

Senate T&E Committee
February 18, 1991
Page
SB 164 - PH
SB 332 - PH
SB 334 - PH

SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

February 18, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 25 - 26
International Trade

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
 SEN. SCOTT DUFF
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER
 TAMIRA MILLER, POLICY ANALYST
 JERI CHASE, OFFICE MANAGER
HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:GLENN FORD, ACTING DIRECTOR, INTERNATIONAL TRADE
DIVISION
CINDI CARRELL, LEGISLATIVE ASSISTANT, REPRESENTATIVE
BILL DWYER
LYNN YOUNGBAR, LEGISLATIVE LIAISON, ECONOMIC
DEVELOPMENT DEPARTMENT
LINDA FROMM, PRIVATE SECTOR EXPORT MANAGEMENT
BUSINESS

NOTE: These minutes contain materials which paraphrases and/or summarizes
statements made during this
meeting. Only text enclosed in quotation marks reports a speaker's exact
words. For complete contents of the
proceedings, please refer to the tapes.

TAPE 25, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:19 p.m.

SB 332 (European Trade Office) - Public Hearing

010 JOE CORTRIGHT: Present Staff Measure Summary on SB 332 (EXHIBIT A).

019 GLENN FORD: We would like to start a program in Europe much like the
one we currently have in
Asia. It is our recommendation that the state not start with an office

immediately into Europe. We would be better off working into an office arrangement. We feel it takes time to fully utilize an overseas office so it would be a waste to start out with a full office. For a full office the cost is about \$880,000 for a full biennium. We would like to acquire a contractor which would cost approximately \$190,000 for the biennium.

052 CHAIR FAWBUSH: How much is the Japanese office costing us?

053 FORD: Between \$880,000 and \$1 million a biennium.

056 CHAIR FAWBUSH: What is our percentage of trade with Japan as compared to Europe?

064 FORD: Japan is by far our largest single trading partner. I don't have a percentage for you.

072 CHAIR FAWBUSH: On high value versus bulk how do the two stand?

075 FORD: Our department works with higher value added manufactured items. If you take wheat and relatively raw lumber out of the trade figures, Europe as compared to the Asian rim are comparable.

076 CHAIR FAWBUSH: What are the trends like?

077 FORD: Japan is sky rocketing the trade figures are growing quickly. But we are seeing significant growth in Europe.

078 CHAIR FAWBUSH: How high on the list of priorities in the department is the European office?

080 FORD: It made our department budget.

083 CHAIR FAWBUSH: Who would you contract with over there to begin this operation?

086 FORD: We would contract a man who represents the state of California but he is from Oregon and would like to represent us. We would take a contract out with him specifically we would not supply him an office. Initially, we see him working almost exclusively on trade issues and working with the department of Agriculture and with my person who works with European companies.

097 CHAIR FAWBUSH: Where would you start?

100 FORD: In Germany.

104 SEN. JOLIN: The measure provides for an appropriation from lottery funds but it is not specified how much, would this be a percentage of the \$830,000 figure?

114 FORD: Yes, we see the monies being allocated under 1991-1993 as being what we would require now.

119 SEN. JOLIN: Do you have any figures?

120 FORD: These are high figures we would hope to do it for less.

123 SEN. JOLIN: Why is there an emergency clause?

127 CORTRIGHT: That is there so this can start on July 1,1991 regardless of the passage date of the bill.

135 SEN. JOLIN: I think this is a wonderful idea but I am concerned about putting lottery or general fund dollars into new programs right now.

155 SEN. TIMMS: \$190,000 for a contracted person seems very little in comparison to Japan. I just think it is important to be there. It seems that the department could find the money for something like this that is important to the economic development of Oregon.

181 CINDI CARRELL: I am speaking for Representative Bill Dwyer and we are in support of SB 332. In Oregon we already have many of tools necessary to promote Oregon`s international trade. In 1992 we only will have to meet one standard; we can address Europe as one market place.

207 SEN. DUFF: We often hear about how hard it is to break into the European market?

210 CARRELL: I believe that is wrong. They have always tried to buy products outside the European community.

215 SEN. DUFF: I am talking about meat, wheat and other food products, that when they are imported there is a countervailing duty.

220 CARRELL: Federal offices are working on that now so it is not such a hinderance.

223 SEN. DUFF: What are the value added products?

225 CARRELL: We are thinking of some of the specialty manufactured products such as dental instruments.

226 FORD: We are having the most success with software.

246 SEN. DUFF: Is there also an intellectual property problem in software?

247 FORD: Not to the extent that we have elsewhere they recognize our patents and copyrights in Europe.

253 CHAIR FAWBUSH: Did that round of GAPP talks break down?

257 FORD: Yes, over agricultural issues.

258 SEN. DUFF: What other opportunities are there besides Europe and Asia?

265 FORD: As a department we are capable of servicing three departments; Japan, Korea and Taiwan is where we are truly a full service agency. Other opportunities in Asia might include Singapore and Thailand, for electronic goods and environmental control and pollution control services. We might look at Mexico and Canada, but we can do that with current staffing levels.

