

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL**  
**TRADE AND TOURISM**  
February 13, 2007  
11:05 a.m.

**MEMBERS PRESENT**

Representative Mark Neuman, Chair  
Representative Vic Kohring  
Representative Bob Lynn  
Representative Andrea Doll  
Representative Mike Doogan

**MEMBERS ABSENT**

Representative Carl Gatto  
Representative Kyle Johansen

**COMMITTEE CALENDAR**

PRESENTATION BY WORLD TRADE CENTER ALASKA

-HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

GREG WOLF, Executive Director  
World Trade Center Alaska (WTCAK)  
Anchorage, Alaska

POSITION STATEMENT: Provided the World Trade Center Alaska presentation.

JOHN MARK POMMERSHEIM, Consulate General  
U. S. Department of State  
Vladivostok, Russia

POSITION STATEMENT: Provided comments and responded to a question during the World Trade Center Alaska presentation

**ACTION NARRATIVE**

**CHAIR MARK NEUMAN** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at

11:05:28 AM. Representatives Doll, Doogan, Lynn, and Neuman were present at the call to order. Representative Kohring arrived as the meeting was in progress.

Presentation by World Trade Center Alaska

11:06:40 AM

GREG WOLF, Executive Director, World Trade Center Alaska (WTCAK), provided a PowerPoint presentation titled, "Alaska's Role in the Global Marketplace". He informed the committee that for the year of 2006, annual worldwide exports for Alaska are anticipated to be \$4 billion, which represents 10 percent of Alaska's Gross State Product ("GSP"). Alaska's GSP is the sum of all goods and services produced in Alaska in a given year. Profits from exports also represent new money added to Alaska's economy and directly and indirectly support thousands of jobs resulting in a stronger, more diversified economy for Alaska. The exports reflected in this report, Mr. Wolf explained, are only commodities such as logs, coal, natural gas, and seafood. The value of export services, such as construction services, engineering services, and oil and gas field services, is largely unknown and is not included in this report.

CHAIR NEUMAN inquired as to how many Alaska businesses have employees working outside of Alaska.

11:10:43 AM

MR. WOLF replied that he does not have the exact number of overseas employees; however, projects overseas support business activities in Alaska for the employer. According to a study by the U. S. Department of Commerce, export-related jobs often pay 13 to 15 percent more than jobs tied solely to the domestic economy. In Alaska, higher paying jobs tend to be those that are related to mining, seafood, and the fertilizer industry. Exports also encourage the growth of expanded markets and the customer base, thereby allowing Alaska businesses to grow beyond the limits of a small market. When comparing the amount of 2005 exports valued at \$3.6 billion, Alaska ranks 40th in the nation for trade exports; however, considering total exports on a per-capita basis, Alaska ranks 4th in the nation, and when exports are specified as a percentage of the GSP, Alaska ranks 8th in the nation. Alaska is a trade-oriented state and also attracts foreign direct investment, primarily from the development of oil and gas on the North Slope.

MR. WOLF noted that through November of 2006 worldwide exports totaled nearly \$4 billion, which is a 12 percent increase from the previous year. This is the fourth consecutive year of double-digit growth for foreign trade, and the total amount for mineral exports has doubled due to higher prices.

REPRESENTATIVE DOLL requested that Mr. Wolf specify which minerals have increased in value.

[11:16:28 AM](#)

MR. WOLF indicated that the growth in mineral exports and precious metals was caused by increased prices. He returned to the subject of export trade highlights for 2006 and noted that exports to China have increased by 41 percent, which makes China Alaska's fastest growing major market, and exports to The Republic of Korea ( South Korea) have reached an all-time high.

MR. WOLF presented a graph that indicated Alaska's exports increased from 1993 to 2006, with the exception of 1998. The Asian currency crisis of 1997 is reflected by the \$750 million loss in exports during 1998. Notable steady growth in the past 3 to 4 years reflects increased demand from the growing markets of China and India. Mr. Wolf said that Alaska's top export products are seafood, minerals, energy, fertilizer, forest products, and precious metals.

