

**Minutes
Committee on International Trade
Virginia Economic Development Partnership
May 8, 2018
Board Room, VEDP Offices - 901 East Cary Street
Richmond, VA 23219**

Call to Order/Welcome

The meeting was called to order at 11:45 a.m. by Hampton Dowling, Chairman of Committee on International Trade who noted that a quorum was present.

Members Present: Hampton Dowling, Bob Feeser, George Judd, Stuart Malawer, Art Moye, Secretary Bettina Ring, James Xu, Ned Masee

Members Absent: Mike Ligon, John Pullen

VEDP Staff Present: Jason El Koubi, Carolyn Elliott, Paul Grossman, Anne Phillips, Jonathan Babington-Heina, Sandi McNinch, Christy Morton

Guests Present: Vince Mastracco, Chairman of VEDP Board of Directors
Brett Vassey, President of Virginia Manufacturers Association
Terry Clower, Professor, George Mason University

Public Comment Period

Chairman Hampton Dowling solicited public comments. There were none.

Chairman's Comments

Chairman Dowling introduced Mr. Ned Masee, the appointee of the VEDP Board of Directors to the Committee on International Trade and asked Mr. Masee to share with the Committee his background. Mr. Masee gave an overview of his background.

Chairman Dowling asked Dr. Malawer to introduce his guest, Dr. Clower.

Approval of Minutes from January 18, 2018 Meeting

Chairman Dowling asked for approval of the minutes from the January 18, 2018 meeting. Dr. Malawer made a motion to approve the minutes and Mr. Feeser seconded. The minutes were unanimously approved.

Chairman's Update

Chairman Dowling shared with the Committee general concerns and observations from the marketplace based on several events that he's attended since the Committee's January meeting.

- Summarized how trade is the central topic within the beltway on Capitol Hill and why it's important for Virginia to align with that priority. Further mentioning more trade deals are now being reviewed by the US Trade Representative and State Dept than in history and suggested a trade strategy should also be a priority for the VEDP Board to consider.
- Talked about speaking at a WTO forum in Germany during which the improving global economy was discussed with many attendees from EU countries expressing interest in direct trade with US states. Mr. Dowling described this forum is an example of where Virginia should be represented like other states. Mr. Dowling commented that the VEDP office in Munich is not staffed or focused on trade.

- Described attendance on behalf of clients at various trade conferences in other states where state agencies are aggressive supporting commercial agreements for import and export with foreign delegations. He gave examples of meetings suggesting VEDP should have similar resources to help Virginia companies. He described the difference between trade states and non-trade states and advantages Virginia has as a trade state which should create an incentive to make trade a priority for economic growth.
- Described observations while attending the IMF Spring Meeting in Washington, D.C., at which, again, several states participated, with Texas having the largest delegation, and again Virginia was not present. Chairman Dowling stated that he also attended the Summit of the Americas remotely from two embassies where he oversaw several states attended the Summit, but that Virginia was not present.
- Stated that Virginia does not have a strong, coherent rudder regarding international trade. Being an East Coast trade state, and benefitting from exports and imports, Chairman Dowling stated the Commonwealth doesn't seem to have focus on, nor leadership in, trade matters. Chairman Dowling stated that other trade states are more forward-looking than Virginia. He stated that while states are different, and comparisons are not practical, most states are becoming more active in international trade. The reason that states are active in international conferences and in the pursuit of international trade is that they are seeking deals. Chairman Dowling defined international trade as a business transaction with the purpose of developing revenue to derive profit and grow a company and shouldn't be confused with other economic development activity. He stated that Virginia has the opportunity to host international conferences and saw many missed opportunities in comparison with other states. He reminded everyone that the Federal Government has made international trade as a driver for increased national economic performance and Virginia should be doing the same.
- Stated that he still does not see international trade as integral in VEDP's strategic plan. He reminded the Committee of the input that he and Vice-Chairman George Judd had into the VEDP strategic plan on the Committee's behalf with a three-day turnaround over last Thanksgiving. He cited the lack of actionable items in VEDP's strategic economic plan and asked where international trade fits within that comprehensive plan.
- Stated that it was disturbing how HB770 came into existence. He stated that he was surprised one morning to read about it over coffee while reviewing General Assembly actions posted online, that he was disturbed because it was not discussed with the Committee on International Trade, nor the VEDP Board of Directors, nor the Board Chair prior to its introduction into the 2018 General Assembly session. He reminded the Committee that all, but one or two members disagreed with both of the primary amendments to the original legislation. Chairman Dowling explained to the Committee the discussion had with Delegate Chris Jones, Chairman of the House Appropriations Committee, in a hallway where he was reprimanded by Delegate Jones. Chairman Dowling stated that Del. Jones told him he did not know how to run a committee, that he did not understand the law and that HB770 was going to pass whether Chairman Dowling liked it or not. Chairman Dowling stated that later in the delegate's office that he asked Del. Jones what public good is being served by HB770 and did not receive a response. He stated that Del. Jones described that changes reflected the General Assembly's original intentions, would improve communication and that HB770 had been developed and coordinated with VEDP CEO Stephen Moret and Mr. Robert Vaughn which concurred with an email he had received from Mr. Moret last February when asked to comment on what was going on at the time.
- Stated that the Committee was making good progress beginning last fall (2017) through its January 2018 meeting, and that the introduction and passage of HB770 halted the Committee's work for the past four months. Chairman Dowling indicated that HB770 was handled in a way that was "rather disingenuous" and that he was disappointed by the process.