283 SEN. DUFF: You evaluate the opportunity to be greater in Europe than in say Thailand or Singapore?

286 FORD: Yes.

Bill Introduction - LC 2191

313 CHAIR FAWBUSH: This is the Rural Oregon Institute Leadership Act. Presents LC 2191 (EXHIBIT B).

323 MOTION: SEN. HILL moves the introduction of LC 2191 as a committee bill.

VOTE: Being no objection LC 2191 is introduced as a committee bill.

Bill Introduction - LC 2881

327 CHAIR FAWBUSH: Presents Draft of LC 2881 (EXHIBIT C).

340 MOTION: The CHAIR move the introduction of LC 2881 as a committee bill.

VOTE: Being no objection LC 2881 is introduced as a committee bill.

SB 334 (Export Manager For Hire) - Public Hearing

366 CORTRIGHT: Presents Staff Measure Summary on SB 334 (EXHIBIT D).

400 LYNN YOUNGBAR: This bill is not in the Governor's budget for this biennium.

423 FORD: You have invested in four different programs that provide a spectrum of services to companies in Oregon. The first service is the Small Business International Trade Program which provides trade education and introductory counseling. The second service provides applied business research and a student intern program that provides students to exposure to international trade. The last two steps consists of the Department of Agriculture which work with agriculture firms primarily in process food that are ready to move into the market.

TAPE 26, SIDE A

030 FORD: They work one on one with companies to guide them into the market. We work with wood products and manufactured goods. We work under contract with a specific firm. The one thing that we do not do is negotiate for them and I believe this bill addresses that. This program takes that next step. You mentioned a non profit but I don't think there is such an organization and it might be overly restricting to make it available to non profit organizations only.

067 CHAIR FAWBUSH: Do you have any examples of businesses that you have helped to expand their market overseas?

070 FORD: Yes, in Bend a group called time tech wanted to break the Japanese market for ski racing timers. We helped them collect information about the market, develop

brochures and change their packaging so it would more acceptable in Japan. They walked away with seven different distribution opportunities.

087 CHAIR FAWBUSH: Who paid for this and how much?

090 FORD: The state of Oregon paid for our trip, the company paid for its own people. The cost was \$1,700.

099 CHAIR FAWBUSH: The company paid nothing for this service?

100 FORD: Yes.

107 CHAIR FAWBUSH: Do you take people over there often?

110 FORD: Yes.

117 SEN. JOLIN: I would like to know about these costs?

130 FORD: These numbers are figured by the office.

148 FORD: We do not support the bill. We find the services provided by the state are substantial.

156 CHAIR FAWBUSH: This bill is basically what you are doing short of the negotiation and yet you don't support this. I don't understand that.

170 FORD: If you are going to replace my program with this one then I support it but I don't think we need both.

171 SEN. JOLIN: How much does your program cost?

172 FORD: My budget is about \$3.3 million.

175 SEN. DUFF: These services are provided in the private sector, right?

176 FORD: You can always find a consultant that will actually negotiate a deal for you. Our role is not the deal exclusively, it is more educational than that.

180 SEN. DUFF: That seems more important than the step involving hiring a consultant.

185 FORD: It can be difficult to find a consultant in the area you are interested in and it is very expensive.

200 CHAIR FAWBUSH: There is also a huge cost in supporting a set office.

228 CHAIR FAWBUSH: I like what you're doing but I am not happy with the way we recruit and build businesses awareness of the international market.

250 FORD: I think that the two efforts are going to merge. I think my division will become in time very similar to this program.

255 SEN. HILL: Where does it stand right now with your department as to where that final step is?

260 FORD: It is up to the company to make the final decisions on all these terms.

270 SEN. HILL: Do you help them meet contractors and distributors?

285 FORD: Yes. And they do ask our advice regarding particular ones but we don't make decisions for them.

290 SEN. HILL: I think the help you provide must be quite valuable to these businesses and it seems that if they had to put some money in they would be willing to do that.

295 FORD: I agree with you and that is the background of why we developed the contract because we didn't have a way of charging people.

321 CHAIR FAWBUSH: There are some reliability questions involved if you get involved with contracting so I think that is something we really want to think about.

360 SEN. TIMMS: It seems we have excelled in the area of trade and I'd like to hope that with the cuts in Measure 5 we can still make trade grow.

389 LINDA FROMM: Testifies against SB 334 (EXHIBIT E).

460 CHAIR FAWBUSH: Are you a broker?

463 FROMM: Our business started out being an export management company. We take title to the goods act as the export department for the manufacturing company, and they make a domestic sale to us and we take them overseas and market them all the way through.