MR. WOLF, in response to questions, relayed that the lack of available natural gas has affected the Agrium U.S. Inc. (Agrium) fertilizer plant and that the impact will be seen in 2007. Ninety percent of Agrium's product is exported internationally. Mr. Wolf also noted that the WTCAK is researching the source of the aircraft and spacecraft exports.

MR. WOLF, in response to other questions, informed the committee that about 50 percent of Alaska's seafood products are exported to the Lower 48 and 100 percent of mineral and energy production is exported to those markets with refinery capabilities. Liquefied natural gas (LNG) is primarily shipped to Japan and the majority of the coal is shipped to South Korea and South America. Approximately 95 percent of the fertilizer is shipped internationally, wood products are shipped primarily to Canada, and round logs are shipped to China and South Korea. He said that these statistics illustrate the fact that many Alaska businesses are 100 percent supported by the overseas markets. He also confirmed that the WTCAK is encouraging businesses to add value to natural resources before they are exported.

REPRESENTATIVE DOLL expressed surprise that minerals are no longer exported to the Lower 48.

MR. WOLF observed that at least for the last 18 years, minerals have been shipped almost exclusively overseas to markets that have the refining industries.

MR. WOLF discussed the dollar value of Alaska's top exports for 2006, and then referred to Alaska's top ten export markets. Japan remains Alaska's largest market, followed by South Korea and China. The decline in exports to Japan is mitigated by growth in exports to South Korea and China. China has now replaced Canada as Alaska's third largest export market.

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MR. WOLF, in response to a question, relayed that the artificial weakness of China's currency - the yuan - is an issue of great contention between the U.S. and Chinese governments; however, the Chinese government has taken some steps to strengthen its currency. Alaska continues to benefit from economic growth in China.

MR. WOLF pointed out that certain European countries import only one product, making the European markets relatively one-dimensional, and that is one of the reasons the WTCAK believes Alaska's focus for future markets should remain on the Pacific Rim and Asia. In addition, Alaska has the natural resources that the Pacific Rim and Asia need, is also of geographic proximity to the Pacific Rim and Asia, and is a politically stable trading partner.

[11:32:09 AM](#)

MR. WOLF, in response to a question, confirmed that Alaska exports of wood, minerals, and precious metals are all raw exports. He then emphasized Alaska's dramatic growth in trade with China. Exports to China have increased from \$100 million in 2001 to \$470 million in 2006, and are expected to continue to grow. He summarized by pointing out that Alaska's exports, from January through November 2006, are up 12 percent over the previous year. World Trade Center Alaska forecasts trade results for 2007 will depend on commodity prices and continuing growth with China. China's cities are in a period of remodeling and new construction to prepare for the 2008 Summer Olympics in Beijing and the 2010 World Exposition in Shanghai.

MR. WOLF, in response to a question, affirmed that China has tariffs on import goods; however, since joining the World Trade Organization (WTO), China must conform to international levels of tariffs. The imposition of tariffs is not a big obstacle to Alaska's export businesses. Mr. Wolf said he expects that the 2007 export trade to be about \$4 billion. He then described the WTCAK as part of the global World Trade Center (WTC) organization that includes 300 trade centers located in 78 countries. World Trade Center Alaska was established in 1987 as a private, nonprofit organization, and its mission is: "To assist Alaskans to successfully compete for trade and investment in the global market place."

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MR. WOLF advised the committee that the WTCAK is supported by a combination of funds from the State of Alaska, the U.S. Department of Commerce, and membership fees from over 100 Alaska companies. The five core functions of the WTCAK which are: to help Alaska companies become "export ready" through information and technical assistance, to find new markets and trade opportunities for Alaska companies, to provide information and hands-on assistance to make trade happen, to provide office and conference room space to facilitate business meetings, and, through the WTC network, to provide members with access to facilities and international trade support services around the world. Networking by the WTCAK with the U.S. Department of Commerce ensures access to U.S. Embassies and Consulates. In addition, the WTCAK holds relationships with foreign government agencies such as the Korean International Trade Association. At this time, the WTCAK is placing emphasis on the development of four programs: Japan Focus, Korea Connection, China Calling, and New Markets New Customers.

[11:45:41 AM](#)

CHAIR NEUMAN spoke of the Second Alaska/China Business Conference in November 2006, and asked for the schedule of upcoming conferences.