- Stated that some of his discussions with Committee members were shared with General Assembly staff and cautioned against sharing information outside of the Committee.
- Stated that there is a disturbing pattern of how the Committee on International Trade is viewed, and used, by the VEDP Board of Directors. In addition to the actions taken above regarding HB770, he received a memo from Mr. El Koubi 24 hours prior to this meeting about an action taken by the VEDP Board at its April 26th meeting, nearly two weeks prior to this Committee meeting. The action was passage of a “VEDP International Trade Development Initiative for FY19.” Mr. Dowling stated this action was not on the agenda for the VEDP Board meeting otherwise Chairman Dowling would have attended. He further stated the Committee on International Trade was not offered the opportunity to provide input into this initiative prior to its discussion and passage by the VEDP Board. Chairman Dowling stated that the role of the Committee on International Trade was bypassed.
- Stated that this Committee is the only voice of the private sector for international trade matters in Virginia. He stated that the Committee was formed to provide a deep level of expertise. Chairman Dowling stated that the Committee on International Trade needs to figure out how to best support the VEDP Board of Directors. He stated that members of the Committee are questioning whether to continue participating on the Committee. Chairman Dowling stated that while he is concerned with the relationship between the Committee and the VEDP Board, specifically the VEDP leadership operating without Committee input, that he encouraged the Committee members to remain engaged. Chairman Dowling stated that he hoped to conclude the Committee meeting today with a clearer sense of direction for the Committee to fulfill its responsibilities to provide advice and direction to the VEDP Board of Directors.
- Stated that many of his prior comments come down to one thing: the interaction of VEDP’s leadership with Del. Chris Jones and Mr. Robert Vaughn. “Why is Del. Jones interested in structure of our committee? Why is Mr. Vaughn interested in structure of our committee? It has to be tied to the budget. The dots are disturbing.”
- Stated his hoped the Committee would consider his comments and resolve to consider how to perform the original intent of the General Assembly to represent trade issues to the Board and Commonwealth.

Vice Chairman’s Update

Mr. Judd stated that he has no faith or trust in the VEDP Board of Directors. He is disturbed that the Committee was making progress through January, and that this progress has been undermined.

Chairman Dowling asked if other members had comments or updates.

Dr. Malawer agreed with Chairman Dowling’s comments, and stated that recent actions don’t surprise him because international trade is not in the DNA of VEDP. He stated that during his five years on the VEDP Board of Directors, he repeatedly asked for the formation of a committee to focus on international trade and did not receive support for the concept from the VEDP Board.

Mr. Moye stated that he has been honored to serve on this Committee and knows that this committee can do good work. He stated that he did not necessarily share all of Chairman Dowling’s perspectives since he was not part of all of those conversations. Mr. Moye stated that if the door is slammed in the Committee’s face, he will leave the Committee, but he doesn’t think that this is the case.

