

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON WORLD TRADE AND STATE/FEDERAL
RELATIONS

February 13, 2007
3:08 p.m.

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Bert Stedman
Senator Kim Elton
Senator Thomas Wagoner

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Donny Olson

COMMITTEE CALENDAR

Overview: World Trade Center Alaska
HEARD

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

Greg Wolf, Executive Director
World Trade Center Alaska
431 West Seventh Avenue, Suite 108
Anchorage, AK

POSITION STATEMENT: Delivered World Trade Center Alaska
overview

ACTION NARRATIVE

CHAIR JOHN COWDERY called the Senate Special Committee on World Trade and State/Federal Relations meeting to order at [3:08:17 PM](#). Present at the call to order were Senator Elton, Senator Wagoner, Senator Stedman, and Chair Cowdery.

Overview - World Trade Center Alaska

CHAIR COWDERY announced the committee would hear a presentation by Greg Wolf from World Trade Center Alaska.

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GREG WOLF, Executive Director, World Trade Center Alaska (WTCA), delivered a PowerPoint presentation outlining Alaska's role in the international export market. A copy may be found in the committee file.

International Trade is Big Business for Alaska

- Annual worldwide exports total \$4 billion.

This represents

- Nearly 10percent of the Alaska gross state product (GSP).
- New money into the economy.
- Thousands of direct and indirect jobs.

Results in:

- Stronger, more diversified economy

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Why Trade Matters

- Substantial component of Alaska economy. Exports account for approximately 10 percent of the GSP. Export total does not include the export of services from Alaska - such as construction, engineering and oil and gas services.
- Exports bring \$4 billion of new money into our economy. New money - not recycled money.
- Export jobs are high paying jobs. Export-related jobs typically pay 13 to 16 percent more than jobs tied solely to domestic economy.
- Exports allow companies to become larger through expanded markets and customer base.
- For some Alaska companies, their best bet for growth is overseas markets.

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How Does Alaska Rank?

- Alaska is one of the more trade-oriented states in America:
 - In absolute terms, at \$3.6 billion (2005 total), Alaska ranks 40th among all states.
 - On a per-capita basis, Alaska ranks 4th.
 - Exports as a percentage of GSP, Alaska ranks 8th in the nation.
 - Foreign direct investment: Alaska ranks 12th in attracting overseas investment.

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2006 Trade Highlights

- Exports to reach \$4 billion - up 12 percent.
- 4th consecutive year of double-digit growth.
- Mineral exports doubled.
- Increase driven primarily by higher prices (zinc price up 100 percent '05 '06).
- Exports to China increase by 41 percent.
- Korean exports reach all-time high of \$700 million last year.

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Alaska Worldwide Exports Chart

The bar graph gives an historical perspective of the last 13 years. In that time Alaska was in a \$2.5 billion range worldwide. The exception was in 1998, which reflects the 1997 Asian currency crisis. That year, Alaska took a \$.75 billion hit.

Double digit growth started in 2003. Much of that can be attributed to increased demand for natural resources from emerging economies such as China and India. As a result Alaska is receiving higher values for overseas exports.

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Alaska Top Export Products 2006

- Seafood and Fish- 50.64 percent.
- Minerals - 26.88 percent. Mainly zinc and lead from the Red Dog Mine.
- Energy - 6.14 percent. Includes LNG to Japan; coal to Korea and South America; and refined fuel products that go to a variety of countries.
- Fertilizers - 4.15 percent. Production has dropped at the Agrium plant on the Kenai Peninsula as it seeks alternative feedstock.
- Forest Products -2.71 percent. This has declined over the years. Round logs are the primary product being shipped to Korea and China for processing.
- Precious Stones/Metals - 2.62 percent.
- Aircraft/Spacecraft - 1.89 percent.
- Machinery - 1.34 percent.
- Fish Meal - .85 percent.

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Alaska's Top Export Products 2006
In millions

- Seafood and Fish - \$1,992,229
2005 - \$1,927,814
- Minerals - \$1,057,352
2005 - \$509,261
- Energy - \$241,660
2005 - \$302,754
- Fertilizers - \$163,147
2005 - \$269,455
- Forest products - \$106,674
2005 - \$121,054
- Precious Stones/Metals - \$103,152
2005 - \$77,032
- Aircraft/Spacecraft - \$74,458
2005 - \$143,776
- Machinery - \$52,754
2005 - \$33,581

The increases are probably more a function of higher prices than increased output.

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Alaska's Top Ten Export Markets 2006

Netherlands - 3.5 percent
Mexico - 3.05 percent
Germany - 6.06 percent
Canada - 11.22 percent
China - 11.94 percent
Korean Republic - 17.8 percent
Japan - 26.64 percent
Spain - 3.65 percent
Belgium - 2.39 percent
Switzerland - 2.76 percent

MR. WOLF said 10 years ago trade to Japan represented about 50 percent. Today Alaska is more diversified as a result of the economic downturn there. Overall the numbers are larger as a result of growth in other markets. He noted the growth in Korean and Chinese markets in particular. Currently China has surpassed Canada to become Alaska's third largest export market.

