHASE III - REVERSE INVESTMENT DEVELOPMENT:  
STRATEGIC SECTORAL ANALYSIS

Within this phase of the Diagnosis we investigate and rank up to 5 Iowa industries to ascertain their comparative advantage against U.S. norms and a specific foreign country for direct investment purposes. The five industries (SITC 4 digit specificity) are to be chosen and provided by the IDED for this analysis.

Phase III: ELEMENTS

## A. Establishment of Criteria for Industry Analysis

1. U.S. Market Size and Growth
2. Labor Rate Comparison
3. Labor Productivity Comparison
4. Labor Disputes
5. Inflation
6. Energy Costs
7. Technological Infrastructure

## B. The Investment Decision Model:

Analysis and Ranking on Comparative Industry Data

NOTE: Phase IV - Marketing Strategy - has been agreed upon to be included in this contract per Appendix IV.

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TIME FRAME

The Final Report: "The Diagnosis of Iowa's Global Competitiveness" will be submitted within six months of the acceptance of this proposal by the IDED. Various sectoral analysis will be submitted on an ongoing basis throughout the six months. Phase IV "Marketing Strategy" for one individual factory will be 60 days later.

A formal decision as to acceptance of this proposal is expected within two weeks of its submission to the IDED.

DATA REQUIRED

A list of preliminary Iowa specific data required for this analysis is included in the Appendix to this proposal. Additional data which may be required would be made available by IDED upon request.

OTHER SERVICES

On-going consultation regarding the IDED's Information Services and Economic Development project during the six months following acceptance of this proposal is included within the contract price. See Appendix II.

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APPENDIX I

APPENDIX: PRELIMINARY LIST OF DATA\* REQUIRED FOR ANALYSIS

1. Economic Statistics (MACRO)

- Population, Employment (by Sector)
- Gross State Product (by Sector)
- Inflation Rate
- Agricultural Production (Volume and Value) by Sector
- Agricultural Producers
- Industrial Production (Volume and Value) by Sector
- State Export Statistics, by Sector and Country of Destination (Volume and Value)
- State Import Statistics, by Sector and Country of Origin (Volume and Value)
- Interstate Commerce Statistics, by Sector (Volume and Value)

2. Other Information

- Investment Incentives Available: Tax Incentives, Labor Incentives, Subsidies
- Directory of Manufacturers
- Electricity Rates for Industrial Users
- Listing of Universities, R & D Centers, etc.
- State Budget (Total and Allocation by Area)
- Labor Costs: Compensation per hour - wages, salaries, and benefits (average by sector)

\*All data should reflect at least 5 years: 1980, 1981, 1982, 1983, 1984 (1985 data if available)

APPENDIX II

The following issues will be addressed interalia within the consultation services to be included:

- Information in sufficient detail from the buyers (the trade inquiry) and the suppliers (response) to enable the completion of a trade transaction.
- The nature of the information to be stored in the Department of Economic Development's database to facilitate the matching of Iowa companies to trade inquiries.
- Sources of trade leads and how to access these sources.
- Information on differences concerning the way domestic and international leads are generated and processed.
- Methodology for product/service information gathering and updating.
- Factors used to gauge capability of a firm to produce additional products.
- Appropriate inducements for Iowa buyers to buy from Iowa producers.
- Linking out-of-state buyers with the Center system.
- Data sources and best utilization to improve the level of exporting expertise for Iowa companies.

APPENDIX III

PHASE IV: CONCEPTUAL FRAMEWORK

The objective of this strategy is to:

- Diagnose the market to develop a marketing plan to be used as an operational blueprint to develop sales through a strategic market penetration plan

APPENDIX IV

PHASE IV: MARKETING STRATEGY

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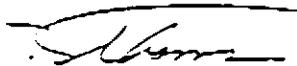
APPENDIX "B"

Payment Schedule:

Total Contract:	\$ 155,000
1st payment: Upon contract execution for ongoing consultation on the Primary Center/Satellite Center	\$ 31,000
2nd payment: Phase I completion	38,750
3rd payment: Phase II & III completion	55,250
Final payment: Phase IV completion	30,000

IF, the PARTIES have executed this Agreement in or before  
to forth within.