Presentation of Mr. Brett Vassey

Mr. Vassey, President of the Virginia Manufacturers Association (VMA) addressed the Committee. He explained the role of the VMA and his activities to support international trade programs in Virginia over many years. He stated that the VMA supported the creation of the Virginia International Trade

Corporation and formed a Commerce Committee to continue support of international trade events across the Commonwealth.

Mr. Vassey described a handout that he provided to the Committee that consisted of a ranking of southern states based on criteria pertinent to manufacturers. He stated that the VMA was dissatisfied with the ranking methodology of organizations like Forbes, Area Development magazine, etc. as those are show phony rankings without drill down data for manufacturers. Mr. Vassey concluded his explanation of the manufacturing ranking by citing Virginia's rank in terms of the exports of manufactured goods at #36 overall, and #39 on a per capita basis.

Mr. Vassey stated that international trade is not a part of Virginia's economic development portfolio. He stated that traditional economic development (business attraction) overshadows international trade. Mr. Vassey recommended several ways in which the Committee could focus its efforts that would benefit the growth of international trade in Virginia, including:

- Increase the budget devoted to international trade development. The Ports of Virginia recently received \$300+ million for infrastructure improvements but not one dollar was provided to help increase export programs that result in usage of the port.
- Develop a new set of metrics. Look at the ROI for the VALET and STEP programs.
- Focus on getting companies to expand exporting to new markets not only on getting companies to export for the first time.
- Longer-term, gear up for the next budget cycle.
- Develop programs for imports. The VEDP is precluded from providing assistance for imports yet this represents a significant potential growth area.

Mr. Vassey stated that he doesn't disagree that there are headwinds that international trade must overcome in Virginia from both political players and VEDP Board members who are opposed to elevating international trade. He stated that he remains bullish on the potential for international trade in Virginia and on the work that this Committee is doing.

Dr. Malawer stated that he does not know the status of the Virginia International Trade Corporation (VITC), and asked Mr. Vassey if he could shed light on this topic. Mr. Vassey stated that the VITC did not move forward for two reasons. First, the business plan that was produced by Secretary of Commerce and Trade Maurice Jones was not carried through to conclusion by his successor Secretary of Commerce and Trade Todd Haymore. Second, that the MOU between the VITC and the VEDP for the provision of administrative support was sabotaged by the former president of VEDP by attaching a \$500,000 budget allocation requirement for effecting this MOU. Mr. Moye stated that when the JLARC report was issued in the fall of 2016 citing many management problems with the VEDP, that Del. Jones was to address those larger problems first before establishing the VITC. Chairman Dowling stated that the Committee could develop the business plan for the VITC that was never properly developed.

Mr. El Koubi advised Mr. Vassey that language had been added to VEDP's enabling legislation that allows the VEDP to provide assistance for imports but that no funds had been made available for such.

The Committee took a break at 1:10 PM and the meeting resumed at 1:25 PM.

Comments from Secretary of Agriculture and Forestry – Bettina Ring

Chairman Dowling acknowledged Secretary Ring and asked for her comments as she needed to leave.

Secretary Ring stated that the March 2018 Governor's Conference on Agricultural Trade was well attended, with strong presentations from the Ambassadors of Canada and Mexico. She will be going to China the following week on a trade mission, with potential retaliatory actions by China on soybeans and logs on the agenda of topics to discuss.

Comments from Vince Mastracco, Chairman of VEDP Board of Directors

Mr. Mastracco explained his role on the VEDP Board of Directors. He stated that the initial focus of the newly-reconstituted VEDP Board was to focus on satisfying the recommendations set forth by the JLARC report that was delivered in fall of 2016. Regarding the VITC not moving forward, Mr. Mastracco stated that he knows the Committee is disappointed in the situation. He stated that when the legislation was passed to reform the VEDP, which included creation of the Committee on International Trade, he asked GA members and VEDP's General Counsel how the Committee should relate to the VEDP Board, but there was not a clear answer.

Mr. Mastracco stated that the VEDP Board of Directors is committed to supporting international trade. He felt that the reason the VEDP budget request for trade was not supported was because of larger political issues involving the overall state budget. Mr. Mastracco stated that with the appointment by the VEDP Board of one of its members, Mr. Ned Masee, to the Committee, that he felt better communication would take place.