The European markets tend to be one dimensional rather than buying a basket of commodities. For example, Switzerland almost exclusively buys precious metals while Belgium buys zinc.

MR. WOLF pointed out that exports are concentrated in the Pacific Rim - particularly in Asia, for three reasons. Alaska has the resources those countries need; Alaska has geographic proximity; and Alaska is part of the United States and that provides stability.

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Alaska's Top Ten Export Markets 2006
In millions

Japan - \$1,048,068
Korean Republic - \$700,319
China - \$469,874
Canada - \$441,290
Germany - \$238,226
Mexico - \$120,124
Netherlands - \$123,934
Switzerland - \$108,537
Belgium - \$94,091
Spain - \$143,420

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MR. WOLF referenced a bar graph and said total exports to China have quadrupled in five short years. In the 18 years he has been in this business he has never seen that kind of growth from any major market. That is expected to continue for the next several years due to the 2008 Summer Olympics and World Expo in 2010.

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Alaska Export Update: Jan - Nov 2006

The bar graph shows exports were up 12.76 percent over 2005.

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2007 Trade Outlook

- Results will depend heavily on commodity prices - minerals and metals.
- Expect continuing growth from China through 2008 and probably 2010.
- Watch the dollar - weaker dollar makes U.S. exports relatively cheaper.
- Slow or no export growth likely in 2007.
- 2007 Forecast: \$4 billion (+) or (-).

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About World Trade Center Alaska

- Established in 1987.
- Private, non-profit organization.

- 18-member board of directors.
- Statewide mission, membership, directors.
- Mission is to assist Alaska to compete successfully for trade and investment in the global marketplace.
- Small staff - Big Agenda.

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Core functions

Trade capacity - Help Alaska companies to become export ready through information, seminars and other technical assistance.

Trade Development - Research new markets and identify trade opportunities for Alaska companies.

Trade Service - Support Alaska companies with the information and hands-on assistance needed to make trade happen; connect Alaska sellers with overseas buyers.

Trade Facility - Make available office and conference room setting to facilitate business meetings and events.

Trade Network - Provide members with access to facilities and support services in more than 300 cities around the world.

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Trade Development Programs

Korea Connection - This program offers information and assistance to Alaskans seeking to do business in Korea.

China Calling - Under this program WTCA has taken trade missions to Shanghai and Beijing. Top level Chinese business experts have come to Alaska to talk about the opportunities and pitfalls of doing business in China.

New Markets New Customers - This is the work that is being done to find the next new niche markets and major markets for Alaska exporters.

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Public-Private Partnership

World Trade Center Alaska is a private nonprofit that partners with the State of Alaska and the U.S. Commercial Service in the U.S. Department of Commerce. The idea is to combine resources to maintain and expand a very effective trade program.

World Trade Center Alaska is celebrating its 20th anniversary and is looking forward to the next 20 years, he concluded.

CHAIR COWDERY commented on the trip he made to China last year.

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SENATOR ELTON mentioned a deal that Bob Poe [Anchorage Economic Development Corporation President] negotiated to send seafood to China to be processed with cheap labor and then imported back to the United States. It seems that that kind of trade ought to be discounted a little bit, he said, because it could result in the loss of coastal jobs. He asked if that is a common situation.

MR. WOLF replied some companies do process Alaskan seafood in other countries for the purpose of re-export. Sometimes the seafood is re-exported elsewhere in Asia and sometimes it is returned to the United States. He emphasized that WTCA encourages adding some value to Alaska natural resources before they are exported because doing so means more jobs and a larger tax base for Alaska.

SENATOR ELTON said his concern is that the finished product uses cheaper labor to compete with a product that is processed here before being exported. He said he is looking for more detail and he plans to follow up with Mr. Poe.

CHAIR COWDERY commented that when he first went overseas, Japan made a lot of products for export. At some point those products were overpriced and business moved to Korea and Taiwan. Now those products are overpriced and business has moved to China.

MR. WOLF said there is a sort of evolution and Vietnam is now entering the market.

Responding to Senator Elton he said it's outside of WTCA's purview to decide where companies do their work, but to the extent that WTCA can encourage the work to be done here so that Alaskans have the jobs, it is advantageous on many levels.

SENATOR ELTON referenced the double digit growth over the last three years and asked how much is due to the weak dollar.

MR. WOLF replied some is, but the main reason is the increased demand from emerging markets. If India or China is buying product from someone else, it still drives up the price for a similar Alaskan product. "So long as that demand is forthcoming, that's going to be good for us."

SENATOR STEDMAN commented that Alaska Pulp Corporation was active in previous years, but he didn't know if it had been active in WTCA.

MR. WOLF said he couldn't say if it was a member ten years ago, but several forest product based companies are members now. Sealaska Corporation is currently exporting round logs overseas.

SENATOR STEDMAN asked about George Ishiama's business.