FOR THE CONTRACTOR



\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director

\_\_\_\_\_  
Robert Keiler, President

Name (typed)

\_\_\_\_\_  
of Economic Development

\_\_\_\_\_  
Trans-National Trade Management Corp.

\_\_\_\_\_  
venue

\_\_\_\_\_  
2 DAG Hammerskjold Plaza

\_\_\_\_\_  
866 2nd Avenue.

\_\_\_\_\_  
50309

\_\_\_\_\_  
New York, New York 10017

\_\_\_\_\_  
1, 1986

\_\_\_\_\_  
Date

CONTRACT  
BETWEEN  
OKLAHOMA PUBLIC TRUST COMPACT  
Party of the First Part  
AND  
MORGAN GRENFELL & COMPANY LIMITED  
Party of the Second Part

This contract, made and entered into this 23rd day of June, 1986, between the Oklahoma Public Trust Compact (hereinafter referred to as "Compact") and the international merchant bank, Morgan Grenfell & Company Limited (hereinafter referred to as "Morgan Grenfell"), witnesseth that it is agreed and understood as follows:

I. Purposes of the Contract. The major objective of this Agreement is to provide support, promotion and stimulation for the economic development and growth of the State of Oklahoma by, inter alia, attracting direct foreign investment. Furthermore, the purpose of this Agreement shall be the preparation and delivery of a list of target companies--viz., those with relevant industries and product areas and corporate strategies suitable for investment in Oklahoma; and, thereafter approaches, presentations, follow-up contracts by Morgan Grenfell so that expansion and diversification of the economy of Oklahoma is accomplished. Potential target investors will be shown ways to invest in Oklahoma.

II. Morgan Grenfell's consideration. Morgan Grenfell, through its authorized representatives, shall contact its numerous clients and business associates in countries throughout the world, in particular in the United Kingdom and in Continental Europe, to advise them regarding business opportunities in Oklahoma.

Morgan Grenfell shall implement its extensive experience in advising on and in arranging the financing of international investments. Morgan Grenfell shall develop preparatory work in conjunction with Oklahoma entities in both the public and private sectors to identify industry, joint venture and project investment opportunities in Oklahoma in conjunction with the state authorities and business community to prepare a document for investors entitled "Oklahoma: Investing in the USA"; and, to finalize a strategy and work program for investment promotion which shall be initially presented to the Compact. After preparation has been completed, Morgan Grenfell shall duly perform the listed activities.

Morgan Grenfell shall identify target companies by:

- (1) Definition of criteria for company identification (e.g. relevant industries and product areas and corporate strategies for the United States market);
- (2) Preparation of a preliminary list of target companies from Morgan Grenfell in-house and external sources; and
- (3) Appraisal of a preliminary list and finalization of target companies.

Morgan Grenfell shall approach target companies by means of:

- (1) Preliminary approaches to target companies by Morgan Grenfell and arrangement of company meetings program;
- (2) Preparation of individual written presentations for company meetings; and
- (3) Systematic follow-up of initial results of company meetings.

Morgan Grenfell shall consult with and report progress to the Administrator of the Compact between all parties and shall make monthly written reports to the Compact. Morgan Grenfell shall at all times faithfully, industriously and to the best ability, experience and talents, perform the duties designated herein to the satisfaction of the Administrator. Compact and Morgan Grenfell intend an independent contractor relationship. Compact is interested in results to be achieved, and the conduct and control of the work shall be with Morgan Grenfell, subject to reporting and approval described herein and all activities shall be subject to general right of inspection and supervision to secure satisfactory completion of the work by the Compact.

III. Compact's consideration. Compact, for the benefit of all the citizens of the State of Oklahoma--its named beneficiaries in the creation of the entity--shall allocate to Morgan Grenfell for the period of time beginning July 10, 1986, and ending June 30, 1987, a sum not to exceed two hundred and fifty thousand dollars (\$250,000.00) to be expended in respect of Morgan Grenfell's remuneration for the foregoing duties and activities as set out herein, and a sum not to exceed fifty thousand dollars (\$50,000) which shall include and cover all costs of travel and any incidentals arising therefrom. Such funds shall be and remain the property of Compact until expended by Morgan Grenfell for proper purposes. For performing the works as described above, Morgan Grenfell will be paid monthly, within twenty (20) working days of issuance of its invoice setting out its monthly activities.

