

MINUTES

INTERNATIONAL RELATIONS COMMITTEE OF THE LEGISLATIVE COUNCIL

December 10, 1993

PRELIMINARY BUSINESS

The December 10, 1993 meeting of the International Relations Committee of the Legislative Council was called to order by Temporary Chairperson James Riordan at 10:14 a.m. in Room 118 of the Statehouse. Members of the Committee present in addition to Temporary Chairperson Riordan, were as follows:

Senator Jack Rife
Senator Joe Welsh
Senator Derryl McLaren
Representative Don Hanson
Representative Mark Haverland

Noting that there was not a quorum present, Senator Welsh suggested and Chairperson Riordan agreed that staff would telephone a House Committee member to approve procedural matters of the Committee.

Senator Riordan reviewed the list of presenters from the October 1993 meeting.

MR. MICHAEL DOYLE, DIRECTOR, INTERNATIONAL DIVISION OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT (IDED)

Mr. Michael Doyle, Director of the International Division of the Department of Economic Development, was present to discuss the activities and needs of his division. Ms. Kathy Hill, Marketing Manager, was present with Mr. Doyle. He expressed the belief that the legislature needs to be an advocate for international activities, emphasizing international affairs as an industry and not just tourism.

Mr. Doyle noted that exporting is a \$6 billion industry in this state involving trade in Iowa and foreign products, commodities, and services. He provided Committee members with a handout covering manufactured and processed goods which is on file with the Legislative Service Bureau. He said that manufactured goods account for 11 percent of the Gross State Product in Iowa at \$2.7 billion per year. He said that Iowa's leading trade partners in these products in order are Canada, Japan, and Mexico. He remarked that the Southeast Asia area is the most important regional area for the state to consider because trade with those nations, especially China and Hong Kong, has tripled in size over the last five years.

As for the investment side, Mr. Doyle noted that a 1990 federal study shows there were 22,000 workers, or 9.7 percent of the employee base, employed in the United States by foreign-owned companies. Mr. Doyle said there are 106 such foreign-owned companies in Iowa. As an example, he cited PMX in Cedar Rapids which is South Korea's largest installation in the United States. He said that Canada, Japan, Germany, and the United Kingdom in that order are the primary foreign investors in Iowa.

Mr. Doyle reiterated his concern that legislators educate Iowans about opportunities in the international area and he called upon the Committee to communicate these possibilities to their peers.

Mr. Doyle outlined the following areas of activity for the IDED International Division and the percentage of time and effort spent on each area: trade promotion, 60 percent; education, 15 percent; and investment attraction, 25 percent. He noted that the marketing plan for the division is revised yearly.

Mr. Doyle distributed out a national study of state international programs that showed that Iowa is one of only four states providing assistance in 13 out of 15 activity areas. He noted that the average funding for state international marketing programs is \$2.2 million and Iowa's is \$1.5 million. He also stated that the average number of employees nationwide in such a department is 11, while in Iowa there are only six.

Mr. Doyle noted that Iowa has developed partnerships with other states. For example, he said, the Central States Trade Institute, composed of Iowa, Nebraska, Kansas, and Missouri, promotes the smaller industries such as environmental controls and medical technology. He said that although Iowa and Illinois both closed their Hong Kong trade offices, Illinois has since reopened its office. He said that since the closure of Iowa's Hong Kong office, Iowa has looked for a public/private organization to help further its efforts in the Southeast Asia region, and as a result of these efforts, he noted that Iowa has completed an agreement with the U.S. ASNEAN Council which is a six-nation trade pact. Other states which are setting up cooperative offices in these six nations with Iowa are Nebraska, Kansas, and Missouri, he said. Mr. Doyle indicated that money had been received by the U.S. ASNEAN Council from U.S.A.I.D. to establish offices in all six countries and that this sort of effort is the first of its kind concerned with manufacturing in the international trade area. He expressed the belief that ambassadors brought to the U.S. from the ASNEAN Council would now come to the Central States instead of just San Francisco, Chicago, Dallas, and Atlanta. As examples, he stated that three members of the ASNEAN Council would visit the University of Iowa and the University of Missouri in the summer of 1994.