Mr. Mastracco stated that he asked that VEDP executive staff develop a trade initiative for FY19, that he reviewed it and that it received unanimous support by the VEDP Board. Mr. Mastracco stated that there was no intent to do harm to international trade. He stated that, although speaking for himself, he felt he was speaking for the entire VEDP Board, the Board can feel the zeal the Committee has for international trade and welcomes creative ways to move forward. Mr. Mastracco stated that there was nothing secretive about the actions taken by the VEDP Board with regard to international trade. He stated that VEDP is limited in expanding international trade by what the General Assembly appropriates.

Mr. Moyer asked Mr. Mastracco to confirm that ideas from the Committee are welcomed by the VEDP Board, that communication is not a one-way street, that the Committee can bring items to the VEDP Board beyond those requested by the VEDP Board and that items need not be limited only to budget considerations. Mr. Mastracco replied affirmatively.

Chairman Dowling suggested to Mr. Mastracco that an MOU be established between the Committee and the VEDP Board to capture this commitment since this is not how the HB770 legislation is written. He stated that the original legislation was purposefully changed from open communication to limited communication, that it was originally for the Committee to provide advice to the Board as it may deem desirable and now when the Board directs. Mr. Mastracco stated that he did not think such an MOU was necessary. Chairman Dowling stated that it is important to do something in this manner as minutes of meetings wane in importance over time and having an instrument in place would provide continuity for future collaboration. Mr. Masee stated that communication and collaboration are key for the VEDP Board as to how it views the Committee, and that if there is no trust, an MOU will not fix things. Mr. Judd stated that he lost faith and trust due to repeated actions by the VEDP regarding transparency and its conscious decisions to exclude the Committee. Mr. Masee stated that his appointment to the Committee is a step in the right direction. Chairman Dowling stated that the trade initiative passed by the VEDP Board at its April 2018 meeting is the poster child of the problem. It was produced incorrectly, routed incorrectly and was not on the Board meeting agenda. Thus, he stated, an MOU would state the correct processes to do things better in the future. Chairman Dowling stated he would develop a proposed MOU for the Mr. Mastracco to consider and allow the Committee to continue. Mr. Mastracco stated that he would speak with the VEDP Board about an MOU.

Presentation by Paul Grossman

Mr. Grossman presented an update to the Committee, handouts provided, which included the following items on the meeting agenda:

- YTD Activities: An overview of companies enrolled in Trade's programs, recent trade missions completed, Panama mission as a first, enrollment of AT&T in VALET, testimony of clients before U.S. House of Representatives, etc.
- FY19 Operating Plan with budget: All programs and activities from FY18 remain the same for FY19, with the same, level budget. Presentation of FY19 GA appropriation,

carryforward funds representing fiduciary obligations for current program enrollees, and participation fees.

- Recommendations for FY19 program improvements: Import assistance, cross-border B2B e-commerce, and online client portal.
- Progress on Committee's January 2018 request to evaluate improved/new performance measures: Overview of SIDO report on best practices for performance measures for state international trade development agencies with estimated delivery date of June 2018.

Chairman Dowling asked why the VEDP Trade Development Initiative was apparently duplicating action to determine performance metrics if the Int'l Trade Office had already taken action based on the Committee's request last January. After brief conversation Chairman Dowling asked Mr. Grossman if he or his office had been aware of the VEDP Trade Development Initiative or had contributed to its development. Mr. Grossman replied that neither he or his office has participated in its development and he had not aware of the initiative until the day before the VEDP Board's April 26th meeting. Chairman Dowling, Mr. Judd and Mr. Feeser commented on the lack of coordination to develop that initiative and how it relates to concerns expressed earlier in the meeting.

Presentation by Mr. El Koubi

Mr. El Koubi described the budgetary requests of the VEDP, the action taken by the Governor and the actions taken by the House and Senate, respectively. He stated that the budget request for the expansion of trade programs was VEDP's fourth highest priority. He stated that nothing was fully funded. Ms. Morton explained the remaining budgetary actions are those that the General Assembly needed to complete, which she felt would take place when it returned to session in mid-May

Mr. El Koubi described the FY19 trade initiative passed by the VEDP Board in its April 2018 meeting. He stated that Mr. Moret felt that there are many activities in VEDP that are trade-related but aren't being captured.