IV. Publication. Any publication or announcement regarding any activities herein must be authorized by the Compact and shall be first provided to the Compact Administrator, State of Oklahoma, to be distributed therefrom.

V. Ownership of Data and Records. All original notebooks, data sheets, record charts, graphs, or other records maintained by Morgan Grenfell which are kept during, or arise out of, the work performed pursuant to this Agreement shall be the property of the respective parties and subject to any existing agreements or agreements hereafter entered into between such parties. Copies of such material shall be released to the Compact, consistent with this agreement.

VI. Liability. Morgan Grenfell agrees to indemnify and hold harmless Compact, their directors, officers, agents and employees from and against all liabilities, demands, claims, damages, or judgments including attorney's fees and other costs and expenses incident thereto, because of harm, injury or death to persons, or loss, damage or destruction to property resulting from Morgan Grenfell's negligence.

Subject as aforesaid, Compact shall indemnify and hold harmless Morgan Grenfell, its officers, directors, affiliates and employees from and against all losses, claims, damages, liabilities and expenses (including reasonable legal fees) which Morgan Grenfell may suffer or incur as a consequence of its reliance on information provided to Morgan Grenfell by the Compact or any person reasonably believed by Morgan Grenfell to represent the Compact.

VII. Amendments. This instrument contains the entire agreement between the parties and no statement, promises, or inducements made by either party or agent of either party that is not contained in this written contract shall be valid or binding and this contract may not be modified or altered except in writing signed by the parties and endorsed or noted hereon.

VIII. Compliance with Laws. Morgan Grenfell agrees to comply with all foreign, United States, state and municipal laws, rules and regulations that are now, or may in the future become, applicable to Morgan Grenfell or its work under this Contract.

IX. Termination. Morgan Grenfell agrees to carry out the agreed work program outlined herein within a period beginning July 10, 1986, and June 30, 1987. Compact shall aid Morgan Grenfell in completing this project by supplying materials and information as availability and confidentiality requirements allow. Provided, this contract may be terminated at any time by either party by giving written notice of termination to the other parties at least thirty (30) days prior to the date fixed in such notice.

X. Points of Contact. The following individuals shall serve as points of contact for the conduct of various aspects of the agreement.

XI. Effective Date. The effective date of this contract shall be July 10, 1986.

Compact: Dr. Francis Tuttle  
6601 Broadway Extension, Suite 200  
Oklahoma City, Oklahoma 73116  
(405) 521-2401  
Telex: 350352

Morgan Grenfell: Robert Jenkins  
23 Great Winchester Street  
London EC2P 2AX  
01-588 4545  
Telex: 8953511

Administrator of Compact

---

By: Dr. Francis Tuttle

Morgan Grenfell & Co. Limited

---

By: Robert Jenkins

Addendum

Pursuant to Article VII contained in the contract (the "Contract") between the Oklahoma Public Trust Compact, party of the first part, ("Compact") and Morgan Grenfell & Co. Limited, party of the second part ("Morgan Grenfell") to which this addendum is attached and made a part, the Contract is hereby amended to read as follows, (but in all other respects shall remain unaltered):

I. In addition to contacting clients in the United Kingdom and Continental Europe, Morgan Grenfell shall utilise its offices or representative offices in Tokyo, Japan, Singapore and Hong Kong for the benefit of Oklahoma and shall direct its authorised representatives to seek and find investors and business entities which shall be made knowledgeable about opportunities in Oklahoma. Morgan Grenfell shall be assisted in the performance of various of those activities set out in Article II of the contract by advice and assistance of its representative office in Tokyo, Japan on the basis of a work programme to be agreed between Compact and Morgan Grenfell. Additionally, Morgan Grenfell shall assist in the promotion of Oklahoman exports through its offices in Hong Kong and Singapore and shall aid, if appropriate, in the development and financing of contracts for the importation of such products into the countries in the region. Morgan Grenfell shall arrange meetings for representatives of the Compact Administrator upon request, with prospective investors in Oklahoma in Japan, Hong Kong and Singapore as appropriate.