Mr. Doyle said that IDED has contracted with the Southern Group, a trading company based in Hong Kong with multiple offices in various cities in the Asian/Greater China market, to become the agent and distributor for Iowa companies in the Chinese and Taiwanese markets. The Southern Group will emphasize the medical technology, environmental controls, agricultural technology, construction, and telecommunications industries, he added.

Mr. Doyle mentioned that Iowa is currently collaborating with the Japanese External Trade Organization (JETRO), which shows industries how to export to Japan. JETRO is funded by the Japanese government and has sent a trade representative to help teach Iowans how to sell products in Japan. He said there will be a three-state delegation visiting Japan in April 1995, including six to seven Iowa companies who will concentrate on smaller industry groups, like giftware and housewares.

Mr. Doyle also mentioned that there are a number of federal grants available in the international trade area and Iowa received \$60-75,000 in federal funding last year. He said the state has yet to receive one of the large federal grants which are available for trade promotion in North Africa, Southeast Asia, Central and South America.

Mr. Doyle mentioned that the Iowa Development Foundation is currently seeking a new director due to the resignation of Mr. Phil Stanhope and his assistant, Ms. Jill Kochel.

Mr. Doyle stated that most of the outreach carried out by the DED is to smaller companies -- those companies with fewer than 500 employees. Mr. Doyle distributed information which sets out some of the services offered by DED to Iowa companies. A copy of the information is on file in the Legislative Service Bureau. The Export Trade Assistance Program (ETAP) has been very successful and Mr. Doyle stated that it has served as a model for other states. Although the budget for ETAP has been reduced from \$400,000 to \$320,000 since its inception, he said, the program has remained successful due to efforts made by IDED to reduce the cancellation rate for program fund recipients.

Mr. Doyle passed around two copies of sample monthly newsletters from his division. He also noted his division started in January 1993, providing "how to" seminars, including how to respond to foreign sales, how to set up financial arrangements, and how to set up shipping arrangements. He mentioned that these seminars have been well attended and cited the seminar provided on the day before the meeting, that although the Division had planned for 10 to 20 participants, the seminar had attracted 40 companies. In response to a question from Representative Hanson, Mr. Doyle stated that it requires commitment on the part of the American company to follow through on the sales effort and that IDED is attempting to provide in-house consulting services to help Iowa companies in trouble shooting and follow-through planning. Individuals are attending IDED seminars in greater numbers, he said, and they are not all small companies. He noted that a medical technology company accompanied IDED representatives to Italy, Spain, and Portugal and came back with \$2 million in orders for a prototype optical scanner.

Ms. Kathy Hill discussed the catalog shows that IDED staff attends in foreign markets and explained how the staff came back with trade leads and followups with the targeted Iowa companies.

In response to a question from Chairperson Riordan, Mr. Doyle said they really need more people to provide technical assistance to companies around the state, such as monitoring programs and assistance in the development of brochures that adequately describe products to persons from foreign countries.

Senator McLaren asked what the Committee could do to promote growth in international activities for Iowa and Mr. Doyle suggested devising a plan for the state. He emphasized that the Legislature has the power to make IDED perform while an ad hoc Committee like the Iowa International Council cannot. He remarked that no one in the state has really taken the time to understand what is happening in the international arena.

PRESENTATION BY ANN SCHODDE, EXECUTIVE DIRECTOR OF THE IOWA COUNCIL FOR INTERNATIONAL UNDERSTANDING (CIU)

Ms. Ann Schodde, Executive Director of the Iowa Council for International Understanding (CIU) appeared with Ms. Linda Goeldner, Board President.

Ms. Schodde stated that the organization has been operating in Iowa since 1938 and that it is not a state-funded agency. She provided the Committee members with notebooks explaining the program of the organization and gave a brief history of how its mission has changed. She noted that in the 1940's through the 1960's, the main thrust of the organization was to help new foreign arrivals, while in the 1970's, the emphasis was on foreign students. She noted that since the 1980's the shift has been to focus on and assist foreign delegations and dignitaries, usually through the United States Information Agency (USIA). International visitors are usually high-level officials, she said, or persons who will become the leaders of foreign nations. Some examples of past participants in the International Visitors program are Anwar Sadat and Margaret Thatcher. There is competition among the states for these visitors, she said. Up to now however, she opined, the international image of Iowa has been dim. CIU sees this as a real challenge, Ms. Schodde said, and she believes the image is improving.