MR. WOLF said Mr. Ishiama was instrumental in forming and maintaining Alaska Kai -a group of blue chip Japanese companies whose purpose was to consider business opportunities with Alaska. The group was in existence from the early 60s and Mr. Ishiama was the chair. He recalled that the group had strong support from the pulp mills. "I'm not sure of the status of his business entities today," he stated.

CHAIR COWDERY commented that Mr. Wolf invited the committee to go to India last year and Singapore this year.

MR. WOLF explained that in any given year WTCA will organize one or two major trade missions. Last year WTCA took a group of 15 to Korea and the year before about the same number went to Shanghai and Beijing. Some members are interested in doing the India trade mission, but today it is not a significant Alaska trade member.

China is growing at about 10 percent annually while India is growing at about 8-9 percent. Both have over one billion people and both have tremendous infrastructure build-out ahead. In addition both have rising expectations for their citizens and will increasingly have money to spend. In the future India could be an important market; Singapore is currently in the top 20.

MR. WOLF said in the past he has looked at seafood in that market. Singapore has one of the highest per capita incomes in Asia. 70 percent of the population is ethnically Chinese and they are big seafood consumers. Shipping air fresh seafood from Alaska to Singapore could be a lucrative niche market.

Singapore also has a large oil and gas refining industry and it's possible that some Alaska service sector companies could find opportunities there. "It's a very interesting market and one of the ones that we're taking a look at," he said.

CHAIR COWDERY commented that the Alaskan company Udelhoven has a presence in China.

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SENATOR ELTON recalled that Australia is a big market for canned salmon. He asked if some of the export data for Alaska is missing because the resource is trans-shipped through Washington state. He asked if Alaska might not know that its salmon is being further exported from Seattle on to Australia, for example.

MR. WOLF replied the United Kingdom has traditionally bought most of the canned salmon from Alaska.

SENATOR ELTON asked if WTCA is able to track and know the value of seafood that leaves Alaska and is trans-shipped through Seattle.

MR. WOLF said WTCA knows that for seafood in particular the numbers don't fully reflect the value of Alaskan exports. Seafood that is caught in Alaska, shipped to a warehouse in Seattle, and then sent on at a later date may not be credited to Alaska on the shipping manifest. The guy standing on the dock in Seattle may just say the fish came from Seattle because he's standing there and that's where the product is sitting. WTCA has convinced the Department of Commerce that this happens so its statistics carry a special notation that the numbers for Alaska may not be fully reflective. Those numbers are probably underreported, he said, but the numbers for some of the other industries are quite accurate.

MR. WOLF relayed that in an article that was published several years ago he estimated that, on an annual basis, the Alaskan export of services was between \$500 million and \$750 million. Subsequent to that he was told him that his estimate was probably low. That is exciting, he said, is because Alaska is exporting know how rather than just a commodity. "For the students coming out of college, they don't necessarily have to work in a mine or on an oil rig. They can be working in the service sector side and still have a good-paying job from Alaska as we find markets overseas for that." Ultimately the money flows back to Alaska, he stated.

SENATOR STEDMAN questioned why Alaska doesn't have more fish trade with the Philippines.

MR. WOLF replied it varies, but perhaps the reason is that no one has looked at that market. He noted that at last measure the Philippines ranked as Alaska's 41st trading partner.

SENATOR STEDMAN commented that he was told that it's likely that all the drafting and design drawings for the new gas line will be done in India. He asked if that would be reflected in the import export data if that were to happen.

MR. WOLF said no; that work would be characterized as outsourcing rather than export. But if a gas line is realized, a number of international companies will be involved in one way or another.

CHAIR COWDERY asked if South-Central Timber is a member company.

MR. WOLF said yes. He noted that a small value-added forest products company from Ketchikan that joined last week was having trouble getting its product to a Russian customer. WTCA has experience in that area and was able to help Alaska Forest Enterprises the day after it joined.

CHAIR COWDERY relayed his long-standing interest in and commitment to international trade.

MR. WOLF described how WTCA helps small and medium sized companies have a cost-effective presence at trade shows in key markets.

CHAIR COWDERY asked him to describe "Discover Alaska."

MR. WOLF explained that it is an effort to bring 10 mid-career business and government executives to Alaska from Korea, China, Japan, and Taiwan for a business familiarization trip. The idea is to get the next generation of leaders interested in Alaska, he stated.

MR. WOLF described "Display Alaska," which is a plan to advertise Alaska in high traffic areas in key market countries. Lighted displays will show that Alaska is a great place to do business and a great place to work. They will have visual images of the major industries and tourist attractions as well as contact information and a letter from the governor. This will deliver a positive business-focused message about Alaska.

CHAIR COWDERY suggested he talk about China Air.

MR. WOLF explained that China Airlines is interested in sponsoring the display boxes and that seems to be the next step. It is the only international carrier that provides direct year-round service between Asia and Alaska. "Someone can walk by and see this beautiful image of Alaska...and then they see the airline...and they go online and they can do it."

CHAIR COWDERY thanked Mr. Wolf and said he intended for the committee to be a bit more active this year.

There being no further business to come before the committee, Chair Cowdery adjourned the meeting at [4:04:01 PM](#).