Chairman Dowling asked why this Trade Development Initiative was moving so quickly and stated that it didn't invite input from the Committee. Mr. El Koubi stated that it was his understanding, based on conversations with Mr. Dowling and Mr. Judd, that the Committee was looking for input from the VEDP Board for agenda items to consider before taking any action or providing any input as a Committee. He stated that the document was broadly written, to communicate generally what the Committee could contribute to.

Mr. El Koubi posed a list of questions to Committee members:

- Are there any additional resources to get the scope of work done?
- What are the flaws in the current initiative document, based on comments made earlier by Mr. Dowling?
- Are there better ways of framing the questions or other elements that should be considered?

Mr. Judd suggested mapping items in VEDP's list of 14 initiatives for FY19 to trade. That is, each of the 14 items has a trade element that should be expanded upon, e.g. creating legislation for the promotion of international commerce. Chairman Dowling suggested that since the Committee had just received the document that more time may be appropriate for feedback.

Mr. El Koubi reminded the Committee that it can recommend modification of the VEDP strategic plan at any time, and that the plan is required to be updated every two years, with the next update taking place by December 2019.

Mr. El Koubi stated that he would like to reach out to each member of the Committee for their perspective on the FY19 Trade Development Initiative. Chairman Dowling stated that the Committee should not respond as individuals and recommended response as a Committee. Mr. Judd stated that everyone could contribute their views, then it could be assembled as a comprehensive, cohesive response. Mr. Feeser

agreed. Mr. Masee asked Chairman Dowling why responses couldn't be provided by individuals as requested by the Board. Chairman Dowling replied with comments to include the Committee isn't made up of individuals but rather individuals who comprise the Committee and that it's appropriate for the Committee of the whole to provide advice to the Board as intended based on earlier discussions during the meeting. Dr. Malawer stated the collective approach was a fair way of providing input. Chairman Dowling asked for consensus by the Committee if this approach was acceptable. He stated consensus was observed. He asked for volunteers to help consolidate inputs from Members on Podio versus just himself and to help develop the response report. Mr. Moye and Mr. Feeser volunteered. Mr. Judd volunteered to draft a submission template to provide continuity.

Following discussion, Chairman Dowling made a motion, seconded by Mr. Moye and passed unanimously by the Committee that Chairman Dowling, Mr. Feeser and Mr. Moye collect comments from Committee members, prepare the Committee recommendations for the FY19 Trade Development Initiative, circulate for comment and present to the VEDP Board.

Next Meetings

Chairman Dowling asked members of the Committee to suggest convenient dates for upcoming Committee meetings. The dates of June 12th or 13th, and July 9th or 10th were suggested. Chairman Dowling will check with those absent Committee members about their availability and will report back to the Committee on the dates that are selected for these meetings.

Closing Comments

Chairman Dowling asked if anyone had any comments.

Chairman Dowling stated that the next 90 days are important for the Committee to provide recommendations to the VEDP Board regarding its FY19 Trade Development Initiative. He stated that he will work with Mr. Mastracco and Mr. El Koubi on bettering communication processes. Chairman Dowling stated that he felt this was a productive meeting and a good sense of forward movement.

Chairman Dowling stated that the Committee will put together a document for Mr. El Koubi since he is the person charged with communicating to the VEDP Board about the VEDP Board of Directors-adopted initiative. Chairman Dowling reminded the Committee will communicate as a committee, and that while personal views are welcomed, the Committee will issue one document/response to the VEDP Board.

Dr. Malawer stated that Virginia should do more to articulate the value of international trade to the Commonwealth.

Mr. Grossman stated that it would be good to provide leaders (Governor, cabinet secretaries) with speaking points for international trade. Mr. Grossman stated that while the Governor is well-prepared to deliver a top five reasons why a company should establish business operations in Virginia, he is likely not well-prepared to explain the top five benefits of international trade to Virginia.

Adjournment

Mr. Judd made a motion to adjourn the meeting, Mr. Feeser seconded, and the motion passed unanimously. Chairman Dowling adjourned the meeting at 3:53 PM.