There have been visitors to Iowa from over 50 countries this year according to Ms. Schodde. The CIU is not funded by the USIA and consequently must raise its own operating funds and memberships, she remarked. In addition to hosting foreign visitors, she said, the CIU is involved in community outreach. Ms. Schodde said the CIU will host a seminar on an annual basis through the Carnegie Foundation.

The CIU offers translation services in 35 languages with emergency help available 24 hours a day, she said. She added that there are also other translators available for a small fee.

Ms. Schodde remarked that the CIU has abandoned its traditional fundraising effort, the International Food Fair, because there are currently so many ethnic fairs in the Des Moines area. She mentioned that a Grinnell College intern has compiled a directory of ethnic organizations in Iowa which will soon be available.

A Small World program has been established, she said, to help international understanding in schools; and finally a longer term commitment to helping official government organizations like Sister Cities and Sister States. She explained that Sister Cities is not connected at all with the Sister States Program, although there are several Iowa sister cities located in Iowa sister states, a situation which is unique to Iowa.

Ms. Schodde had the following recommendations for the Legislature:

1. Develop a statewide international agenda for Iowa in the next century. She stressed that it is often the personal relationships which succeed in accomplishing results.
2. Bring relevant international offices and programs together under one entity.
3. Create an international development foundation to raise and disburse funds for international programs and initiatives.
4. Look at all communications services.
5. Provide coordinated assistance to local organizations.
6. Become knowledgeable about agencies in Washington which can provide grant moneys.

LUNCHEON RECESS

The Committee recessed at 12:12 p.m. for lunch and asked Ms. Schodde to rejoin them at 1:30 p.m.

The Committee reconvened at 1:37 p.m. with the same Committee members present who had been present for the morning session. Ms. Schodde continued her presentation. She shared with the Committee a bill introduced in the Legislature of the state of Hawaii establishing an international office. A copy of the bill is on file at the Legislative Service Bureau.

The bill listed four goals:

1. Develop a cohesive international policy for the state.
2. Provide statewide direction and coordination for international activities.
3. Provide an analysis of current international developments for the Governor to aid planning.
4. Stimulate international awareness among the state's citizenry.

She informed the Committee that the federal government has tripled its funding for secondary school exchanges. Currently, there are 40,000 Japanese secondary students studying in the United States, she said, while there are only 1,500 U.S. students in Japan. Ms. Schodde said she believes there has been an increased commitment to foreign language efforts because of pairing of schools with sister cities.

Representative Haverland suggested bringing in a larger group of individuals to a conference to discuss what the Legislature should do.

PRESENTATION BY MR. STEVE FERGUSON, IOWA DEPARTMENT OF AGRICULTURE

The next presentation was made by Mr. Steve Ferguson, International Trade Section Chief for the Department of Agriculture. Mr. Ferguson introduced Harold Hommes, International Trade Specialist with the Department. Mr. Ferguson began his presentation by noting that the International Trade section was established in 1987, and its success has depended upon networking, especially for the commodity groups. Mr. Ferguson listed the Mid-America International Agri-Trade Council (MIATCO), an organization of 12 other Midwestern states, as an example of networking efforts that provide information and funding to value-added food companies.

Mr. Ferguson stated that the various promotional boards such as corn, soybeans, pork producers, sheep producers, wool producers, dairy, and beef producers assist the Department in the international marketing of their products.

Mr. Ferguson provided to the Committee an overview of a number of services which the Iowa Department of Agriculture and Land Stewardship (IDALS) provides to assist producers in marketing products overseas. These include trade and referrals, international visitors programs, educational seminars and workshops, transportation and logistics information, livestock health testing and certification, and participation in trade missions and fairs, he said.

He also distributed to the Committee a number of charts and graphs providing information as to production value of exports and outlines of numerous activities of his section. This information is on file with the Legislative Service Bureau.

