

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND
TOURISM

February 6, 2014
11:21 a.m.

MEMBERS PRESENT

Representative Shelley Hughes, Chair
Representative Pete Higgins
Representative Geran Tarr

MEMBERS ABSENT

Representative Lynn Gattis
Representative Bob Herron
Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt
Representative Harriet Drummond

COMMITTEE CALENDAR

PRESENTATION: WORLD TRADE CENTER ALASKA

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

GREG WOLF, Executive Director
World Trade Center Alaska
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "All the Right Stuff."

ACTION NARRATIVE

[11:21:14 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on Economic Development, Trade, and Tourism meeting to order at 11:21 a.m. Representatives Tarr and Hughes were present at the

call to order. Representative Higgins arrived as the meeting was in progress.

PRESENTATION: WORLD TRADE CENTER ALASKA

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CHAIR HUGHES announced that the only order of business would be a presentation by Greg Wolf, Executive Director, World Trade Center Alaska.

[11:22:12 AM](#)

GREG WOLF, Executive Director, World Trade Center Alaska (WTCAK), provided a PowerPoint presentation entitled, "All the Right Stuff." Mr. Wolf informed the committee that international trade is big business for Alaska, and estimated that overseas exports from Alaska will total \$4.5-\$4.6 billion in 2013 - the second highest level ever recorded - following \$5.2 billion recorded in 2011. At this level, exports represent about 10 percent of the state's gross product, which is the sum of all goods and services produced in the state in a given year. Exports bring new money into the economy, generate and sustain thousands of direct and indirect jobs, and make a stronger and more diversified economy [slide 2]. Trade matters because it is a substantial component of Alaska's economy, even though the figures do not include the export of technical and professional services. Trade also brings in about \$5 billion from overseas markets, which is new - not recycled - money.

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CHAIR HUGHES asked for an estimate of the value of technical and professional services.

MR. WOLF estimated the export of services adds approximately \$1 billion, a figure that is derived anecdotally from industry publications and informal reporting. Examples of services that are exported are architectural design, construction, engineering, environmental services, and transportation. In response to Chair Hughes, he clarified that exports are products going from one country to another, not products shipped to the Lower 48. Mr. Wolf continued, noting that exports allow companies to grow through expanded markets and customer base, which is not possible in Alaska's small domestic market [slide 3]. A study revealed that exports support nearly 15,000 direct and 10,000 indirect and induced jobs in Alaska; moreover,

according to the U.S. Census Bureau, U.S. Department of Commerce, export-related jobs pay from 13-16 percent more than jobs tied solely to the domestic economy [slide 4]. Alaska ranks 40th among all states by the value of its exports, which is "impressive" considering its small population and the lack of major manufacturing and agricultural sectors; Alaska achieves this level exclusively with the sale of natural resources. Exports as a percentage of gross state product put Alaska 14th of all states, and ranking on a per capita basis puts Alaska 4th. Finally, according to the U.S. Department of Commerce, there are approximately 300 companies that export from Alaska, 75 percent of which are small- and medium-sized enterprises (SMEs) [slide 5]. He said "So there's a lot of opportunities ... for the small- and medium-sized players ... and they're having success." Mr. Wolf stated in his 26 years of experience there has not been much change in the products exported from Alaska: seafood remains its single largest export commodity at 50 percent; in 2013, with fish meal included, the percentage was 51 percent. Minerals, predominately zinc and lead, are the second largest commodity. The energy category includes the export of liquefied natural gas (LNG), coal, and refined fuel products. Forest products consist of mainly whole, round logs and wood chips, and precious metals are gold and silver [slide 6]. On the other hand, the customers for export products have changed since 2011, when China, not Japan, became Alaska's largest trading partner. China accounts for 28 percent of Alaska's total exports, Japan purchases 16 percent, South Korea purchases 15 percent, and Canada purchases 13 percent. European customers tend to purchase one commodity, unlike the large and important Asian markets [slide 7]. Mr. Wolf stressed that Alaska's economic ties are with Asia for the foreseeable future [slide 8].

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CHAIR HUGHES asked for a breakdown of the products that are exported to Asian markets.

MR. WOLF said the bulk of Asia's imports are seafood, but countries there also purchase minerals, metals, and forest products. He reminded the committee the only exports of LNG have been to Japan and exports of coal have been to Korea, thus the Asian markets are multi-product buyers. In further response to Chair Hughes, he said seafood makes up 50-60 percent of exports to China, and Asian buyers are first in each product category.

CHAIR HUGHES inquired as to whether WTCAL has projected the impact of exporting LNG from a large diameter gas line.

MR. WOLF expressed his understanding that countries in Asia pay the highest prices for LNG and are the largest buyers of LNG. In further response to Chair Hughes, he presumed most of the LNG would be exported, but he needed further information on volumes and pricing to estimate its worth. Returning to specific information regarding China, Mr. Wolf described the years between 2000 and 2011 as "The Dragon Decade" during which exports to China increased from about \$100 million to a peak of \$1.4 billion; this growth was unprecedented, although not surprising. Total exports to China for 2013 are expected to be \$1.3 billion, the second highest level, and China will continue to be Alaska's most important buyer. In addition, China is expected to invest in the state and become a partner in natural resource projects, as evidenced by its interest in natural resources around the world. In fact, Chinese investors are involved in two mining projects and offshore leases in the Chukchi Sea [slide 9]. Historically, exports have been a consistent growth industry for Alaska in the past twenty years with only [three] periods of decline, in 1998, 2008, and 2009 [slide 10].