II. Compact, in consideration for the provision of the above mentioned services, shall allocate to Morgan Grenfell an amount in addition to that set out in the Contract at Article III, of One Hundred and Twenty Thousand Dollars (\$120,000.00) from the Compact fund. Such funds shall be and remain the property of Compact until expended by Morgan Grenfell for proper purposes.

Such funds shall be expended as follows: One Hundred Thousand Dollars (\$100,000) for performing the works described above, and an amount not to exceed Twenty Thousand Dollars (\$20,000) for receipted expenses incurred in carrying out such duties. Such funds shall be paid monthly, within twenty (20) working days of issuance of Morgan Grenfell's invoice which sets out its monthly activities and expenditures. Receipts for expenses shall accompany the invoice.

MORGAN GRENFELL & CO. LIMITED

*Peter Carey*  
By: Sir Peter Carey, Director,  
Morgan Grenfell Group plc

Witness: Robert Jenkins  
Robert Jenkins, Assistant  
Director,  
Morgan Grenfell & Co. Limited

OKLAHOMA PUBLIC TRUST COMPACT

By: Dr. Francis Tuttle  
Executive Director,  
Oklahoma Department of  
Commerce

Witness: The Honourable George Nigh  
The Honourable George Nigh  
Governor of Oklahoma

DRAFT

FY 1987  
Federal/State Cooperative Plan

Hartford District Office, U.S. and Foreign Commercial Service (US&FCS), U.S. Department of Commerce (USDOC), and Department of Economic Development, State of Connecticut, International Division.

The Hartford District Office and the Connecticut Department of Economic Development in recognition of their common mission, to promote the economic well being of the State of Connecticut and the United States of America primarily through increased exports, mutually agree to undertake the following actions in 1987 in addition to their regular efforts to advance export expansion.

1. That the Connecticut Department of Economic Development and the U.S. Department of Commerce, US&FCS, maintain a close working relationship in respect to the goals of the Federal/State Pilot Program of which Connecticut is a key member.
2. That the attached Memorandum of Understanding dated October 1, 1986 be implemented to locate a state Trade Specialist in the Hartford District Office.

(a.) In addition to those actions in the Memorandum of Understanding, the state Trade Specialist shall become familiar with CIMS, COMPUSERVE and will undergo appropriate training to achieve this.

3. That with the completion of the new Hartford World Trade Center each office will move to the Trade Center component.
4. This component, managed by the Connecticut World Trade Association will assure a sharing of all facilities including:
  - (a.) office
  - (b.) library
  - (c.) office equipment, telex, computer and telephone
  - (d.) conference facilities
5. Until such time as our offices are located in a common facility we will meet at appropriate intervals to review goals, programs and prospects.

6. We will continue to publish a joint newsletter (Connecticut Exporter).

7. We will plan and deliver seminars and conferences utilizing other associate offices and multipliers whenever possible.

8. We will cooperate in the preparation of market studies utilizing the Education Committee of the Connecticut District Export Council, Connecticut educational institutions and other multipliers whenever possible.

9. We will jointly sponsor those export development conferences, foreign delegation receptions and regional New England State Days Overseas as indicated in our individual annual plans (attached).

10. We agree to share and jointly maintain the following:

- (a.) mailing lists
- (b.) marketing information
- (c.) country marketing data
- (d.) statistical data
- (e.) state manufacturers directory
- (f.) Connecticut source book
- (g.) trade leads
- (h.) client referral
- (i.) state calendar of export related events

11. We agree to work jointly where appropriate on reverse investment opportunities for Connecticut only.

12. We will support Department of Economic Development legislation consistent with US&FCS policy through support materials, expert witness and promotional efforts.

13. We will jointly review the District Office Annual Work Plan with the Department of Economic Development providing input and cooperative ventures.

14. We will develop a joint plan for sale and distribution of US&FCS-produced information services. Such plan shall cover the method by which the state can re-sell US&FCS services. The District Office is to provide the state with materials as needed.