MR. WOLF announced that the Third Alaska/China Business Conference will be held this fall, and invited all members of the Alaska State Legislature to attend. The Alaska/China conferences continue to be a high quality source of information and feature speakers from the private sector; the field of law; and experts in trade and economic development representing the U. S. and Chinese governments. Mr. Wolf said he feels that the WTCAK Alaska/China conferences benefit all entities that need

information about the opportunities, and pitfalls, of doing business overseas.

REPRESENTATIVE LYNN endorsed the WTCAK conferences.

REPRESENTATIVE DOLL asked Mr. Wolf to predict the changes in Alaska's top export products over the next five years.

MR. WOLF predicted that growth in the next five years will be in precious metals and mining, due to the opening of new mines and new exploration; and seafood sales will continue to grow, due to European and Asian interest in healthy foods.

CHAIR NEUMAN referred to agriculture and the possible export of seed potatoes.

[11:51:11 AM](#)

MR. WOLF agreed that efforts to export seed potatoes or table stock potatoes have begun. However, work still needs to be done to prove that Alaska's agricultural products benefit from its isolation, which protects products from pests and diseases, and from soil conditions and climate. Of course, products must also be cost competitive, but the first step is to convince foreign governments that the products are safe. At this time, agricultural exports are an opportunity of the future. In response to a comment, he confirmed the existence of a company located on the Kenai Peninsula that hopes to convert harvested blueberries into a nutraceutical. The important question, he emphasized, is whether or not Alaska companies can develop unique or better products that are priced competitively.

MR. WOLF concluded by noting that the WTCAK is a public and private partner of the State of Alaska, the private business community of Alaska, and the U.S. Commercial Service.

JOHN MARK POMMERSHEIM, Consulate General, U. S. Department of State, Vladivostok, Russia, informed the committee that the office of the U.S. Consulate General in Vladivostok includes representatives of the United States and Foreign Commercial Service (US&FCS). The US&FCS representatives have a mission to assist U.S. businesses overseas and to promote U.S. exports, including the export of services. Mr. Pommersheim told of his recent meetings with Alaska companies that are exporting services to Russia, including companies involved in hydrocarbon projects on Sakhalin Island, Russia. There is also a tremendous amount of interaction between the citizens of Alaska and

citizens of the Russian Far East, not only in business but also in the area of cultural ties and through Rotary International clubs (Rotary) and University of Alaska student exchanges. Although Russia is not mentioned as one of the top export markets presently, he assured the committee that the U. S. Consulate General in Vladivostok has a team ready to support future business between Alaska and the Russian Far East.

MR. POMMERSHEIM commented on the importance of exchanges between Russia and the U.S. on issues related to democracy and pointed out that the U. S. government has, in the past 13 years, assisted 50,000 Russians in visiting the U.S.

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CHAIR NEUMAN asked Mr. Pommersheim whether there is anything that [legislators] can do to make trade with Russia or other countries, easier?

MR. POMMERSHEIM reiterated that there are long-term opportunities for U.S. companies in Russia. The current economic growth rate in Russia is over 7 percent and Russia has experienced a 50 percent increase in U.S. investments in the past year.

MR. WOLF referred to the initial work done by the WTCAC and the U.S. Commercial Services Department to support developments in oil and gas on Sakhalin Island, and in the Russian Far East. Lynden Logistics, Inc. (Lynden) is one of several Alaska companies that are doing business on Sakhalin Island. Lynden provides transportation for goods and materials; other companies are providing oil and gas field services, construction services, and material supply services. These successful businesses demonstrate that Russia is a major market for the export of services. Alaska companies have developed technical and professional skills by working in remote areas and under difficult conditions, far from supply lines, and with strict environmental regulations. These skills are in demand around the world. He estimated the dollar amount of service exports to be \$500 million to \$750 million.

12:06:19 PM

CHAIR NEUMAN added that the WTCAC report only includes the value of commodity exports, and does not reflect the substantial market for services between Alaska and Russia. Chair Neuman thanked the presenters and asked committee members to consider

how to promote business and economic development for the State of Alaska.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, Trade, and Tourism meeting was adjourned at 12:07 p.m.