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CHAIR HUGHES asked whether the aforementioned decade of growth is more attributable to China's expanding middle class, or to Alaska's marketing strategy.

MR. WOLF said both are correct: Alaska was one of the first ten states to open an office in Beijing, and the Alaska Seafood Marketing Institute (ASMI) is actively promoting wild-caught seafood; the expanding middle class in China means more of a market for the consumption of seafood instead of just for processing and re-export. Some of the factors that explain the growing success of Alaska's exports are three "rights." First is Alaska's right geography, well-located on the Pacific Rim with its fast-growing population. Second, this is the right time in history because of the emerging markets and migration to the cities; for example, an estimated 400 million Chinese will have migrated from rural areas to cities in China by 2025 and at the same time, in India, about 250 million residents are expected to migrate from rural areas to cities. Furthermore, worldwide, people are rising out of poverty into the consuming class. Third, Alaska has the right commodities - natural

resources - the building blocks of economic development and the "must haves" of energy, fuel, and construction materials.

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CHAIR HUGHES questioned whether India is currently a market for Alaska's exports.

MR. WOLF responded that India is not a significant customer for Alaska at this time. However, in 2010, a trade mission to Southeast Asia found that India has the same import needs as China. India's population is 1.2 billion and it is behind China in terms of its economic development and modernization. He acknowledged that China is more aggressive in securing agreements for the natural resources it seeks. There is a possibility that India could be a huge new area of growth.

REPRESENTATIVE HIGGINS asked whether the window of opportunity for exporting gas to Asian markets is closing rapidly.

MR. WOLF recalled that Alaska produced the first LNG imported into Japan and did so for 30 years. Presently, China and India are using over 70 percent coal for power generation, but they would like to have cleaner sources of fuel, and are searching for supplies of LNG. By 2010, China had built one LNG receiving station for LNG imported from Qatar, and was building two more. Producers of LNG are familiar with market opportunities and Alaska is close enough to supply natural gas and huge quantities of coal. Mr. Wolf continued, saying that there may be a fourth "right," which is that the world is heading north, and Alaska makes the U.S. an Arctic nation. Commercial developments in the Arctic will create transportation links to natural resources in Alaska that have been previously stranded. Further, infrastructure will be needed for onshore and offshore development and maritime shipping [slide 12]. For the last three years WTCAK has sponsored an event called "Arctic Ambitions" in order to explore business and investment opportunities arising from activities in the Arctic. Government and private sector representatives from Russia, Canada, Finland, Norway, and other countries will participate, in addition to Alaska companies. Mr. Wolf concluded that he is optimistic [about business opportunities in Alaska] because of the following: Alaska has the resources the world needs; fast-growing economies and populations are nearby; and commercial development in the Arctic will present new opportunities [slide 13]. Moreover, traditional industries, like mining, have many resources that remain untapped, in fact, Alaska has vast

supplies of resources that can be compared to those of countries: the second highest supply of the world's coal; the third highest supply of the world's copper; the sixth highest supply of the world's lead; the seventh highest supply of the world's gold; the eighth highest supplies of the world's zinc and silver [slide 14]. He posited that with a vast supply of coal and one coal mine in Alaska, that one mine can grow, and there is room for new entrants into the market. Although the coal industry does not have a long history, there is a long history of "doing things right in Alaska, doing development right." Other reasons to be optimistic are the possibilities for future exports of gas from the North Slope and of Rare Earth Elements (REEs). Technology metals are found in computers, cars, cell phones, airplanes, and many other products. China controls 90 percent of this market, which makes "modern economies of America, Japan, and Europe kind of nervous." Therefore, a search is underway in Alaska to inventory these elements because they must be found in quantities economic for a large mining operation. As discussed earlier, service sector exports present another opportunity for companies to grow by exporting technical services such as construction, transportation, engineering, architectural, and environmental. Mr. Wolf directed attention to a new business model for Alaska which allows new and long-time companies to go beyond the 700,000 customer base of Alaska to 3,000,000,000 customers found in Asia, thereby changing the economic viability of projects and companies [slide 15]. He highlighted six WTCAK member companies engaged in business outside of Alaska: ADS-B Technologies, leading technology in air traffic control systems; Dowland-Bach, manufacturing oil and gas field control systems; Usibelli Coal Mine, Inc., a coal mining operation with overseas customers; Alaska Brands Group, a bottled water company doing business in Asia; RIM Architects, doing business in Asia; and NANA Development Corporation, a Native corporation doing contracting work in eight countries and Alaska [slides 16 and 17]. Finally, Mr. Wolf described four WTCAK trade development programs: JapanFocus; China Calling; Canada: Opportunities Next Door; Korea Connection; and New Markets/New Customers [slide 18].

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CHAIR HUGHES told the committee that there is about 40 percent empty cargo space on planes returning to Asia from Anchorage.

MR. WOLF agreed there is a freight imbalance, as completely full planes arrive from Asia on their way to the Lower 48, and return with empty cargo capacity. This creates an opportunity to fill

planes on their last stop in Anchorage with seafood and other high-value products from Alaska. He announced that Cathay Pacific airline has inaugurated a new cargo route, Hong Kong/Anchorage/LosAngeles/Mexico City/Guadalajara/Anchorage/Hong Kong. This route has the potential to transport fresh Alaska seafood to Latin American and Asian markets.

[12:12:05 PM](#)

ADJOURNMENT

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