MEMORANDUM OF UNDERSTANDING

Connecticut Department of Economic Development  
International Division  
210 Washington Street  
Hartford, CT 06103

AND

International Trade Administration  
U.S. and Foreign Commercial Service  
Hartford District Office  
450 Main Street  
Hartford, CT 06103

The State of Connecticut and the U.S. and Foreign Commercial Service Hartford District Office agree to a sharing of resources and information through location of a State Trade Specialist in the Hartford District Office, effective October 1, 1986.

The shared objective is to improve State/Federal government relations through a combined effort to serve the Connecticut business community in providing marketing information and counseling to small and medium sized new-to-export and new-to-market firms.

The State Trade Specialist will report directly to the Director of the International Division, Connecticut Department of Economic Development, who will provide guidance from the State level. The District Office Director will provide guidance on the development of this position/program, and will provide input for performance appraisal of the Trade Specialist.

Quarterly meetings will be held to review the program. The participants will include the State and Federal Directors and the State Trade Specialist

The State Trade Specialist will service the Hartford Metropolitan area, working with existing accounts as well as developing new accounts for the State. Counseling will be provided to new-to-export firms on how to begin exporting, what services are provided through the State's overseas offices, and other general information. The State Trade Specialist will work with District Office Trade Specialists when more in-depth counseling is required in areas such as export control, locating agents abroad, foreign tariff information, etc.

The U.S. and Foreign Commercial Service will provide a fully equipped office for the State Trade Specialist, which includes telephone, telex, clerical assistance (when needed), use of all office equipment and library resources. A separate telephone line will be installed to ring at the State Trade Specialist's desk, with a switch to transfer calls to the receptionist in the Trade Specialist's absence. The telephone will be answered "International Division, State of Connecticut."

The U.S. and Foreign Commercial Service offers the State access to its telex computer network linking all Foreign Commercial Service Posts abroad with the District Office. The State will provide the U.S. and Foreign Commercial Service access to its telex facility which allows for sending telexes outside of government channels.

The State Trade Specialist will attend and participate in District Office weekly staff meetings to keep abreast of local activities and to share State activities with D.O. staff. D.O. Director/Deputy Director will be invited to participate in staff meetings of International Division, Connecticut Department of Economic Development, as well as the Annual Economic Development Conference.

The State Trade Specialist will work with District Offices in the area of Commerce sponsored trade event recruitment to maximize opportunities for firms to exhibit their products/services overseas. This also includes developing ideas for State-sponsored missions and shows, and recruiting for same. District Office Trade Specialists will assist in the recruitment of these State sponsored events.

State Trade Specialist will complete ITA-700 "Business Counseling and Seminar/Conference Report" on each counseling session, just as the D.O. Trade Specialists, copy of each to be filed in the District Office. The District Office will also share copies of ITA-700s on firms they counsel who are accounts of the State Trade Specialist.

On an annual basis, the State Trade Specialist will work with the District Office in the development of the Annual Work Plan which will reflect activities which impact Federal/State relations.

State Trade Specialist will work with District Office to develop and promote seminars, conferences, and other events. The State will be invited to be co-sponsor of all D.O. events and will attend each function (at no charge whenever possible).

The District Office will provide a range of opportunities for training. This will include on-the-job training as well as specialized training such as Export Finance, Export Administration, Training for New Trade Specialists, and local area community college courses (if possible)

It is understood that this agreement cannot cover every foreseeable element of the working relationship. We undertake this co-location with the expectation that goodwill and open communication will prevail to minimize misunderstanding and differences that may arise and seek resolutions that are fair and equitable to both parties.



\_\_\_\_\_  
Director  
Connecticut Department of Economic Development  
International Division

SEP 5 1986



\_\_\_\_\_  
Regional Managing Director  
U.S. and Foreign Commercial Service  
International Trade Administration  
Hartford District Office



15. We will develop a plan to assist the Department of Economic Development in the recruitment of companies for EDO promoted commercial exhibits, trade missions, etc.

16. The Office of Economic Development will be represented on the District Export Council to assist in fostering the efforts of export expansion.



Director  
Connecticut Department of Economic Development  
International Division

SEP 5 1966



Regional Managing Director  
U.S. and Foreign Commercial Service  
International Trade Administration  
Hartford District Office

SEP 5 1966

Director General  
U.S. and Foreign Commercial Service

Familiarity with and use of assistance available through institutions.