482 CHAIR BAUM: Have you ever gotten a referral from somebody in the department who had gone through and gotten help from the department?

TAPE 25, SIDE B

034 FROMM: No.

037 CHAIR FAWBUSH: Are we competing with you?

040 FROMM: In some sense they are but they could be working with us.

042 CHAIR FAWBUSH: What do you usually find as far as a business opportunity by helping these companies?

046 FROMM: We find that the kinds of people we can help are those who have financial stability and are very cognizant professionals about what they do with their business domestically.

050 CHAIR FAWBUSH: How many companies like you are there in Portland?

052 FROMM: In the Portland area around 20. But they are specific by product or geography or both.

059 SEN. HILL: What roll do you think the state should play in international trade?

062 FROMM: One of the things that I see is that some businesses do need mentors who can teach them how to get through the transportation maze or how to handle the financial maze.

067 CHAIR FAWBUSH: If we use this bill and we are able to provide funds for specific contracts should those contracts include closing deals?

070 FROMM: I would never want to see anyone else close a deal for a company. But a mentor working for the company could certainly get much closer to closing the deal than a public agency could.

072 SEN. HILL: The idea of the hand holding that has been described is that the kind of mentoring you are talking about or do you think that is going too far?

075 FROMM: No I don't think it is going to far. There is not a non profit entity that combines the public and the private sector.

093 SEN. TIMMS: Do we have enough people in your business in the Portland area for export trade to properly coordinate what is happening in other countries with this country and create those vehicles for export trade?

100 FROMM: That is not the function of companies like mine.

110 CHAIR FAWBUSH: What should we be doing as far as promotion and development of more international business contact?

120 FROMM: There are very specific things that certain companies need. If they could get underwriting or assistance in underwriting for those kinds of things then it would make sense to them but they need to come to you with a specific project to do that, so there needs to be a vehicle for that kind of thing.

142 FORD: We cannot provide financial services.

157 FROMM: Cross promotions would be helpful.

181 FROMM: We need a board that we can go to answer our questions A public private board would be a help.

191 SEN. DUFF: Where do you think the greatest market potential is going to be?

198 FROMM: We think it is in both places.

214 SEN. DUFF: How would you design a public private board?

225 FROMM: There would be representatives from both the public and the private sectors. I would like to see the private sector have specific assignments like they would design the criteria by which a company was selected for assistance from the state. Because the private sector only responds to making

dollars earned for dollars spent and we feel the tax payers ought to respond to that to. It would help the private sector if the state could go out and qualify some of these folks.

SB 164 (Foreign Trade Office Exemptions) - Public Hearing

244 TAMI MILLER: Presents Staff Measure Summary on SB 164 (EXHIBIT F).

294 CHAIR FAWBUSH: How do you get the leases over there in Japan?

300 FORD: The Attorney General signs them.

312 SEN. JOLIN: Would you justify number four (from EXHIBIT F)?

342 FORD: These are contractors and they are paid higher wages than your typical employee because of the cost of living difference. They also operate off of different holidays, those of the country which they are stationed in.

349 CHAIR FAWBUSH: Are there people in those office that you are paying under the wage scale that you would pay people in the states?

355 FORD: No, they are paid a competitive rate.

370 SEN. HAMBY: Apparently you would like to be exempted from the rule that forces you now to lease or rent any real or personal property when you don't need it for public use.

380 FORD: I believe that General Services supports this bill.

380 YOUNGBAR: I don't know why that item is included I would be happy to check and see if there is some item that comes under that category.

400 CHAIR FAWBUSH: If we were to pursue this concept of looking at additional funds for further contracting I would be interested in hearing from both departments how you are cooperating today.

437 FORD: Do you see a role for the Oregon Trade and Marketing Center?

450 CHAIR FAWBUSH: I have eternal hope that we will recapture for useful purposes that \$600,000 that they are spending on office space and personnel.

TAPE 26, SIDE B

024 FORD: I brought it up because they are an organization with a very high powered board representing both public and private sectors.

049 CHAIR FAWBUSH adjourns the meeting at 4:48 pm.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on SB 332, submitted by Joe Cortright, pgs. 2.

EXHIBIT B - Draft of LC 2191, submitted by Tami Miller, pgs. 4.

EXHIBIT C - Draft of LC 2881, submitted by Tami Miller, pgs. 2.

EXHIBIT D - Staff Measure Summary on SB 334, submitted by Joe Cortright, pgs. 1.

EXHIBIT E - Input from the Private Sector, submitted by Linda Fromm, pgs. 3.

EXHIBIT F - Staff Measure Summary on SB 164, submitted by Tami Miller, pgs. 1.