In response to a question from Representative Hanson about overlapping activities, Mr. Ferguson said there was some overlap, particularly in the value-added foods area between IDED and IDALS. He said the Department of Agriculture has the role to promote agricultural commodities and livestock, and the Department of Economic Development has responsibility for fabricated goods. He added that they work together on questionable areas and utilize joint promotions through the Ag Products Advisory Committee.

Mr. Harold Hommes discussed the Iowa grain export system. He said that his job is to find new opportunities for shipping of grain. He provided a list of activities for Fiscal Year 93-94 which focus on niche marketing for specialty foods such as blue corn and tofu, which are sold mainly to the Asian marketplace. He described the Iowa Gold program which was started nearly three years ago to track specialty markets. He also gave as an example of how much grain marketing has been accomplished, that Quaker Oats orders contract grown corn. He distributed a publication on the Iowa Gold program which is on file with the Legislative Service Bureau.

Mr. Hommes stated there will be a third trade mission to Mexico this summer and that buyers are more interested now in information about oil and protein content than U.S. grades information.

Senator Riordan asked Mr. Ferguson how the decision is made to attend shows. Mr. Ferguson responded that the section employees rely on U.S.D.A.'s recommendations to target certain shows and then review what the attendance will cost in relation to the Division's travel budget.

Mr. Ferguson noted that the Division works with Mexican trade agents on a per diem basis. He expressed his belief that the passage of the North American Free Trade Agreement (NAFTA) presents a great opportunity to do business with Mexico.

Mr. Ferguson discussed the possibility of creation of a freight systems program. He noted that financial assistance under the proposal would be available for the first sale, although this type of assistance could become a problem if it proves injurious to the indigenous farmer.

Senator Welsh suggested that publications should be shared with other members of the Legislature including Agriculture Committee members.

PRESENTATION BY MS. KATHLEEN WOOD, IOWA INTERNATIONAL COUNCIL

Ms. Wood, chairperson of the Iowa International Council distributed a year-end report of the Council, which is composed of six public organizations including the Peace Institute, the International Divisions of the IDED and IDALS, the Iowa Sister States, Internet, and the International Development Fund. She noted that the year-end report does not include information on Internet and the International Development Fund. A copy of the report is on file with the Legislative Service Bureau.

Ms. Wood suggested Iowa hosting a forum involving 4,000 to 6,000 people to discuss what should be the role of international relations within the state. She said the Governor has formed a working group consisting of the heads of the Department of Agriculture and Land Stewardship, the Department of Economic Development, the Department of Education, and the Board of Regents to determine the state's role in international relations.

Representative Haverland stated that the housing of all the different groups interested in international relations under one umbrella agency might cause the groups to lose the dynamics of all these groups working in competition. He indicated that he is not sure who should address this problem but feels the state and the nation is entering a new paradigm of international relations. He expressed his belief that the Legislative Committee on International Relations has a public education mission as opposed to the more technical areas of agriculture and economic trade missions.

NEXT MEETING

It was decided that the Committee would have a working lunch with the Iowa International Council at the Council's next meeting on January 19.

Chairperson Riordan asked the Committee to review the materials from the two meetings and think about how they would like to proceed. He also directed the staff to pursue surveying the members of the legislature about their interest in certain countries and how they would like to participate in furthering international relations.

He also suggested that some research be done on the feasibility of providing gifts to foreign dignitaries.

COMMITTEE ACTIONS

The Committee retired to the office of Ms. Diane Bolender, Director of the Legislative Service Bureau where a speaker phone was available. Representative Wayne McKinney, Committee member, was contacted at 3:05 p.m. As part of the business of the Committee, Representative Haverland moved that Senator Riordan be appointed as permanent Committee Chairperson. The motion passed on a unanimous voice vote. Representative Hanson moved that the Committee adopt the proposed rules as the permanent rules of the Committee. The motion passed on a unanimous voice vote. Senator Welsh moved that the minutes of the previous Committee meeting be approved as distributed. The motion passed on a unanimous voice vote.

ADJOURNMENT

The Committee adjourned at 3:12 p.m.

Respectfully submitted,

CAROLYN LUMBARD
Legal Counsel