Assistance Program	N	Familiarity			N	Received Assistance
		Very Familiar	Somewhat Familiar	Not Familiar		% having received assist.
Your Trade Association	475	46%	26%	27%	492	33%
Small Business Administration	493	16%	45%	39%	495	9%
Community College	478	14%	41%	45%	485	9%
ISU Extension Service	486	14%	38%	48%	488	13%
SCORE	468	7%	24%	69%	484	3%
Iowa Development Commission	473	6%	28%	66%	485	3%
Urban Revitalization Program	462	5%	17%	79%	481	2%
Small Business Development Center	461	2%	12%	86%	484	2%

Note: Readers are reminded the data are representative of persons already in business and do not account for awareness and/or use of the services of those not in business. Several of the agencies listed target their services to persons just starting a business.

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## LEE'S

RESEARCH & DEVELOPMENT, LTD.  
 1105 South Eleventh - P.O. Box 397  
 Oskaloosa, Iowa 52577  
 (515) 673-9711

February 19, 1987

Mr. Ned F. Chiodo, Chairman  
 Legislatures World Trade Advisory Committee  
 Capital Bldg.  
 Des Moines, IA. 50319

Dear Mr. Chairman:

With much interest I read David Yepsen's article about you and your work. Speaking from a small business position (less than \$500,000) I would thank you for your work and to point out the need for help in the details of how to export. To show what I mean, please let me tell you of our experience.

We found our own customers in Canada, England, Sweden, New Zealand and South Africa. We later decided not to do business in South Africa. After getting the orders, filling them and preparing for shipping, I then tried to find out the method to get them shipped. I called Government offices in Des Moines and Washington D.C. with no real results. Later a friendly and very patient large exporting company came to our aid.

One place with the "how to" information in Des Moines would be of much help to the Iowa entrepreneur.

My thanks to you for your good work, please keep it up.

*This is an example  
 of the feed back I  
 am getting.*

*Ned  
 Chiodo*

BBB/sq:

kindest Regards

*Bart Basche*

Bart Basche  
 LEE'S RESEARCH & DEVELOPMENT, Ltd.

S U M M A R Y

of the Report

of the

IOWA WORLD TRADE ADVISORY COMMITTEE

NED CHIODO, CHAIRPERSON

"RECOMMENDATIONS TO FOCUS IOWA WORLD TRADE PROMOTION"

IOWA GENERAL ASSEMBLY

February 1987

ADDITIONAL COPIES OF THIS SUMMARY OF THE REPORT OF THE IOWA  
WORLD TRADE ADVISORY COMMITTEE ARE AVAILABLE FROM:

Legislative Public Information Office  
Legislative Service Bureau  
State Capitol Building  
Des Moines, Iowa 50319  
515-281/5129

## SUMMARY OF THE REPORT

The Iowa World Trade Advisory Committee has prepared a summary of its report to the Iowa Legislative Council and the Iowa General Assembly. The report is divided into several sections which are briefly summarized below.

### BACKGROUND

The World Trade Advisory Committee initially was created as the World Trade Center Site Selection Committee. The Legislative Council retained the membership of the selection committee and added two new members after the Committee was unable to recommend a building proposal for the state to support.

The Council charged the new Iowa World Trade Advisory Committee to examine international trade initiatives which the state could sponsor which would potentially increase Iowa exports.

### SUMMARY OF COMMITTEE MINUTES

The full report includes summaries of the meetings of the Committee which are included in the report in lieu of the full text of the minutes of Committee meetings, which are on file at the Iowa Legislative Service Bureau. The summaries are brief and generally organized by date and topics.

### IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

The activities of the department as they relate to international trade promotion and development are summarized within this section of the report.

IDED has several trade promotion programs it sponsors. The department organizes international trade missions and trade shows, administers the interest buy-down program, co-sponsors seminars and conferences, distributes publications, and staffs foreign offices.

### OTHER IOWA ACTIVITIES

Not only is the state involved in international trade promotion and assistance, but there are also several other entities which have varying degrees of involvement. This section of the report describes the many activities of the groups in the state. Some of the organizations include the universities and colleges, community colleges, Chambers of Commerce, and federal agencies.

### ACTIVITIES OF OTHER STATES

This section of the report describes international trade promotion and development activities in other states. States are focusing efforts on international trade promotion and development as is evidenced by the increase in those expenditures for 29 reporting states from \$21 million in 1984 to \$39

million in 1986.

Most states fund trade assistance, disseminate trade leads, sponsor trade conferences and seminars, organize trade show participation, and sponsor and organize trade missions. Thirty-four states now have foreign offices with 70 of them located in 12 countries around the world.

This section also highlights two unique programs; federal-state cooperative agreements and a contract between a state and an investment banking firm for the solicitation of foreign direct investment attraction.

#### COMMITTEE FINDINGS AND RECOMMENDATIONS

This portion of the report details the Committee's findings and suggests recommendations which address those findings. The members believe the recommendations will move Iowa significantly in the direction of increasing international trade.

1. REGIONALISM - This section explains the economies of scale which could be possible should Iowa and other states merge resources. The combined population and gross economic product of several states can jockey those states into a higher level than were they to remain independent. This improved position would be especially important in attracting foreign investment. Additionally these states could work together on more efficient services.

One potential activity of the association would be mutual planning for trade shows and trade missions. Missions and shows could be planned for a broader range of industries than would be possible for only one state because the depth of each industry would be greater with more states. Another possibility could include sharing of overseas office space and administrative expenses including telex, copying equipment, etc.

This section describes an operating regional trade affiliation of five southern states which has successfully been planning missions and trade shows.

The Committee recommends the state take the lead in developing a regional association of states to accomplish mutual goals.

2. TRADE MISSIONS AND TRADE SHOWS - This section explains the benefits which can be derived from international trade missions and trade shows. Information from those who plan them indicate difficulty in recruiting companies to participate in them. The Committee's survey documented that the time and money required precluded them from participating. The Committee recommends shows and mission be organized together to decrease both the costs of planning them and the expenses incurred while traveling on them. Successful trade mission planners claim industry specific missions attract more foreign interest. More industry specific missions could be planned in Iowa if there were enough business in each to attract a sufficient number of participants. The Committee suggests shows and missions be planned in cooperation with other states to decrease the costs of both and to increase the foreign interest in the missions.

The Committee also recommends the state subsidize or loan funds so that financially strapped companies can participate in international trade shows and

trade missions.

3. FOREIGN DIRECT INVESTMENT - The section briefly explains the current operation of the Iowa foreign offices. The Committee suggests there is more effective ways of attracting foreign investment than solely through foreign office staff contacts. The Committee recommends the alteration of the office's focus and the increase of their staffs. The state should redirect state emphasis away from foreign investment attraction and toward trade promotion and assistance. More staff should be assigned the trade promotion task and direct investment leads will also result as a spin-off of the trade contacts.

The Committee believes a more effective means of attracting foreign direct investment is through the networking which occurs between investment bankers and their clients. To tap into that network, the Committee recommends the state contract with an investment banking firm as an alternative for fulfilling the foreign direct investment goal. The increased foreign office staff would then be free to more aggressively help Iowa companies enter or expand their foreign markets. (The Committee cites the contract for a similar arrangement between Oklahoma and the investment banking firm, Morgan Grenfell, Inc.).

4. FINANCING - This section describes the sources of export financing and the differences between some of the programs states have implemented. The Committee recommends Iowa continue to study the performance of the other state trade finance programs because they are still in their incubation stage.

5. LEASING SPACE IN FACILITIES - The Committee recommends the state lease space in facilities which have the potential to draw international audiences. The Committee members believe this exposure to a continual flow of international visitors can additionally expose Iowa companies to the international marketplace. The state could sublease exhibit space in these facilities, perhaps at subsidized rates, to those Iowa businesses which could not otherwise afford to lease the space.

The Committee describes two facilities in the Mid-West which the Committee members believe have the potential to draw qualified international audiences. The centers are the Kansas City Agribusiness Center and the Minnesota World Trade Center.

6. INTERNATIONAL BUSINESS RESEARCH AND TRAINING INSTITUTE - The Committee's telephone survey documented the need for more market information and a means for making that information available. The Committee recognizes the need for an entity to study market information and relate the findings and basic educational programs back to Iowa businesses through training programs.

The Committee proposes an independent organization to provide goals and agenda for the institute to ensure that it will fulfill the needs of the Iowa business community and the organizations which serve it. The institute will be able, because of its independence, to determine Iowa business needs and mobilize the appropriate organizations to deliver the services to meet those needs.

It is the Committee's intent the institute be operated on an ad hoc basis with only a full-time director and secretarial assistance. Specific research projects would be let on a "request-for-proposal" basis.

7. LOCATION OF PROGRAMS - The international trade research and training institute needs a location within which to locate and provide services. The Committee members believe that centralizing the location of state supported trade programs within a facility which leases to other organizations and private entities which also provide international trade services, will assist the Iowa business community in its efforts to increase international trade efforts. The Committee members believe that a building marketed as a location for international trade services and activities will focus in-state and out-of-state attention. Iowa businesses will know where to find international trade related assistance and out-of-state visitors will have a place to meet with Iowa business people or to determine where or who else in the state to visit.

Since there are developers interested in building a facility with the state providing services, the Committee recommends the state ask for proposals for buildings within which the state can provide trade services and assistance. Since the developer potentially would financially gain from state supported services located in the facility, the developer's proposals should provide free space for state sponsored trade programs. The Committee requests that the selecting body not be required by the state to select proposals should none be acceptable.

8. WORLD TRADE COMMISSION - The Committee believes the independent organization which should be responsible for coordinating the trade institute should be a nine member commission. The commission should select the director of the institute and approve the operations and activities of the institute.

The Committee also recommends this commission initiate the conversations with other states to develop a trade association for the benefit of all the states involved.

The commission should coordinate the leasing of exhibit space in trade facilities. The commission will negotiate any contract arrangements with investment banking firms to find foreign investment prospects.

With the aid of the institute, the commission also would be the appropriate body to study and report recommendations to the legislature relating to export financing problems and alternatives for addressing them. The Commission, through the institute's market research function, will assist with planning foreign trade missions and international trade shows.

9. ECONOMIC DEVELOPMENT FOCUS - This section explains that the Iowa Department of Economic Development is geared toward seeking out-of-state investments in Iowa. The department uses its limited resources of staff and money in pursuit of that goal at the demise of the trade assistance and promotion programs for existing Iowa businesses.

The Committee recommends the state separate the goal of economic development through international trade promotion and assistance from the goal of economic development by attracting out-of-state investment. The Committee members believe that as long as two goals compete for limited funds within the department, resources will continue to be directed to fulfill the prioritized goal.

If state leadership believe trade promotion and assistance are a priority for Iowa, then it has to be recognized as such and resources have to be committed

Page 5

specifically toward improving and developing programs designed for those purposes.

## APPENDIX

The initial press coverage of the Committee's findings has generated feedback to the Committee. One such communication received by the Committee is attached as an appendix to this summary.

# LEE'S

RESEARCH & DEVELOPMENT, LTD.

1105 South Eleventh - P.O. Box 397

Oskaloosa, Iowa 52577

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February 19, 1987

Mr. Ned F. Chiodo, Chairman  
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Des Moines, IA. 50319

Dear Mr. Chairman:

With much interest I read David Yepsen's article about you and your work. Speaking from a small business position (less than \$500,000) I would thank you for your work and to point out the need for help in the details of how to export. To show what I mean, please let me tell you of our experience.

We found our own customers in Canada, England, Sweden, New Zealand and South Africa. We later decided not to do business in South Africa. After getting the orders, filling them and preparing for shipping, I then tried to find out the method to get them shipped. I called Government offices in Des Moines and Washington D.C. with no real results. Later a friendly and very patient large exporting company came to our aid.

One place with the "how to" information in Des Moines would be of much help to the Iowa entrepreneur.

My thanks to you for your good work, please keep it up.

*This is an example  
of the feed back I  
am getting.*

*Ned  
Chiodo*

Kindest Regards



Bart Basche  
LEE'S RESEARCH & DEVELOPMENT, Ltd.

BBB/sg: